Rapala®

Annual Report 2011

BUSINESS OPERATIONS AND STRATEGY

FINANCIAL STATEMENTS

INVESTOR INFORMATION

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PDF version
of the Annual Report

GROUP FISHING PRODUCTS

Lures and baits, hooks, lines and fishing accessories manufactured or sourced by the Group and sold under Group's brands.

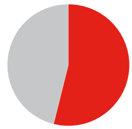
OTHER GROUP PRODUCTS

Winter sports, hunting and outdoor equipment as well as gift products manufactured or sourced by the Group and sold under Group's brands.

THIRD PARTY PRODUCTS

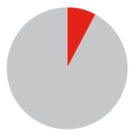
Non-Group branded fishing products and third party products for hunting, outdoor and winter sports distributed by the Group.

NET SALES 2011



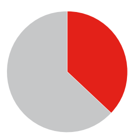
54%

152.3 M€



8%

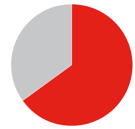
22.8 M€



38%

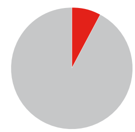
105.0 M€

OPERATING PROFIT AND OPERATING PROFIT MARGIN 2011



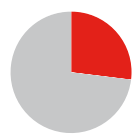
65%

19.9 M€
13.0%



8%

2.5 M€
11.0%



27%

8.4 M€
8.0%

GROUP KEY FIGURES 2011

Total net sales, EUR million

279.5

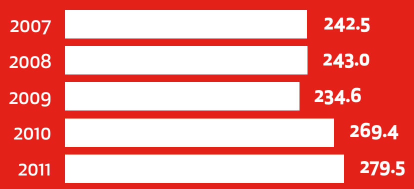
Operating profit margin, %

11.0

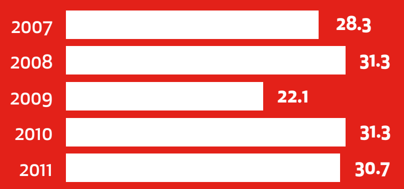
Earnings per share, EUR

0.36

Net sales, EUR million

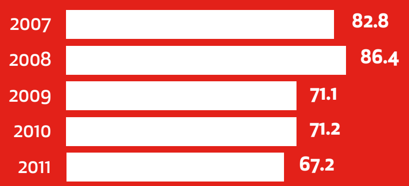


Operating profit, EUR million

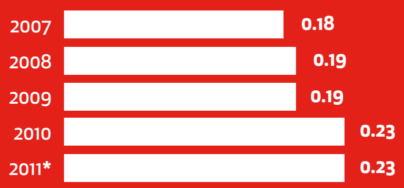


Operating profit, %

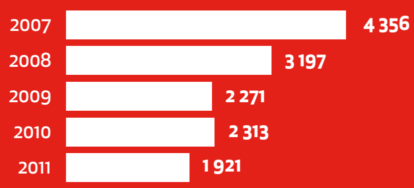
Gearing, %



Dividend per share, EUR



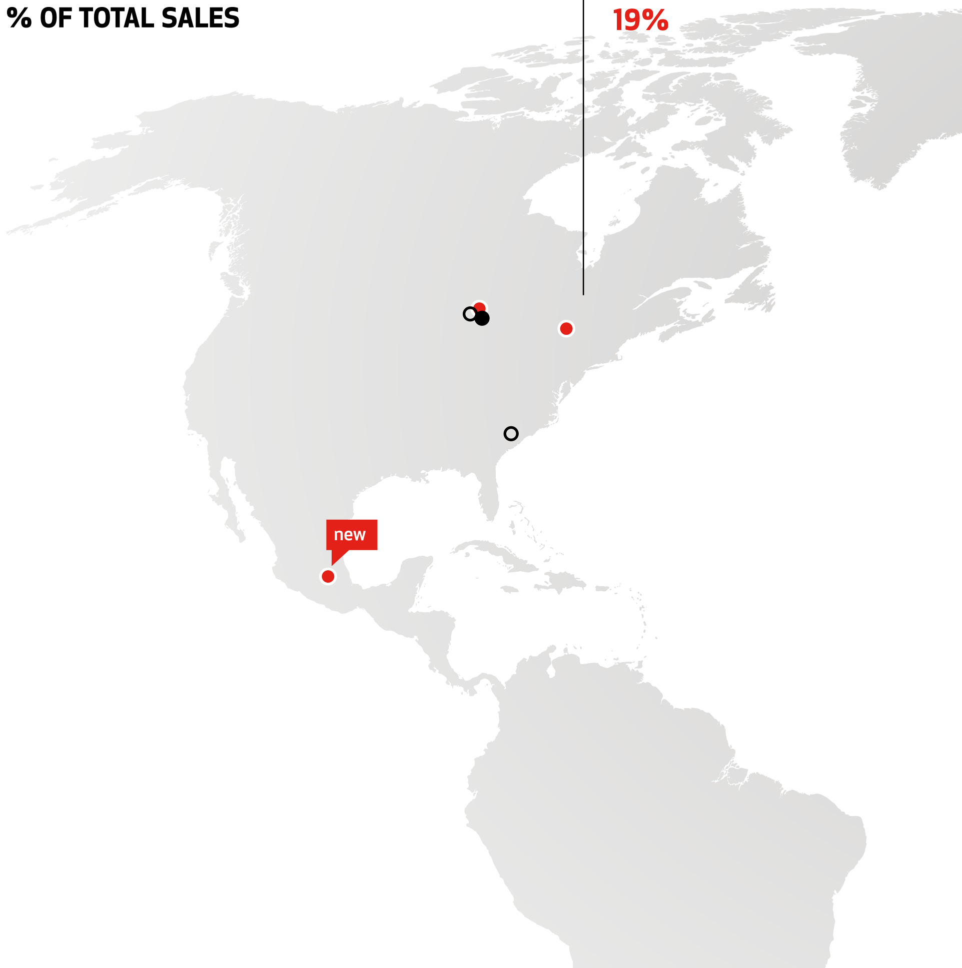
Personnel at the end of the period



* Board Proposal

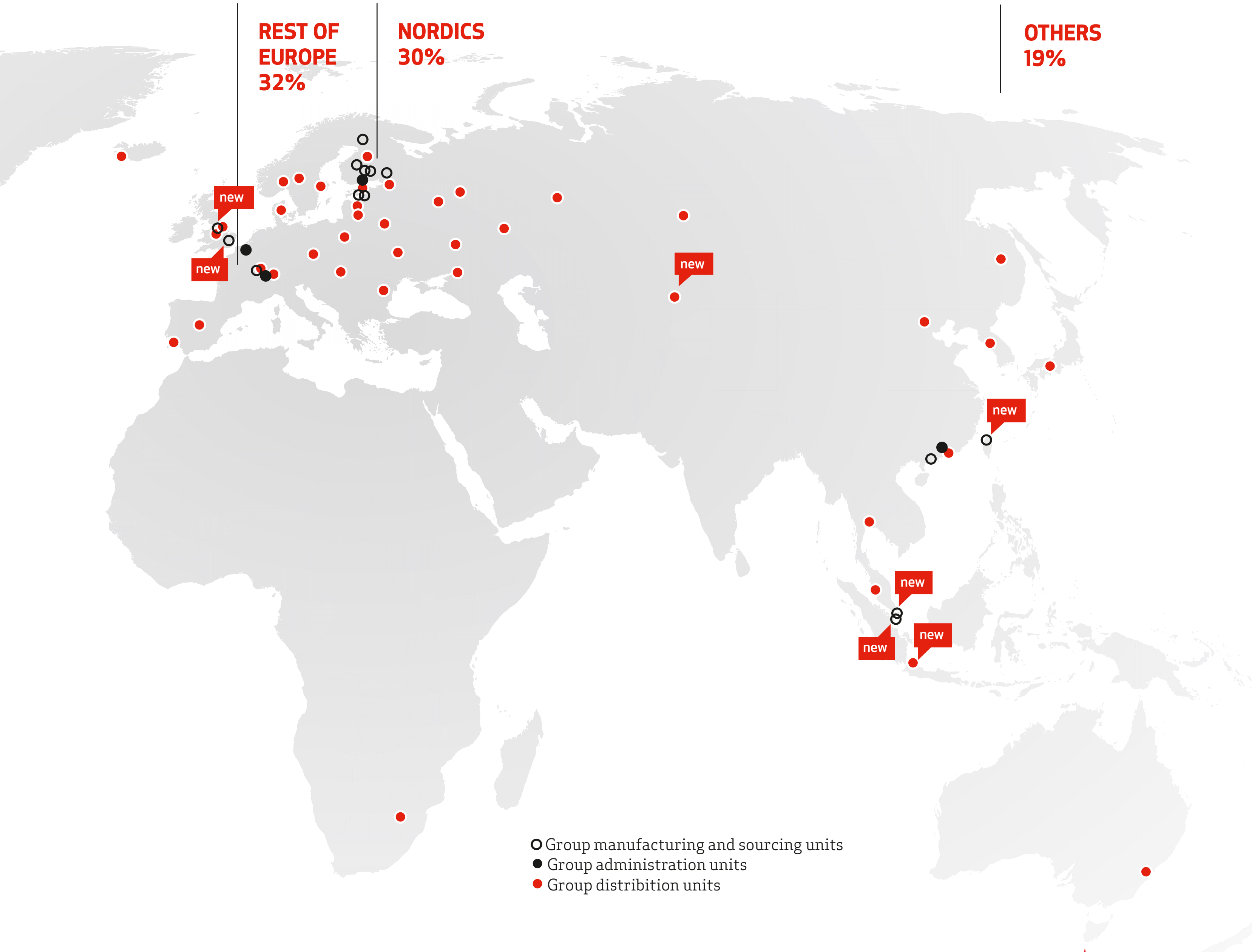
LOCATIONS OF BUSINESS OPERATIONS % OF TOTAL SALES

NORTH AMERICA
19%



2011 marked another good year for the Group

Net sales were all time high, profitability was close to last year's record levels and balance sheet strengthened.



The World of Rapala

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

The Group, with net sales of EUR 279 million in 2011, employs some 2 000 people in 37 countries. Rapala's share is listed and traded on the NASDAQ OMX Helsinki stock exchange since 1998.

"Good year in challenging business environment."

Jorma Kasslin
President and CEO

Statement by President and CEO

Year 2011 turned out to be more challenging year than initially anticipated, but we came through with good results. Sales wise it was another record year and our profitability remained close to last year's record levels, proving our ability to perform well even when the times are more challenging. Our expectations for 2012 are positive.

Year 2011 marked another record year as our net sales approached 280 million euro. While the weather, natural disasters and increased economic uncertainties together with supply chain and operative challenges impacted negatively the performance of some of our units, this was more than offset by solid performance of the others. Our truly global presence in the fishing tackle market is again showing its merits.

The geographical footprint of our operations continued to expand during 2011. Lure and hook manufacturing operations started on Batam Island in Indonesia and new sourcing office was opened in Taiwan. New distribution companies were opened in Mexico, Indonesia and Kazakhstan strengthening our unique distribution network further.

Our strategic alliance with Shimano in Europe was deepened through the establishment of a joint venture distribution company in the UK.

In 2011 we also divested our Chinese gift manufacturing business. This business, which became part of the Group back in 2001 through acquisition of Willtech lure manufacturing, found now its new home with its major customer French Pylones SAS.

The grand opening of Peltonen Ski Oy's new factory was celebrated this autumn. The modern facility increases our cross country ski manufacturing volumes and efficiency. The Finnish distribution operations also relocated into new larger premises.

The work to improve the supply chain between our factories and distribution companies is gradually bearing fruit and our service levels to our main customers especially in the USA were very good. We still need to continue the work to improve our performance on managing our inventory levels and this issue is high on the management agenda during 2012.

This year was no exception when it comes to the International Game Fishing Association's awards for catching world record fishes. Rapala lures: number one again. Year after year these awards undisputedly demonstrate that we can develop and manufacture fishing tackle that truly catch big fish. I'm confident that also in the coming seasons we'll introduce hot new items, which will continue this tradition.

2011 was another busy year and we could not have achieved all the great results without our great people. Thank you all for that! The spirit and culture within the Rapala Group is something unique. I'm sure that together with our partners we will be able to achieve even better results in 2012.

Our expectations for 2012 are positive. Our balance sheet is stronger than ever, enabling us to look at new interesting opportunities and giving security during challenging times. I have no reason not to believe that 2012 will be another good year for us. We'll all work hard for that all around the world.

Jorma Kasslin
President and CEO

Rapala's strategic objective is profitable growth.

Strategy and Strengths

Rapala's vision is to become the global leader in the fishing tackle industry. This will be achieved through profitable growth. In the past few years, despite the continuing uncertainties in the world economy, Rapala has continued to demonstrate its ability to grow and maintain good profitability.

Strategic Objective

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

Foundations of the Strategy

Rapala's own distribution company network is largest within the industry. It covers six continents and 34 countries. The network allows to satisfy the specific needs of local retailers and consumers and thereby to build strong local partnerships with customers who range from smallest fishing tackle shops to world's largest retailers. It allows the Group to introduce new products efficiently and effectively to the market and acts as a direct channel for customer input, which is valuable in product development. The global distribution company network is the foundation of the Group's third party product distribution business and an asset the external suppliers are keen to access.

In addition to its own distribution companies, the Group uses external distribution agents in over 100 countries and has an important distribution alliance with Shimano.

In addition to Rapala, worlds leading fishing lure brand, the Group's brand portfolio consists of several other well known brands. Wide range of brands is needed to serve different product and consumer segments. These brands can also be extended to introduce new products to targeted market segments or price categories.

The Group's fishing tackle manufacturing and sourcing platform consists of Europe's largest production facilities for lures with specialized factories in Finland, Estonia and Russia, manufacturing operations for lures and accessories in China, a treble hook production facility in France, newly established lure and hook manufacturing operations in Indonesia, knife manufacturing in Finland and carp bait manufacturing in the UK. The Group has a well established sourcing unit in Taiwan managing the high quality but low cost external sourcing of the products not considered feasible to manufacture in the Group's own manufacturing units.

Rapala's research and development is globally well known and respected for its capability to systematically introduce new high quality products with new and exceptional features, which are needed to satisfy fishermen's continuous desire for latest equipment.

The entire Group is characterized by a corporate culture, which promotes low and informal corporate hierarchy, strong entrepreneurial spirit and clear and transparent profit responsibility.

Focus on Fishing Tackle Business

The Group's core business consists of manufacturing and distribution of lures and baits, fishing hooks, fishing lines, fishing accessories and other fishing tackle. Lures and fishing lines are amongst the lowest cost but highest value adding elements of fishing. The consumable nature of these products leads to a stable replacement market. Need to maintain comprehensive range of established products and to annually introduce new "hot" items puts high requirements on efficient manufacturing and product development, both established strengths of the Group. One of Rapala's characteristics is that it has developed a unique capability to offer premium quality products at affordable prices for the mass market to achieve maximum volumes.

The fishing tackle market enjoys a high level of brand loyalty, which increases the value of well known high quality brands. Group's brand portfolio includes several brands with a generation long reputation as fishing tackle that truly catches fish. Strong brand perception among consumers is also securing the future position in the retail channel.

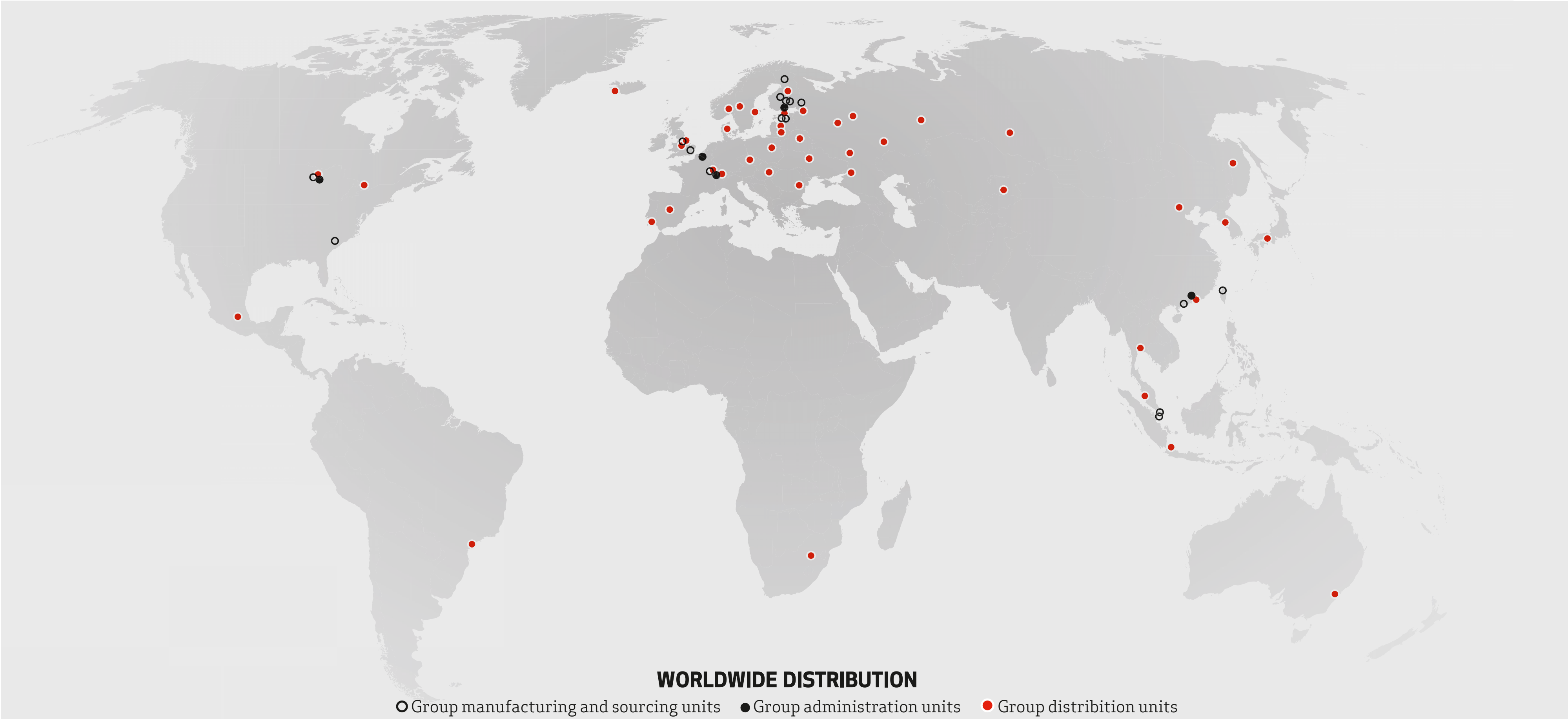
Global fishing tackle business is relatively fragmented with only a handful of bigger players involved. Through its high-volume based manufacturing and its global distribution network Rapala has the means and resources to serve the ever increasing needs of biggest retail customers making Rapala one of the preferred suppliers to many retailers.

Strategy implementation

Historically Rapala's profitable growth strategy has been implemented through organic growth as well as through mergers and acquisitions. Group has grown organically into new product categories and new geographical markets. Acquisitions have played a major role in expanding the manufacturing base, brand and product portfolio and scope of the distribution company network. Examples of strategy implementation actions during 2011 are included in the Review of the Board of Directors.

Rapala is a key player in the fishing tackle industry and is a valued and sought-after partner to any discussions concerning industry consolidation or other business expansion possibilities.

Rapala's global distribution network is a platform for future profitable growth as it can be leveraged to create additional sales without any major additional investments. This network could be used wider to distribute also other than traditional fishing tackle products.



OWN MANUFACTURING AND R&D

HARD BAITS
Rapala
Storm

METAL LURES
Blue Fox
Luhr Jensen
Terminator

SOFT BAITS
Storm

BIG GAME
Williamson

OTHER LURES AND BAITS
Trigger X
Dynamite Baits

HOOKS
VMC

ACCESSORIES
Rapala

KNIVES
Marttiini
Rapala

SKIS
Peltonen

OUTSOURCING AND OWN R&D

LINES
Sufix

LURES AND ACCESSORIES

RODS AND REELS

BAITS AND ATTRACTANTS

THIRD PARTY PRODUCTS

FISHING
Shimano
Okuma
Plano
Humminbird
Minn Kota

HUNTING
Remington
Blazer
Beretta
Tikka
Sako

WINTER SPORTS
Rex
Alpina
Rottefella

OUTDOOR
Shimano (bike)
Leica
Bushnell

Respected Rapala Brands

Profitable growth through premium brands

Rapala is the strongest brand in the industry. The Rapala Group also owns and uses other brands that are very strong in their segment. The Group brands are used to support the Group's strategy of profitable growth.

Like in all consumer goods business, brands are very important value adding marketing tools in the fishing tackle industry.

In choosing his fishing tackle the fisherman puts a lot of faith on the equipment. This makes fishermen very loyal to the brands that have performed well in the past.

Long traditions and brand loyalty are important elements of fishing tackle business and make entry barrier to new competitors higher.

Continuous good performance, consistent quality in the products, successful marketing and consumer education have helped in building the Rapala brand the industry leader. The Group works continuously to maintain the position.

The original Group brand Rapala is the strongest lure brand in fishing.

Today Rapala brand is used not only for lures, but also for other fishing tackle and accessories in product groups where the trusted brand can be leveraged to enter new non-lure categories.

The Rapala brand has been used very successfully to extend the product range to include fishing accessories and tools, sport-specific clothing, luggage and eyewear.

All products sold under the Rapala brand are targeted at the medium to high price points that yield high volumes. The products have to meet the high quality requirements to ensure customer satisfaction, repeating business and brand loyalty. In a nutshell: Premium quality for the mass market.

Multi Brand Strategy

Rapala Group approaches the fishing tackle business with a multi brand strategy. Although brand extensions are possible, fishermen strongly associate certain brands to certain products and therefore a wider range of brands is needed to successfully cover wider range of products.

When the Group has searched growth within the lure business from other lure categories

RAPALA

The original group brand since 1936. Used in lures for hard baits, and also for fishing accessories, clothing, luggage and eyewear.

VMC

A century old hook brand. Used for sport fishing and commercial hooks and terminal tackle.

SUFIX

A line brand under which the Group sells braided and monofilament line and specialized leader lines.

STORM

Lure brand for mid-priced lures: hard baits, hybrids and rigged and unrigged soft baits.

BLUE FOX

Metal lures: spinners and spoons mainly for North American and European cold water fisheries.

than the premium wobblers or hard baits, which are sold under the Rapala brand, strong existing brands have been bought or new ones have been built and launched. Rapala has a strong track record in both approaches.

Storm is the Group's other main lure brand used in hard baits and especially in soft baits. Storm is an example of strategic branding used in entering into new price points to fight low-end competition and saving main brands like Rapala from price erosion and brand devaluation.

To enter into new type of lure categories the Group has acquired brands like Williamson for the saltwater big game fishing and Luhr Jensen to strengthen the Group's presence in metal lures and salmon fishing.

To gain foothold in the carp fishing market where the lure fishing brands are not strong, Rapala acquired the Dynamite Baits brand, which was already well established as a high-end carp bait brand.

With the acquisition of the fishing line brand Sufix the Group got a sizeable part of the fishing line business, and has been able to grow it further by combining the strong brand with the Group's extensive distribution network, by introduction of innovative new products and by powerful brand marketing.

To introduce a totally new product category and innovation to the market, new brands are built. The Trigger X brand was created for the launch of a line of products that feature synthetic fish pheromones that Rapala has exclusive rights for in the sport fishing industry.

This multi brand strategy has resulted in the strongest brand portfolio in the industry.

Big Brand Powerhouse

High quality of products combined with the strong Rapala brand and other brands are valuable assets against private label products and product copies that are entering the market, thus strengthening Rapala's position in the marketplace. When fishermen want real Rapala products, Rapala is the only one that can provide these.

In addition to the brands that are used for fishing tackle sold to end consumers, the Group has the VMC hook brand which is strong in both professional and industrial sales and as a consumer brand.

The Group has also acquired the Marttiini brand after a long relationship with the company as a supplier of Rapala branded knives. Today, both Marttiini and Rapala brands are used for knifes in different market segments.

The Peltonen ski brand is another non-fishing brand that the Group owns to support the distribution business in the Nordic countries and Russia.

In addition to the strong global high-end brands, the Group owns smaller brands that have local importance, such as Elbe in Norway, Ragot in France or UR Rantanen in Finland.

The Group's distribution companies also distribute various third party products. All of the represented brands are market leaders or very strong in their own categories, further strengthening the Group's position as a big brand powerhouse.

LUHR JENSEN
Mainly metal lures specifically designed for salmon and trout fishing and trolling in both fresh and salt water.

WILLIAMSON
Specialized trolling lures and metal jigs for saltwater big game fishing.

DYNAMITE BAITS
Baits for carp, match and coarse fishing, the Group's platform into carp fishing category.

MARTTIINI
Knives for filleting, outdoor, hunting and kitchen use.

TRIGGER X
Baits and attractants featuring exclusive synthetic fish pheromones that trigger the fish's instinct to feed.

PELTONEN
The Group's brand for cross country skis.

Nearly 100 years

of lure, hook and knife manufacturing history

The heritage of Lauri Rapala is still successfully used in Rapala marketing in North America.

History of Rapala

Rapala Group has nearly 100 years of lure, hook and knife manufacturing history and 13 years as a listed company with proven track record of profitable growth. This together with the current unique distribution network, manufacturing and sourcing platform and brand portfolio as well as solid financial basis, makes Rapala Group well positioned for further growth.

The history of Rapala lures and subsequently Rapala Group is considered to begin in Southern Finland in 1936 when Lauri Rapala started carving wooden fish imitations to increase the productivity of his fishing. The lures not only caught the attention of the fish but also other fishermen, and by 1950's the lure manufacturing had developed into a family business. The key characteristics of today's Rapala lures, the off-centric wobbling swimming action and manual tank testing of each and every Rapala lure with a swimming lip all originate from this time.

Already during the 1950's Rapala lures begun to concur the world as the export sales started. First to nearby countries, but quite soon also to the USA to a Minnesota-based distribution company that later became Normark Corporation, founded by Ron Weber and Ray Ostrom. Rapala lures soon gained huge popularity in the USA.

The direct export sales of Rapala lures expanded during the 1960's and the 1970's, while at the same time Normark Corporation also established subsidiaries abroad. To meet the increased demand, which now also included Blue Fox spinners manufactured for the USA, a new factory in Vääksy was opened in 1973.

The first change of generation took place in the mid-1970's when after the death of Lauri Rapala his three sons Ensio, Esko and Risto took over the business to run it until the end of the 1980's. During this time the production volumes grew significantly. A manufacturing unit was established in Ireland to reduce production costs. The chase of cost efficient production has continued since.

The third generation of Rapala family took over in 1989 when Jarmo Rapala was appointed as President of Rapala. Jorma Kasslin joined the company as Deputy President. In early 1990's the earlier acquired boat and caravan businesses were divested and Normark Corporation, together with its foreign subsidiaries as well as the ownership of Rapala brand in North America, was acquired. Steps into distribution business were taken and transformation towards today's Rapala had started.

Since then Rapala Group's core business has been manufacturing and distributing fishing tackle, and the Group's distribution company network has been continuously expanding both through acquisitions as well as through establishing new units. Distribution alliance with Shimano started in 1993.

In 1998 life as a family business ended and Rapala was stock exchange listed in Helsinki Stock Exchange after a management buy-out and private equity ownership. Jorma Kasslin was appointed as the President of the Group.

Stock exchange listing triggered heavy expansion of the Group through various acquisitions of manufacturing and distribution companies throughout the first decade of the 21st century.

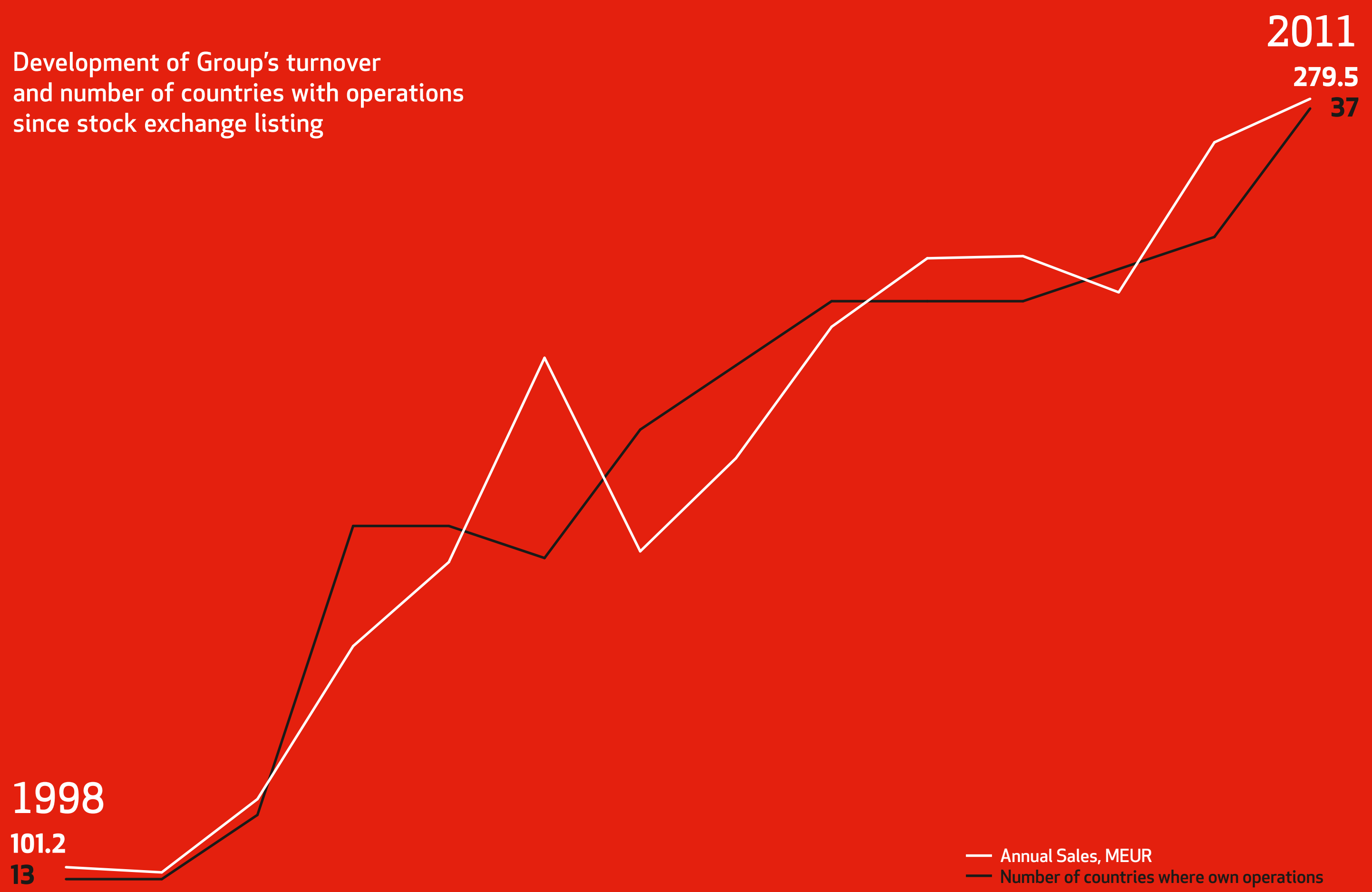
Storm lure brand was acquired in 1999. French VMC hook manufacturing was acquired in 2000, which brought the Viellard family as a major shareholder to the Group. Chinese Willtech lure manufacturing unit, to which the later acquired Williamson, Luhr Jensen and Terminator lure manufacturing operations were transferred, was acquired in early 2001. In 2005 Group acquired knife manufacturer Marttiini, which had been supplying Rapala filleting knives to the USA since the 1960's. Peltonen cross-country ski manufacturing was acquired in 2005 to utilize the existing Finnish distribution infrastructure. Major entry to fishing line business was made by acquiring the Sufix brand in 2008, while entry to carp fishing business was made in 2010 by acquiring Dynamite Baits.

At the same time the Group has also developed a large variety of new products and product categories where the use of the Group's brands has been expanding. Production efficiencies have been gained by opening manufacturing operations in Estonia and Russia. The co-operation with Shimano has gradually expanded and includes today also jointly owned distribution companies.

Since stock exchange listing the net sales of Rapala Group has grown from ca. EUR 100 million into EUR 279 million in 2011. Financially Rapala has shown solid performance year after year as profitability has increased and balance sheet has strengthened. While the number of countries where the Group has its own operations has grown from 13 to 37 and the Group management is located in Belgium, Finland, France, the USA and Hong Kong, the roots of the Group are still the Rapala lure manufacturing operations in Vääksy, Finland, nearby where Lauri Rapala carved his first wooden lure.

With its track record and current unique distribution network, manufacturing platform and brand portfolio as well as solid financial basis, the Group is well positioned for further growth.

Development of Group's turnover and number of countries with operations since stock exchange listing



AN UNFORESEEABLE CHAIN OF EVENTS

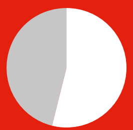
The success and legend of Rapala lures in the USA was partly built by a lucky coincidence. In 1962, after various events, Life Magazine published a long article on Rapala lures. It happened to be in the same memorial edition that covered the history of Marilyn Monroe who had just passed away and the issue broke all circulation records. Consequently the demand for Rapala lures in USA sky-rocketed. Marilyn Monroe was nominated into Rapala USA's Hall of Fame in 2008.

Group Fishing Products

- **LURES AND BAITS**
- **HOOKS**
- **LINES**
- **ACCESSORIES**

Rapala focuses on manufacturing and distribution of fishing tackle. Group Fishing Products are manufactured or subcontracted by the Group and sold under the Group's brands. These products include lures, hooks, baits, lines and accessories for sport fishing. The net sales of Group Fishing Products were some EUR 152 million in 2011 (EUR 140 million in 2010), representing the major and most profitable part of Rapala's fishing tackle business.

Group Fishing Products, % of total sales



54%

Number one in hard-bodied lures globally

Lures and Baits

Rapala is the undisputed global market leader in hard-bodied lures. The Group is also very strong in all other lure categories with its other international brands: Storm, Blue Fox, Luhr Jensen, Williamson and Trigger X, as well as Dynamite Baits, the carp bait brand. The net sales of Fishing Lures and Baits, including all Group brands, were some EUR 79 million in 2011 (EUR 77 million in 2010).

The Group's lure range covers all lure categories from small freshwater lures to giant big game trolling lures, and to baits and attractants. Lure manufacturing facilities are located in Finland, Estonia, Russia, Indonesia and China and the bait factory in the UK. The Group's combined total lure and bait production in 2011 was more than 24 million packages.

Introducing new products annually is an essential part of successful fishing tackle business to gain retail and consumer attraction. With operations in all continents, the Group utilizes an extensive global network of fishing tackle and trade professionals in its product development process. The Group's main product development units are located at the manufacturing facilities in Finland and China, along with significant product development resources in the US.

Rapala – The Original Innovator in Hard Bodied Lures

The core of the lure business consists of hard baits, also called wobblers due to its wobbling swimming action, produced under the Rapala brand and based on the 75-year long tradition of lure manufacturing.

All Rapala branded hard baits are manufactured in the Rapala lure factory in Vääksy, Finland, where all the production phases that have the most important effect on the lure's performance and quality are still done, while the most labor-intensive production phases are done in Group's manufacturing facilities in Russia and Estonia. Rapala lure factories form world's most efficient lure manufacturing unit, leveraging the economies of scale. The annual production of Rapala-branded lures is approximately 11 million – averaging at 50 000 lures per day.

Three quarters of the Rapala hard bait models are still made of wood, mainly balsa and apache, with the balance made of high quality plastic. Modern plastic hard baits represent today 35–40% of Rapala-branded lure sales. Balsa-made lures continue to be very popular and new products are still successfully launched into this category.

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

Storm – Questioning the Established Ways of Lure Making

The Group also offers hard baits under the Storm brand. All Storm hard baits are made of plastic and aimed at a lower price point than Rapala-branded hard baits. Most of the Storm hard baits come from the Group's Chinese manufacturing unit and subcontractors. Storm is also the brand under which the Group introduces products that may not have the global appeal required for Rapala-branded lures.

2011 LURE & BAIT SALES:

78.8 Million EUR

TRADITION IN LURE MANUFACTURING

75 years

WORLD RECORD

Rapala holds world record of catching world record fish. With Rapala, Storm, Sufix, and VMC products Group holds total of 903 International Game Fish Association (IGFA) world records, more than 7 times more than closest competitor.

Cast it out fish will bring it back

Under the Storm brand Rapala also manufactures a wide range of soft plastic and hybrid baits. Storm is also very strong in pre-rigged and unrigged soft plastic lures. Each of these categories is growing strongly and in some segments the products are already market leaders. All Storm soft plastic and hybrid baits are made at the Group's Chinese and Indonesian manufacturing units and subcontractors. In 2011, the production of Storm-branded lures was close to four million packages.

Williamson – The Big Game Professor

Williamson Lures was originally a South African company that the Group acquired in 2004 to strengthen its presence in the big game and saltwater market. Now manufactured by the Group's Chinese manufacturing unit and subcontractors and distributed by the Group's distribution network, Williamson is the only big game brand that has global presence in the market.

The Williamson product range consist of high speed trolling lures and realistic bait fish imitations designed for big game species like tuna, sailfish and marlin. Utilizing the strength of Williamson brand in salt water fishing, recent product development emphasis has been on lures which are designed to catch smaller size saltwater species.

Blue Fox – Foolproof Metal Lures

Blue Fox is one of the Group's metal lure brands offering an extensive, versatile range of products including spinners, spoons and spinnerbaits designed to catch species like salmon, trout, musky and pike.

Blue Fox products are manufactured at the Group's Chinese manufacturing unit and subcontractors as well as in the Group's factories in Finland and Estonia, where the larger part of the Group's spinner production has been transferred in order to gain production efficiencies. The total number for Blue Fox branded metal lures produced in 2011 was close to four million pieces.

Luhr Jensen – The Salmon and Trolling Specialist

Founded in Hood River, Oregon, Luhr Jensen brand was acquired by the Group in 2005. Luhr Jensen is especially strong in the US Pacific Northwestern trout and salmon fishery with its metal lures and hard baits designed mainly for trolling. A majority of the products also have international appeal for similar species and uses.

Luhr Jensen's acquisition has strengthened the Group's presence in the US and Canada Pacific Northwest and made the Group the world's largest producer and distributor of metal lures. Luhr Jensen branded lures are manufactured in the Group's operations in China and in 2011 some two million Luhr Jensen lures were manufactured.

Trigger X – Pheromone-Enhanced and Biodegradable Baits

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

The first Trigger X products were launched for the 2008 season. The product offering now includes a wide array of environmentally friendly soft plastics and biodegradable baits, gels and sprays that all feature the patented Ultrabite pheromones. With Trigger X, the Group has been able to enter a totally new product category and business segment in all major markets.

Dynamite Baits – Premium Baits for Carp Fishing

In 2010, Rapala acquired Dynamite Baits, a UK-based manufacturer and distributor of boilies, groundbait, liquid attractants, pellets and bagged particle baits especially designed for fishing carp. Essentially Dynamite Baits' products are consumable fish food. Dynamite Baits is a market leader in premium carp baits in the UK and already has a good market share in other key European countries.

With the addition of Dynamite Baits into its brand portfolio, Rapala is able to fully enter the carp fishing market with a wide range of products including baits, hooks, accessories, terminal tackle and fishing lines. In line with this strategy Group acquired in 2011 under Dynamite Baits a small UK based company Advanced Carp Equipment Ltd engaged in design and sales of equipment and accessories, such as line alarms, for carp fishing under brand ACE. Benefitting from its sourcing organization and using its own network of distribution companies Rapala can take Dynamite Baits and ACE to the global marketplace, starting from Europe. This category also opens up new possibilities to utilize the patented Ultrabite pheromones, for which Rapala has exclusive rights to use in the sport fishing market.

Dynamite Baits produced some three million kilograms of baits in 2011.

PRODUCTION BASED ON HIGH VOLUMES:

50 000
Rapala lures per day

4 Million
Storm lure packages per year

More than **150** Million
Dynamite Baits boilies manufactured annually

AWARD WINNING PRODUCTS

VMC SPINSHOT®
- Best Terminal Tackle Award at 2011 ICAST

2011 HOOK SALES:

17.8

Million EUR

Hooks

Through its VMC brand, Rapala is world's leading treble hook manufacturer and distributor. VMC branded treble hooks are global market leaders with a significant worldwide market share. The Group also produces and sells single and double hooks. The net sales of Fishing Hooks were some EUR 18 million in 2011 (EUR 17 million in 2010).

The Group designs, manufactures and distributes fishing hooks under the VMC brand from its hook plants in France, world's largest treble hook manufacturing unit, as well as in China and in the newly established unit in Indonesia. VMC's technological expertise in fishing hook manufacturing is three-fold: automated mechanical forming, heat treatment of steel to achieve optimum mechanical performance and chemical finishing with electroplating to guarantee sharpness and corrosion resistance. Hook quality is rigorously controlled at all stages of the process. Finished hooks are sold and shipped to more than 70 countries worldwide.

World's Leading Treble Hooks

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

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

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

Highlights and Special Initiatives in 2011

In 2011, VMC introduced a number of hooks and terminal tackle lines in keeping with its reputation for innovation. VMC's new SPINSHOT® drop-shot hook system was met with overwhelming success and was honored with the Best Terminal Tackle Award at the 2011 International Convention of Allied Sportfishing Trades (ICAST-USA). Sponsorship of professional anglers, such as US bass champion Mike Iaconelli, was high on VMC's marketing agenda for 2011 in a dual strategy of product development and brand promotion.

Parallel to Group's decision in 2010 to establish new lure manufacturing unit on Batam island in Indonesia, VMC made a decision to establish new VMC hook manufacturing operations on Batam. The new hook operations started in the end of the year and it will produce single hooks for the Group's Asian lure manufacturing operations and other hook customers in the Asia zone. The move from the former China plant is expected to bring cost efficiencies and increase the stability of business conditions. The new unit will employ 50 workers within the first year.

AWARD WINNING PRODUCTS

Sufix 832 – Field&Stream Best of the Best Award in 2011

ANNUAL SALES:

+28% growth

TIME TO BRAID ONE SPOOL OF SUFIX 832:

10 hours

Lines

Fishing lines have become a key part of Rapala's global product offering. Since 2008, following the Sufix brand acquisition, Sufix has grown as the fishing line market leader in several markets and to top three position in practically all markets where Rapala is present. For the past few years the Fishing Line segment has been among Rapala Group´s fastest growing product segment. The net sales of Fishing Lines were some EUR 18 million (EUR 14 million in 2010).

A Comprehensive Range of Fishing Lines sold under Sufix and Other Brands

Rapala applies multi-brand fishing line strategy. The flagship brand in Group's fishing line portfolio is Sufix, the brand which was bought by Rapala from Taiwanese line manufacturer Yao I Ltd in mid-2008.

Sufix lines are now sold in more than 60 countries, and Sufix has grown as one of the key players in the global sport fishing market. In addition, in various markets the Group sells Rapala-branded lines designed for lure fishing. Group also has several other line brands which are strong in individual markets, such as Water Queen and Tortue in France, Double-X in South Africa and Rapinova in Japan.

Rapala also sells a range of lines from well-selected partners, of which Shimano is the most important.

The Group's worldwide fishing line selection includes products for all fishing conditions. Under the Sufix brand there are both monofilament and braided lines – lines for all kinds of fishing in different environments. The Sufix selection is among the world´s largest.

Brand loyalty is strong among the fishing line users. For more than 20 years Sufix has been successful in keeping the existing users as well as gaining market share by attracting new users through continuously improving its products and the user experience.

Research and Development

Sufix lines are manufactured for Rapala exclusively by Taiwanese manufacturer Yao I Ltd. Yao I has modern production facilities in Taiwan and China with some 600 people. New production methods are continuously tested to ensure further development and improvement of manufacturing processes and efficiencies.

Rapala's international fishing experts and pro fishermen are reviewing and researching new product applications globally that Yao I´s engineers develop exclusively for Rapala. Pricing, quality and new features are always the main development criteria.

Launch of the new award-winning Sufix Synergy Carp -fishing line is again a perfect example of Rapala's capability to launch comprehensive range of fishing tackle across Group's product range and brands to specific target markets, in this case the large European carp fishing market.

Highlights in 2011

Year 2011 was a year of strong growth and increased market share for Sufix. Sufix is capitalizing on the market trend change where monofilament line users are changing their lines to so called braided superlines, manufactured from polyethylene fibres. Sufix´s selection in the superline segment is very strong and it has a competitive key product in every important price point. The largest market is North America, but Sufix has enjoyed growth in other important areas in Europe and Asia as well.

Sufix 832, a superline developed together with W. L. Gore, Rapala and Yao I, was a proof of highest level of quality, innovation and commercial success. As a continuum to the "The Best of Show" award at ICAST 2010 trade show, Sufix 832 also received in 2011 the "Best of the Best" award from Field&Stream magazine, the largest outdoor publication in the United States.

Rapala has become a serious player in global fishing line business and the Group continues to build the business with a target to reach sales of some EUR 20 million during the next 1–2 years. The long-term strategic goal is to reach sales of EUR 30–50 million.

AWARD WINNING PRODUCTS

Rapala EcoWaders, Best New Product, Efftex 2011

ANNUAL SALES:

+16%

Growth

Accessories

Rapala's Accessory selection consists of knives, fishing tools, rods and reels, fisherman´s clothing, storage systems, sunglasses and other necessary fishing accessories, most of which are marketed under the Rapala brand. The net sales of Fishing Accessories were some EUR 40 million in 2011 (EUR 34 million in 2010).

Premium Quality for the Mass Market

Rapala Accessories are targeted to provide practical solutions for day-to-day fishing situations: They make an angler more successful and make fishing a little easier. Only products with dependable quality with modern looks and practical functions designed for fishing are produced under Rapala brand.

Rapala Accessories are manufactured both in-house as well as sourced from selected subcontractors. Rapala understands the needs of fishermen in different markets. This is the key success factor in branding, product development, manufacturing and pricing, enabling Rapala to successfully offer products that are truly "Premium quality for mass market".

Wide Range of Products

Rapala is the global market leader in filleting knives. For instance in USA over 45 million Fish'n'Filet knives have been sold over years. Marttiini has produced Rapala branded fish filleting knives in its Rovaniemi factory since 1965. Rapala bought Marttiini in 2005.

The Rapala Tools are the backbone of the Rapala Accessories range. These are the everyday necessities that every fisherman needs. Rapala is a leader in the category with a wide range of items that help to make a perfect fishing day. The range consists of pliers, landing nets, scales, cutters, clippers – everything and anything for all recreational anglers. Rapala Tools are manufactured and sourced mainly from Asia.

The Rapala ProWear clothing and wading collection is a collection of sport specific apparels and gear. The Rapala ProWear range was expanded with new Rapala EcoWear category. The Rapala EcoWear category´s first product was waders, manufactured with a unique, ecological process from DuPont™ that significantly reduces their environmental footprint and the dependence on petroleum. The new EcoWear immediately won their category in the Best New Product competition in the largest European trade show.

Rapala rods and reels are a growing category in geographical areas where Rapala is not distributing Shimano products. These Rapala items offer premium quality for the mass market, and especially the Canadian and Asian markets have shown promising growth numbers.

Through innovative design, competitive pricing and attractive looks Rapala Bags and Rapala Vision Gear polarized sunglasses have grown as an important player in these must-have categories.

Rapala also has a number of licensees in place, from Rapala Video games to Rapala Boat covers, which provide additional visibility in the important US market.

Efficient Manufacturing and Sourcing Platform

The major operational changes in production and supply chain management in the Group's manufacturing operations in China were finished during 2011. This enables Rapala's Accessory products to react faster to changing trends and demand and leading to faster product development and shorter manufacturing lead times.

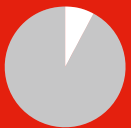
Rapala Asian sourcing office was relocated from Guangzhou China to Taichung Taiwan. The move will help to work closer with Group´s important Taiwanese suppliers as well as it expands Rapala Group´s sourcing platform to all Asian region whilst still keeping China and Taiwan as the main source for the Accessory range of products.

Other Group Products

• SKIS AND KNIVES

In addition to products for sport fishing, Rapala also produces and distributes cross country skis, hunting and outdoor knives and plastic molding products to offset the seasonality of fishing tackle business and exploit the existing manufacturing and distribution infrastructure. The net sales of Other Group Products were some EUR 23 million in 2011 (EUR 25 million in 2010).

Other Group Products,
% of total sales



8%

Skis and Knives

The Group produces knives for the hunting, outdoor and household markets under the Marttiini brand. Peltonen is one of the leading brands in cross country skis. Gift item manufacturing was divested as non-core business in the end of 2011.

Winter Sports, Hunting and Outdoor

Especially in the Nordic countries, to offset the seasonality of the fishing tackle business and take full benefit of the existing distribution infrastructure and customer base, Group's product offering includes also winter sports, hunting and outdoor products. Most of these products are third party products (see page 19) but also Rapala produces some products to this category.

For winter sports, Rapala has owned the Peltonen cross country ski brand since 2002 and is the majority shareholder with 90% stake in the cross country ski manufacturer Peltonen Ski Oy. Peltonen is one of the leading brands in cross country skis, enjoying a 30% market share in Finland.

Following the increased demand and success of especially Nanogrip non-waxed skies Peltonen Ski Oy invested in increasing its quality and capacity and relocated into new larger premises in 2011. In addition to the manufacturing of skis in the Heinola factory in Finland, lower priced Peltonen skis are also sourced from external subcontractors.

Rapala's own distribution companies distribute Peltonen cross country skies in Finland and Russia, world's largest cross country ski market, where own distribution of winter sports equipment started in 2011. The most important other export markets are Germany, Switzerland, Sweden, North America, Italy and Norway, where distribution is being restructured for year 2012.

Marttiini is among most recognized knife brands in Finland and in addition to manufacturing fishing knives Marttiini has over 80 years long tradition of manufacturing knives for hunting and outdoor use.

Marttiini also has three retail shops in Finland. The new Marttiini Premium Shop was opened in Helsinki. The Shop's new design, reflecting Marttiini's close connection to nature and Lapland, has attracted a lot of domestic and international attention. The increased business will encourage adapting the new concept to other locations too.

In addition to Marttiini products, the Group branded hunting products are sold under brands such as Wild Game and Normark, and include

TRADITION OF HUNTING KNIVES MANUFACTURING

over 80 years

other hunting knives, clothing and other hunting related accessories. Outdoor products include knives, backpacks, underwear and boots, and are sold under the following brands: Wild Game, TermoSwed, Normark and Campfire.

Gift Products

In December 2011 the Group divested its non-core Chinese gift product manufacturing operation to its largest customer, French Pylones SAS. Gift product manufacturing was originally established to compliment the seasonality of the fishing tackle business. Over time gift product manufacturing has grown into a separate independent business with limited synergies with the core fishing tackle manufacturing business, therefore enabling the Group an easy exit from this business. In 2011 gift manufacturing business still generated some EUR 10 million net sales for the Group.

Other Operations

To utilize its manufacturing capabilities and compensate for the seasonality in manufacturing plastic parts and components to Group's core fishing lure and knife manufacturing operations, the Group also produces some plastic molding products mainly as a contract manufacturer for electronics and other industries. Following the recent economic downturns the demand for this external production has however weakened.

ANNUAL SALES OF OTHER GROUP PRODUCTS:

23 Million EUR

PELTONEN SKIS MANUFACTURED IN 2011

70 000 pairs

Third Party Products

- **FISHING**
- **HUNTING, WINTER SPORTS AND OUTDOOR**

The majority of the third party products distributed by Rapala are products for sports fishing, complementing Group's own product range. The biggest product groups in this category are rods and reels, tackle boxes and fishing electronics.

Third Party Products, % of total sales

38%

SHIMANO DISTRIBUTION

31 countries

Fishing

The global distribution company network has an increasing role in implementation of Group's strategy. To exploit the existing distribution infrastructure and customer base Rapala also distributes third party products for sport fishing, hunting, winter sports and outdoor, in addition to the Group branded fishing products and other Group products. The net sales of Third Party Products were some EUR 105 million in 2011 (EUR 106 million in 2010).

Shimano Rods and Reels

Rapala has distributed Shimano rods and reels since 1993. The strategic partnership with Shimano has expanded over the years and in 2011, the Group is engaged in distribution of Shimano products in 30 European countries and in South Africa. In its turn, in the end of 2011 Shimano distributed Rapala branded products in 4 countries in Europe: Italy, Germany, Netherlands and Belgium. This European distribution co-operation has now lasted for 18 years.

Shimano, a Japanese company famous also for its bicycle parts and components, is one of the world's leading brands in fishing rods and especially in reels Shimano products represent the biggest proportion of Group's third party product distribution and form an important part of the product portfolio in several distribution companies.

Shimano's rod and reel range covers all important fishing styles and techniques in the geographical areas where the Group distributes them. The product offering in rods and reels covers all price points from entry level to premium. In addition to Shimano rods and reels, Rapala also distributes some Shimano branded fishing lines (Power Pro) and accessories and Shimano's G. Loomis branded specialized fishing rods.

Rapala has since 2007 had joined ownerships with Shimano in some distribution companies. Joint ventures in East European countries (Russia, Kazakhstan, Ukraine, Czech and Slovakia) are controlled by Rapala and have proven to be a success. Next step in the distribution alliance between Rapala and Shimano was taken in 2011 by establishing a true 50:50 joint venture in the UK, where Rapala products were previously distributed by a Shimano-company.

Fishing Electronics and Other Fishing Products

Rapala distributes several non-Group fishing tackle brands, especially through the newly acquired distribution companies. In addition, Rapala distributes fishing related third party products and equipment that it does not have in its own product portfolio. All major third party products distributed through Group companies are usually among the leading brands in their own category.

The most important third party products include fishing related boating equipment like marine electronics such as Humminbird fish finders and GPS units, downriggers for trolling by Cannon and electric outboard motors and accessories by Minn Kota. Plano's tackle boxes complement lure sales and are a significant category.

In South East Asia and Australia, where the Group does not distribute Shimano products, the Group distributes Okuma branded rods and reels. Other products that are distributed are locally important fishing hooks such as Gamakatsu, baits and attractants for special applications with no wider appeal to other Group distribution companies.

Hunting, Winter Sports and Outdoor

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

Hunting

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

The most important hunting products and brands distributed by Rapala are rifles and shotguns (Remington, Blaser, Beretta, Lincoln, CZ, Escort, Mauser, Tikka, Sako, Weatherby, Marlin, Hatsan, Fair, Khan and Mossberg), ammunition and cartridges (Norma, Remington, RWS, GP, CCI, Federal, Sako, Lylevale and Eley Hawk), optics (Bushnell, Leica, Tasco, Zeiss and Burris), clothing (Blaser and Beretta) and hunting related accessories (Gamo, Plano, Remington, Millet and Peltor).

Group branded hunting products are included in Other Group Products (see page 16).

Winter Sports

Winter sports business forms a significant part of Rapala's distribution company in Finland, where winter sports equipment has been distributed since 1999. Group's Russian distribution company started distribution of winter sports equipment in 2011. The most important non-Group branded winter sports products and brands are ski poles and ski wax by Rex, Rottefella bindings and Alpina cross country ski boots.

Group branded products for winter sports include Peltonen cross country skis that are included in Other Group Products (see page 16).

Outdoor

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

The Group branded outdoor products include knives, backpacks, underwear and boots, which are covered in Other Group Products (see page 16).

BERETTA

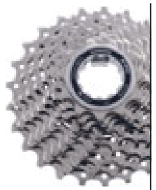
Is being distributed by Rapala in Denmark

REX

Ski wax form important part of winter offering

SHIMANO

Bicycle parts distributed in Russia



RAPALA BY THE NUMBERS

Net Sales of the Group totaled to EUR 279.5 million in 2011 (EUR 269.4 million in 2010).

RAPALA VMC CORPORATION FINANCIAL STATEMENTS 2011

REVIEW OF THE BOARD OF DIRECTORS

Market Situation and Sales

The general sentiment in the world economy changed significantly during 2011. Toward the end of the year this had some, although limited, negative impacts also on Rapala's sales. Year started on a growth trend in line with the positive expectations. Beginning of the year was supported by the good winter weathers in the Nordic countries. At the same time summer fishing season started early and lasted long in the major European markets. In North America beginning of the season was delayed, but the sales came back strong during second half of the year. In general the US consumer and retail confidence was still shadowed by the economical uncertainties, but some indications of improvement were witnessed in the end of the year. During the latter part of the year the increased uncertainties in the world economy affected some markets and product categories putting pressure on customers' financial position and creating some uncertainties to the coming season. Late beginning of winter in 2011/2012 affected sales of winter sports and winter fishing equipment both to Rapala and its customers. Regardless of the increased uncertainties Rapala's sales in 2011 reached all time record.

KEY FIGURES

EUR million	2011	2010
Net sales	279.5	269.4
EBITDA	37.7	37.4
Operating profit	30.7	31.3
Profit before taxes	25.2	29.5
Net profit for the period	17.2	20.7
Employee benefit expenses	62.4	59.1
Average personnel for the period, persons	2 208	2 317
Research and development expenses	2.1	2.1
as a percentage of net sales, %	0.7	0.8
Net cash generated from operating activities	15.2	13.0
Total net cash used in investing activities	9.6	13.2
Net interest-bearing debt at the end of the period	91.2	92.0
Equity-to-assets ratio at the end of the period, %	43.2	42.6
Debt-to-equity ratio (gearing) at the end of the period, %	67.2	71.2
Return on equity, %	13.0	17.2

Net sales for 2011 increased by 4% to annual record of EUR 279.5 million (EUR 269.4 million). Changes in currency exchange rates reduced the sales EUR 3.0 million compared to last year. With comparable exchange rates and organization structure net sales increased by 2% compared to last year.

Net sales of Group Fishing Products increased by 9% compared to last year, driven by good sales of fishing lines and accessories as well as new sales generated by Dynamite Baits. Net sales of Other Group Products declined by 10% in 2011, primarily due to reduced yearly sales of the gift products and reduced sales of winter sports equipment in the fourth quarter. Annual net sales of Third Party Products were at last year's level, with increased sales of third party fishing and outdoor products, while sales of third party winter sports equipment was down.

Net sales of North America increased by 1%. In local currency increase in sales was higher, but this was offset by weakening of the US Dollar, which was on average 5% weaker against euro than last year. Sales were supported by the Group's good delivery performance, high customer satisfaction and introduction of new range of winter fishing products.

Nordic sales in 2011 increased by 1% compared to last year, mainly as a result of increased intra-group sales to other geographical areas, whereas the external sales were negatively impacted by reduced sales of winter sports and high-end hunting equipment.

Net sales in Rest of Europe increased by 13% compared to last year. Increase was driven by strong sales in many East European countries and France as well as the new sales generated by Dynamite Baits. Countries impacted by the economic turbulence were Hungary and Portugal as well as Spain and Switzerland, where the sales still remained at last year level.

In 2011 the net sales in Rest of World increased 2% compared to last year. In most of the South East Asian countries the annual growth of external sales was in double-digits, while sales of gift products and internal sales of the Asian manufacturing units was lower than last year.

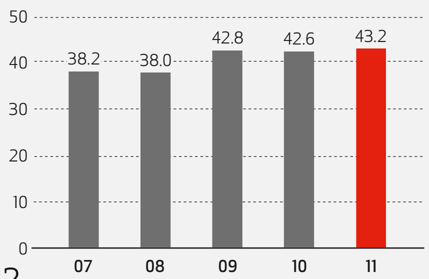
Financial Results and Profitability

Comparable operating profit for 2011 was down EUR 1.3 million from last year's record level at EUR 30.5 million (EUR 31.8 million). Comparable operating profit margin was slightly lower than last year at 10.9% (11.8%). The gross margin for 2011 was burdened by the inventory clearance sales, being still slightly better than in previous year, while comparable operating profit margin was lowered by increased fixed costs.

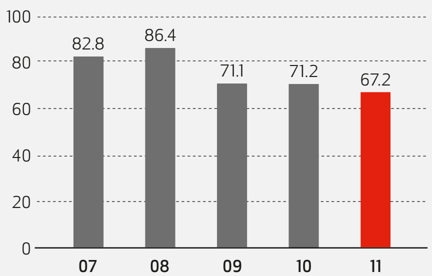
Reported operating profit was EUR 30.7 million (EUR 31.3 million) for the year 2011, EUR 0.6 million down from last year. Reported operating profit included net gain of non-recurring items of EUR 0.2 million (non-recurring net costs of EUR 0.5 million in 2010). Non-recurring items included EUR 1.5 million net gain from divestment of the gift business closed during the fourth quarter and various non-recurring relocation and restructuring costs and costs relating to business acquisitions. Reported operating profit margin was 11.0% (11.6%) and return on capital employed 13.7% (15.2%).

Reported operating profit of Group Fishing Products reduced to EUR 19.9 million (EUR 21.4 million) and operat-

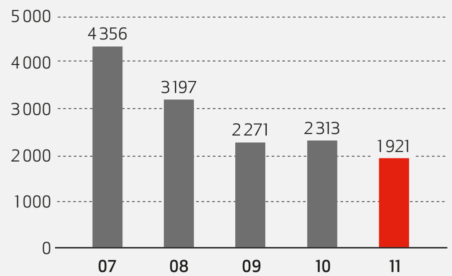
Equity-to-assets ratio %



Debt-to-equity ratio (gearing) %



Personnel at the end of the period



ing profit margin was 13.0% (15.4%). Operating profit was negatively impacted by weakening US Dollar, increased share in sales of lower margin baits and lower profitability in hooks. In 2011 operating profit of Other Group Products was up from last year at EUR 2.5 million (EUR 2.0 million), following the non-recurring gain from divestment of the gift business. Comparable profitability was lower than last year due to lower profits of gift and winter sports equipment business. In 2011 operating profit of Third Party Products increased from last year to EUR 8.4 million (EUR 7.8 million). Biggest contribution to the profit increase came from third party fishing products, while profitability of third party winter sports equipment declined.

MANAGEMENT ANALYSIS

EUR million	2011	2010
Net sales as reported	**279.5**	269.4
EBITDA as reported	37.7	37.4
Non-recurring items included in EBITDA	-0.6	0.5
EBITDA excluding non-rcurring items	37.1	37.9
Operating profit as reported	**30.7**	31.3
Reported operating profit margin, %	11.0	11.6
Non-recurring items included in operating profit	-0.2	0.5
Operating profit excluding non-recurring items	30.5	31.8
Comparable operating profit margin, %	10.9	11.8

Total financial (net) expenses increased significantly in 2011 and amounted to EUR 5.5 million (EUR 1.8 million). The increase was primarily due to EUR 3.3 million negative change in (net) currency exchange expenses, which amounted to EUR 1.8 million (net gain EUR 1.6 million in 2010). Net interest and other financial expenses increased modestly to EUR 3.7 million (EUR 3.4 million).

Net profit for the year and earnings per share decreased from last year's record levels to EUR 17.2 million (EUR 20.7 million) and EUR 0.36 (EUR 0.46) respectively, impacted by increased effective tax rate and share of non-controlling interest in net result.

Cash Flow and Financial Position

In 2011 cash flow from operations improved from last year to EUR 15.2 million (EUR 13.0 million). Compared to last year, while net profit for the year was lower, positive cash flow impact came from the change in inventories and accounts receivable. Cash flow impact of net change in working capital was EUR -7.3 million (EUR -13.0 million) for the year. Year-end inventories amounted to EUR 115.5 million (EUR 112.2 million). The Group's inventories were at unsatisfactory high-levels throughout the year, but were not on the same increasing trend as they were especially in the end of last year.

Net cash used in investing activities was down to EUR 9.6 million (EUR 13.2 million) for the year, due to smaller business acquisitions.

In the end of 2011 net interest-bearing debt reduced to EUR 91.2 million (Dec 2010: EUR 92.0 million) and was impacted by divestment of the gift business. Equity-to-assets ratio improved to 43.2% (Dec 2010: 42.6%). In line with increased equity and reduced net debt, Group's balance sheet strengthened further and gearing was at all time lows at 67.2% (71.2%).

Strategy Implementation

Implementation of Rapala's strategy continued during 2011 by taking actions relating to both manufacturing and distribution activities.

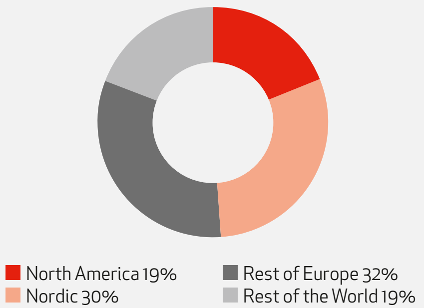
The European distribution cooperation with Shimano was deepened in the UK by establishing a true 50:50 joint venture company to distribute products of both Rapala and Shimano to this fishing tackle market, which is one of the biggest in Europe.

Also in the UK Rapala concluded a deal to acquire Advanced Carp Equipment Ltd ("ACE"), a company engaged in design and sales of equipment and accessories for carp fishing. ACE will form the platform for Rapala's fast entry into these product categories in the UK and in Europe. Acquisition of ACE is a continuum to the year 2010 acquisition of Dynamite Baits Ltd, leading manufacturer of carp baits.

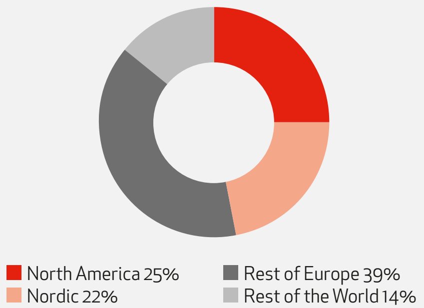
In order to secure access to cost competitive production resources also in the future, Rapala made a decision to open new lure and hook manufacturing units on Batam Island in Indonesia in 2011. At first stage the operation will employ some 200-250 people and run parallel to the Group's Chinese manufacturing operations. Possibilities to expand the operations in Batam further will be studied once the first stage is successfully implemented.

In December 2011 Rapala sold its non-core Chinese gift manufacturing business to its largest customer French Pylones SAS, releasing funds and resources for developing the core fishing tackle business.

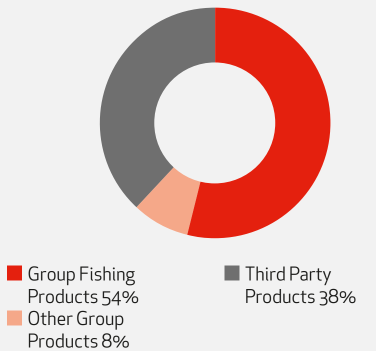
Net sales by unit location



Net sales by market area



Net sales by operating segments



New distribution companies started operations in Mexico, Indonesia and Kazakhstan during 2011. In Kazakhstan the business is operated under the jointly owned Russian distribution company. Special performance improvement initiatives were carried out in the Norwegian and Australian distribution companies.

During the fourth quarter Rapala USA opened B2C webshop targeted solely to US consumers. The webshop enables Rapala to offer full range of its products to consumers.

Finnish distribution company Normark Suomi Oy and ski manufacturer Peltonen Ski Oy relocated into new larger premises during 2011, enabling better distribution efficiencies and larger production volumes and efficiencies.

Working capital and cash flow management was still one of the top priorities for the Group. Net cash flow from operating activities improved from last year, but inventory levels are still far from desired levels. Changes in the Group's manufacturing units to provide better flexibility towards the distribution units are gradually bearing fruit, and work to reduce the inventory levels and develop the Group's internal supply chain will continue further to 2012.

Development of organic growth in terms of extensions of current product categories continued. New products for the season 2012 were introduced to the market in summer and were received well by the markets.

Discussions and negotiations regarding other acquisitions and business combinations continued also during 2011. Rapala is a key player in the fishing tackle industry with a recognized global distribution network and it has a good access to any discussions concerning industry consolidation or other business expansion possibilities. Strengthening of the Group's balance sheet further supports such initiatives.

Personnel and R&D

Number of personnel decreased 17% compared to last year and was 1 921 (2 313) at the year-end, majority of the reduction resulting from divestment of the gift manufacturing business. The average number of personnel decreased by 5% to 2 208 (2 317).

Research and development expenses remained at last year's level at EUR 2.1 million (EUR 2.1 million).

Risk Management, Internal Controls and Corporate Responsibility

Internal control and risk management processes previously developed were further applied in 2011.The principles of the Group's risk management are described in the section Risk Management. Updated Corporate Governance Statement was approved by the Board and it is also available on pages 82–84.

Progress made in environmental, economical and social responsibility is described in more detail in the section Corporate Responsibility and Sustainable Development attached to the consolidated financial statements.

For information on shareholders, shares, option and board authorization, see the sections Shares and Shareholders included in the consolidated financial statements. Related party transactions are disclosed in the note 28.

Short-term Outlook

The negative changes in the sentiment of the economy globally and especially in Europe during latter part of the year increased the uncertainty concerning retail and consumer demand. Despite these uncertainties expectations for the coming year are optimistic.

There are promising signs of accelerating recovery in the USA and Rapala's position with major US customers is currently very good. There is also good progress in coming summer season's presales in several markets.

The late start of winter season 2011/2012 as well as the divestment of the gift business will have some reducing impact on the Group's net sales and the continuing inventory cleaning initiatives may pressure the profitability, while at same time performance improvement initiatives in various units are expected to show results.

It is expected that in 2012 the net sales will increase from 2011 and the comparable operating profit is targeted to improve.

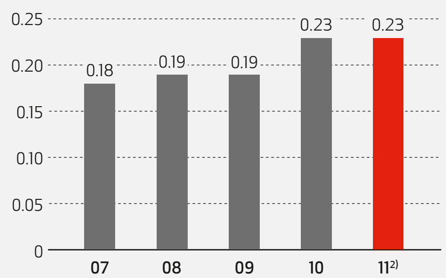
Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 for 2011 (2010: EUR 0.23) per share be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2011, the parent company's distributable equity totaled EUR 24.4 million.

No material changes have taken place in the Group's financial position after the end of the financial year 2011. Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

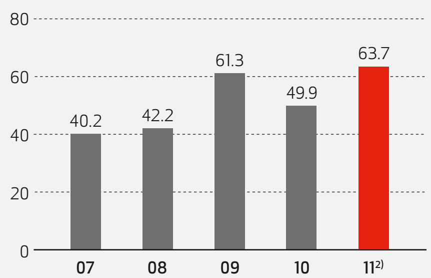
Helsinki, February 8, 2012
Board of Directors of Rapala VMC Corporation

Dividend[1)]/share, EUR



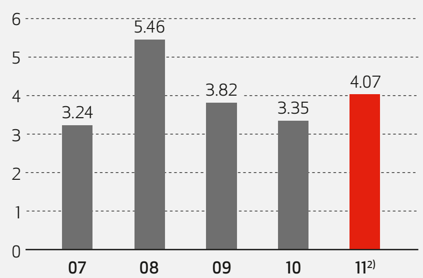
[1)] For the financial years
[2)] Board proposal

Dividend[1)]/earnings ratio, %



[1)] For the financial years
[2)] Board proposal

Effective dividend yield, %[3)]



[2)] Board proposal
[3)] Share price Dec. 31

AUDITOR'S REPORT

To the Annual General Meeting of Rapala VMC Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rapala VMC Corporation for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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

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

Opinion on the Consolidated Financial Statements

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

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

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

Helsinki, 23 February, 2012

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Ernst & Young Oy, Elielinaukio 5 B, 00100 Helsinki

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2011	2010
Net sales	2	**279.5**	269.4
Other operating income	4	2.9	0.7
Change in inventory of finished products and work in progress		4.0	11.0
Production for own use		0.2	0.9
Materials and services	6	-133.2	-135.7
Employee benefit expenses	7	-62.4	-59.1
Other operating expenses	5	-53.3	-49.7
Share of results in associates and joint ventures	14	-0.1	0.0
Operating profit before depreciation and impairments		**37.7**	37.4
Depreciation and impairments	8	-7.0	-6.1
Operating profit		**30.7**	31.3
Financial income	10	10.0	8.5
Financial expenses	10	-15.5	-10.4
Profit before taxes		**25.2**	29.5
Income taxes	11	-8.0	-8.7
Net profit for the period		**17.2**	20.7
Attributable to			
Equity holders of the Company		14.0	18.0
Non-controlling interests		3.2	2.8
Earnings per share	30		
Earnings per share, EUR		0.36	0.46
Diluted earnings per share, EUR		0.36	0.46
Weighted average number of shares, 1000 shares		38 928	39 038
Diluted weighted average number of shares, 1000 shares		38 928	39 038

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2011	2010
Net profit for the period		**17.2**	20.7
Other comprehensive income (net of tax) *	11		
Change in translation differences		2.0	7.8
Gains and losses on cash flow hedges			
Gains and losses arising during the period		-0.9	-1.9
Reclassification adjustment for gains included in profit or loss		0.8	0.7
Gains and losses on cash flow hedges total		**-0.1**	-1.2
Gains and losses on hedges of net investment			
Gains and losses arising during the period		-0.4	-1.1
Gains and losses on hedges of net investment		**-0.4**	-1.1
Other comprehensive income for the period, net of tax *		**1.5**	5.5
Total comprehensive income for the period		**18.7**	26.3
Attributable to			
Equity holders of the Company		15.8	23.1
Non-controlling interests		2.9	3.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	2011	2010
ASSETS			
Non-current assets			
Goodwill	12	46.0	46.5
Trademarks	12	17.9	17.1
Customer relations	12	1.8	2.2
Other intangible assets	12	2.3	2.0
Land	13	1.8	1.8
Buildings	13	7.7	8.0
Machinery and equipment	13	13.7	13.2
Other tangible assets	13	4.4	5.0
Advance payments and construction in progress	13	1.0	0.7
Investment in associates and joint ventures [1)]	14	1.5	0.0
Available-for-sale financial assets [1)]	15	0.3	0.3
Interest-bearing receivables [1)]	16	5.8	1.5
Non-interest-bearing receivables	16	0.2	0.2
Deferred tax assets	11	8.9	8.9
Total non-current assets		**113.2**	107.4
Current assets			
Inventories	17	115.5	112.2
Trade and other non-interest-bearing receivables	16	53.5	55.3
Income tax receivable		1.5	1.2
Derivatives [1)]	16, 22	0.2	0.0
Interest-bearing receivables [1)]	16	1.3	0.0
Cash and cash equivalents [1)]	18	28.9	27.9
Total current assets		**201.0**	196.6
Assets classified as held-for-sale	13	0.3	
Total assets		**314.5**	304.0

EUR million	Note	2011	2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		3.6	3.6
Share premium fund		16.7	16.7
Fair value reserve		-1.6	-1.5
Fund for invested non-restricted equity		4.9	4.9
Own shares		-2.6	-2.5
Retained earnings		93.6	82.7
Net income for the period		14.0	18.0
Equity attributable to equity holders of the Company	19	**128.6**	121.8
Non-controlling interests		7.2	7.4
Total equity		**135.8**	129.2
Non-current liabilities			
Interest-bearing liabilities [1)]	24	10.8	25.3
Non-interest-bearing liabilities	25	3.7	4.3
Employee benefit obligations	20	1.3	1.3
Deferred tax liabilities	11	8.3	8.0
Provisions	21	0.1	0.0
Derivatives [1)]	22, 24	2.0	1.8
Total non-current liabilities		**26.2**	40.8
Current liabilities			
Interest-bearing liabilities [1)]	24	116.4	94.1
Trade and other non-interest-bearing payables	25	35.8	38.6
Option programs to be settled in cash	29		0.3
Income tax payable		0.1	0.3
Provisions	21	0.1	0.2
Derivatives [1)]	22, 24	0.2	0.4
Total current liabilities		**152.5**	134.0
Total shareholders' equity and liabilities		**314.5**	304.0

[1)] Included in net interest-bearing debt.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2011	2010
Net profit for the period		**17.2**	20.7
Adjustments			
Income taxes	11	8.0	8.7
Financial income and expenses	10	5.5	1.8
Reversal of non-cash items			
Depreciation and impairments	8	7.0	6.1
Share based payments	7, 29	-0.3	0.0
Exchange rate differences	10	-0.7	0.4
Share of results in associates and joint ventures	14	0.1	0.0
Gains/losses on disposals of intangible, tangible assets and subsidiaries		-2.0	0.0
Change in provisions and employee benefits		0.0	0.4
Total adjustments		**17.6**	17.4
Financial items			
Interest paid		-3.6	-3.3
Interest received		0.2	0.2
Income taxes paid		-8.2	-8.8
Dividends received		0.0	0.0
Other financial items, net		-0.8	-0.2
Total Financial items		**-12.3**	-12.1
Change in working capital			
Change in receivables		0.3	-8.8
Change in inventories		-4.6	-11.2
Change in liabilities		-3.0	7.0
Total change in working capital		**-7.3**	-13.0
Net cash generated from operating activities		**15.2**	13.0
Net cash used in investing activities			
Proceeds from disposal of intangible	12	0.1	0.1
Acquisition of intangible assets	12	-0.5	-0.1
Proceeds from sale of tangible assets	13	0.6	0.2
Acquisition of tangible assets	13	-7.9	-6.1
Escrow deposit related to Dynamite Baits acquisition	3, 16		-1.3
Acquisition of Sufix trademark	3, 12	-0.7	-1.2
Acquisition of Dynamite Baits, net of cash	3	-0.1	-4.8
Acquisition of other subsidiaries, net of cash	3	0.0	0.0
Acquistion of joint venture Shimano Normark UK Ltd.	3	-1.5	
Proceeds from disposal of Willtech Gift, net of cash	3	0.6	
Change in interest-bearing receivables		0.0	0.0
Total net cash used in investing activities		**-9.6**	-13.2

EUR million	Note	2011	2010
Net cash generated from financing activities			
Dividends paid to parent company shareholders		-9.0	-7.4
Dividends paid to non-controlling interest		-2.9	
Purchase of own shares		-0.1	-1.1
Investment by non-controlling interest		0.0	
Non-current loan withdrawals			2.4
Current loan withdrawals		111.4	93.0
Non-current loan repayments		-14.5	-14.4
Current loan repayments		-90.0	-74.9
Payment of finance lease liabilities		-0.1	-0.1
Total net cash generated from financing activities		**-5.2**	-2.5
Adjustments		0.4	-0.5
Change in cash and cash equivalents		0.8	-3.2
Cash and cash equivalents at the beginning of the period		27.9	29.0
Foreign exchange rate effect		0.2	2.2
Cash and cash equivalents at the end of the period	18	**28.9**	27.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium fund	Fair value reserve	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interest	Total equity
	Attributable to equity holders of the Company								
Equity on Jan. 1, 2010	3.6	16.7	-0.3	4.9	-1.4	-12.3	96.3	4.2	111.7
Net profit for the period							18.0	2.8	20.7
Other comprehensive income *									
Change in translation differences						7.4		0.4	7.8
Gains and losses on cash flow hedges			-1.2						-1.2
Gains and losses on hedges of net investment						-1.1			-1.1
Total comprehensive income			-1.2			6.3	18.0	3.2	26.3
Purchase of own shares					-1.1				-1.1
Dividends paid							-7.4		-7.4
Share based payment							-0.1		-0.1
Other changes							0.0		0.0
Equity on Dec. 31, 2010	3.6	16.7	-1.5	4.9	-2.5	-6.0	106.7	7.4	129.2
Net profit for the period							14.0	3.2	17.2
Other comprehensive income*									
Change in translation differences						2.3		-0.3	2.0
Gains and losses on cash flow hedges			-0.1						-0.1
Gains and losses on hedges of net investment						-0.4			-0.4
Total comprehensive income			**-0.1**			**1.9**	**14.0**	**2.9**	**18.7**
Purchase of own shares					-0.1				-0.1
Dividends paid							-9.0	-3.2	-12.1
Other changes								0.0	0.0
Equity on Dec. 31, 2011	**3.6**	**16.7**	**-1.6**	**4.9**	**-2.6**	**-4.1**	**111.8**	**7.2**	**135.8**

* Net of tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

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

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2011. The Board of Directors of the Company has approved these financial statements for publication at its meeting on February 7, 2012. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

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

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2011. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation. The Group has not early adopted any new, revised or amended standards or interpretations.

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

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted in 2011 the following new, revised or amended standards and interpretations:

- IAS 24 Related Party Disclosures (revised; effective for annual periods beginning on or after January 1, 2011). The revision did not have a material impact on the Group's consolidated financial statements.
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amendment; effective for annual periods beginning on or after February 1, 2010). The amendment influences the classification of foreign-currency-denominated rights issues. The amendment did not have a material impact on the Group's consolidated financial statements.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment; effective for annual periods beginning on or after January 1, 2011). The amendment did not have a material impact on the Group's consolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). The interpretation did not have a material impact on the Group's consolidated financial statements.

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

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN 2012–2015

In 2012, the Group will adopt the following new, revised or amended standards and interpretations:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (amendment; effective for annual periods beginning on or after July 1, 2011). The amendment adds disclosure requirements related to transfers of financial assets and derecognition of financial assets. The amendment will not have a material impact on the Group's consolidated financial statements.
- IAS 12 Income Taxes (amendment; effective for annual periods beginning on or after January 1, 2012). The amendment added an exception that the measurement of deferred tax assets or liabilities arising on investment property measured at fair value according to IAS 40 is based on a rebuttable presumption that investment property is recovered entirely by sale. The amendment will not have a material impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.

In 2013 or later, the Group will adopt the following new, revised or amended standards and interpretations:

- IAS 1 Presentation of Items of Other Comprehensive Income (amendment; effective for annual periods on or after July 1, 2012). The amendments change the grouping of items presented in other comprehensive income. Items that would be reclassified to profit or loss at future point of time would be presented separately from items that will never be reclassified. Amendment has not yet been approved for application in the EU.
- IFRS 10 Consolidated Financial Statements and IAS 27 (revised; effective for annual periods beginning on or after January 1, 2013). The new IFRS 10 standard replaces the portion of current IAS 27 that addresses to the accounting for consolidated financial statements. The new standard changes the definition of control and may in some cases change whether an entity is consolidated. The change will not have a material impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (revised; effective for annual periods beginning on or after January 1, 2013). The IFRS 11 replaces the current IAS 31 Interest in Joint Ventures. IAS 28 was also amended to include the application of the equity method to investments in joint ventures and associates. The changes are not expected to have a material impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.
- IFRS 12 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after January 1, 2013). The new standard gathers all disclosure requirements related to interest in other entities, and also adds several new disclosure requirements mainly regarding subsidiaries with a material non-controlling interest. The Group investigates this new standard's impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013). The new standard describes how to measure fair value where fair value is required or permitted by IFRS. The Group investigates this new standard's impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.
- IAS 19 Employee Benefits (revised; effective for annual periods beginning on or after January 1, 2013). The revised standard includes a number of amendments to recognitions of defined benefit plans, for example removal of the corridor approach. The Group investigates this new standard's impact on the Group's consolidated financial statements. Amendment has not yet been approved for application in the EU.
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015; earlier adoption possible). This new standard will gradually replace the current standard 'IAS 39 Financial Instruments: Recognition and Measurement'. The Group investigates this new standard's impact on the Group's consolidated financial statements. This 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 holds, directly or indirectly, over 50% of the voting rights or other governing power. The financial statements of the subsidiaries are prepared for the same 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. Costs related to acquisitions are recognized directly to income statement. 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. The Group has applied the revised IFRS 3 standard to all business combinations from January 1, 2010.

Associated companies are companies where the Group holds voting rights of 20–50% and 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. 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. Presentation was changed in 2011. Previously the share of profit or loss was presented after operating profit. Comparable period has been restated to reflect the change, which did not have any significant effect on the figures. Associated companies and joint ventures are closely and essentially related to Group's core business and therefore including the share of profit or loss in the Group's operating profit gives a more fair view on the Group's performance.

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. The Group has applied the amendments to IAS 27 standard to all transactions with non-controlling interests from January 1, 2010.

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 pension plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

RESEARCH AND DEVELOPMENT COSTS

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

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

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after January 1, 2004. 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, depreciation periods are changed accordingly.

TANGIBLE ASSETS

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

Depreciation is based on the following expected useful lives:

Buildings	10–25 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 the item other operating income and expenses.

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

BORROWING COSTS

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

GOVERNMENT GRANTS

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

IMPAIRMENTS OF TANGIBLE AND INTANGIBLE ASSETS

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

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

ASSETS HELD-FOR-SALE

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

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

ACCOUNTING FOR LEASES

Group as a lessee

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

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

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

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

Group as a lessor

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

FINANCIAL ASSETS

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

INVENTORIES

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

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

OWN SHARES

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

FINANCIAL LIABILITIES

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

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

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

PROVISIONS

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

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

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

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

EMPLOYEE BENEFITS

Pension obligations

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

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

Share-based payments

Currently, the Group does not have share-based payment programs

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 to share capital (nominal value) and share premium fund.

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 operating business items; otherwise they are booked in financial income and expenses.

CASH FLOW STATEMENT

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

NON-RECURRING ITEMS

In order to improve comparability between reporting periods, the Group classifies certain items as non-recurring in its financial reporting. Non-recurring items include mainly income and expenses related to restructurings of Group's business operations, non-recurring impairments of assets, external costs related to mergers and acquisitions and other exceptional non-recurring items which materially distort the comparability of the Group's underlying profitability.

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 Rapala and external appraisal personnel before the acquisition. The fair value of intellectual property rights (trademarks, patents and technology) and customer relations are established with discounting the related cash flows.

Impairment testing

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

Income taxes

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

Pension obligations

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

Share-based payments

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

Provisions

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

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 with IAS 29 (Financial Reporting in Hyperinflatory Economies) in case the adjustments are material in relation to the Group Financial Statements.

ROUNDING OF FIGURES

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

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

2. SEGMENT INFORMATION

Rapala Group is led as a whole, as an integrated chain of units engaged in sourcing, manufacturing and distributing fishing tackle equipment. The base unit of Group's management is a single subsidiary engaged in one or several activities within the integrated supply chain. The Group does not have any division structure, but nearly all of the Group's subsidiaries report directly to the Group's CEO, who together with the Board is the ultimate decision maker.

Despite the integrated nature of Group's operations, the type and source of products being processed by the units creates difference in 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 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 Group's operating segments.

Group's operating segments are Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products are fishing tackle products manufactured or sourced by the Group itself and sold under Group's brands. Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories. Other Group Products include Group manufactured and/or branded products for winter sports and some other non-fishing businesses as well as gift products. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports, which are distributed by the Group utilizing the same supply channel as Group Fishing Products and Other Group Products.

The Group operates in four geographical areas which are North America, Nordic Countries, Rest of Europe and Rest of the World.

The Group measures segment performance based on operating profit. Reported figures are consistent with IFRS accounting principles. Pricing of inter-segment transactions is based on market prices.

OPERATING SEGMENTS

EUR million	2011	2010
Net sales		
Group Fishing Products	152.3	139.5
Other Group Products	22.8	25.2
Third Party Products	105.0	105.6
Intra-segment sales	-0.7	-0.9
Net sales	**279.5**	269.4
Operating profit		
Group Fishing Products	19.9	21.4
Other Group Products	2.5	2.0
Third Party Products	8.4	7.8
Operating profit	**30.7**	31.3

In 2011 operating profit included impairment related costs of EUR 0.4 million: Group Fishing Products EUR 0.0 million, Other Group Products EUR 0.2 million and Third Party Products EUR 0.2 million. In 2010 operating profit included impairment related costs of EUR 0.0 million, which was allocated to Group Fishing Products, Other Group Products and Third Party Products.

The share of results in associates and joint ventures, EUR -0.1 million (EUR 0.0 million) was allocated to all operating segments.

EUR million	2011	2010
Assets		
Group Fishing Products	195.5	190.5
Other Group Products	12.2	12.7
Third Party Products	68.8	71.1
Intra-segment	0.0	
Non-interest bearing assets total	**276.5**	274.3
Unallocated interest-bearing assets	38.1	29.7
Total assets	**314.5**	304.0
Liabilities		
Group Fishing Products	32.5	35.1
Other Group Products	2.5	2.9
Third Party Products	14.5	15.1
Intra-segment	0.0	
Non-interest bearing liabilities total	**49.5**	53.1
Unallocated interest-bearing liabilities	129.3	121.7
Total liabilities	**178.8**	174.8

GEOGRAPHICAL INFORMATION

Net sales by unit location

EUR million	2011	2010
North America	69.2	68.5
Nordic	111.9	110.4
Rest of Europe	117.8	104.6
Rest of the World	70.8	69.6
Intra-segment sales	-90.2	-83.8
Total net sales	**279.5**	269.4

External net sales by destination

EUR million	2011	2010
Finland	24.8	25.5
Other Nordic countries	36.5	37.7
Nordic total	**61.3**	63.2
Russia	29.2	27.4
France	33.8	30.5
Other European countries	45.5	39.4
Rest of Europe total	**108.5**	97.3
USA	56.8	60.8
Other North America	13.8	12.2
North America total	**70.6**	73.0
Rest of the World	**39.2**	35.9
Total	**279.5**	269.4

Non-current assets by unit location

EUR million	2011	2010
Finland	13.9	13.5
Other Nordic Countries	2.8	3.1
Nordic total	**16.6**	16.6
Rest of Europe total	**18.9**	16.6
USA	26.2	25.7
Other North America	4.2	4.3
North America total	**30.5**	30.0
China	26.9	29.7
Other countries	5.2	3.6
Rest of the World total	**32.0**	33.3
Total	**98.1**	96.5

These non-current assets exclude non-current financial instruments and deferred tax assets.

3. ACQUISITIONS AND DISPOSALS

CORPORATE ACQUISITIONS IN 2011

In July Rapala acquired 100% of the shares and voting rights of a UK based company Advance Carp Equipment Ltd ("ACE"), engaged in design and sales of equipment and accessories for carp fishing. ACE will form the platform for Rapala's fast entry into these product categories in UK and in Europe. The consideration GBP 0.0 million (EUR 0.0 million) was paid to the sellers in cash at closing.

The acquisition of ACE contributed EUR 0.1 million to the 2011 sales and EUR -0.1 million to the net profit. If the acquisition had taken place at the beginning of the year, it would have contributed some EUR 0.2 million and some EUR -0.1 million to the net profit for the year.

OTHER ACQUISITIONS IN 2011

In September Rapala acquired 50% of the share capital and voting rights of Shimano UK Ltd, forming a true 50/50 joint venture company, Shimano Normark UK Ltd, to distribute both Rapala and Shimano products in the UK on an exclusive basis. The total consideration was based on the net assets upon closing and totaled to GBP 1.4 million. The acquisition did not create any goodwill. For more details on the joint venture, see note 14.

CORPORATE ACQUISITIONS IN 2010

In February 2010, Rapala purchased a 10% share of the Group's Hungarian distribution company. This acquisition raised Rapala's ownership to 66.6%. Acquisition has no significant impact on the Group's consolidated financial statements.

On August 27th, Rapala acquired 100% of the share capital of UK based Dynamite Baits Ltd ("Dynamite"), a manufacturer of boilies, groundbaits, liquid attractants, pellets and bagged particle baits for sport fishing. The total consideration for the deal was some GBP 5.3 million (some EUR 6.5 million). The total consideration is subject to realization of contingent consideration. Dynamite has its own efficient distribution system in the UK securing deliveries directly to some 1 200 sales outlets. Its products enjoy an excellent reputation for catching fish. The acquisition of Dynamite brought Rapala into an important segment of the bait market in which it has not been represented before.

The acquisition of Dynamite contributed EUR 1.8 million to the net sales and EUR -0.3 million to the net profit for the year. If this acquisition had taken place at the beginning of the year, it would have contributed some EUR 8.2 million to the I-IV/2010 net sales and some EUR 0.2 million to the net profit for the year.

ACQUISITIONS

EUR million	Note	2011 Fair value	2011 Seller's carrying value	2010 Fair value	2010 Seller's carrying value
Cash and cash equivalents and interest-bearing assets		0.0	0.0	0.2	0.2
Inventories		0.2	0.2	1.4	1.4
Trade and other non-interest-bearing receivables		0.0	0.0	1.2	1.2
Intangible assets	12	0.4		6.4	
Tangible assets	13	0.1	0.1	0.5	0.5
Trade and other non-interest-bearing payables		-0.6	-0.6	-1.7	-1.7
Interest-bearing liabilities		-0.1	-0.1	-0.7	-0.7
Deferred tax liability (net)	11	-0.1		-1.6	0.2
Non-controlling interest				0.0	
Fair value of acquired net assets		**0.0**	**-0.3**	5.6	1.0

EUR million	Note	2011	2010
Cash paid during financial year		0.0	5.0
Cash to be paid later [1]			1.3
Contingent consideration			0.2
Total purchase consideration		**0.0**	6.5
Excess of Group's interest in the net fair value of acquired net assets over cost			
Goodwill	12	0.1	0.9
Net goodwill		**0.1**	0.9
Cash paid for the acquisitions [2]		0.2	5.0
Cash and cash equivalents acquired		0.0	-0.2
Net cash flow		**0.2**	4.8

[1] Paid to an escrow account and will be released to sellers in 2013.

[2] Cash paid in 2011 includes EUR 0.1 million payment of the contingent consideration related to 2010 acquisition of Dynamite. The contingent consideration required the acquired company Dynamite to receive a tax benefit of EUR 0.2 million based on preliminary tax calculations. Rest of the contingent consideration, EUR 0.1 million, is expected to be paid according to the original estimation during 2012. The discounted value of the contingent consideration was estimated by applying the income approach assuming a discount rate of 1%.

In 2011 the total amount of cash and cash equivalents and other interest-bearing receivables consisted of cash.

The transaction costs of EUR 0.3 million have been expensed and are included in the other operating expenses in the income statement and treated as a non-recurring item.

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

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

The ACE acquisition in 2011 created EUR 0.1 million of goodwill, which is justified by a fast entry into new product markets. The goodwill of 2010 (EUR 0.9 million) resulted from acquiring Dynamite. Goodwill is justified by expansion of product assortment and market coverage as well as utilization of economies of scale in production, sourcing and distribution.

The goodwill has been tested for impairment. None of the goodwill is expected to be deductible for income tax purposes.

DISPOSALS IN 2011

In December a deal to sell 100% of the shares of Willtech Gift (HK) Ltd ("Willtech Gift "), the Rapala unit engaged in manufacturing of gift items in China, was closed. Rapala's gift item manufacturing and distribution activities were transferred under Willtech Gift before the transaction. The transaction resulted into a gain of EUR 1.9 million that was booked in other operating income. The value of assets disposed totaled to EUR 4.8 million, including EUR 1.0 million of goodwill. Part of the consideration was received in cash in December, and the rest was settled by a guaranteed interest bearing promissory note that matures during 2012–2016.

DISPOSALS

EUR million	Note	2011
Working capital		1.9
Tangible assets	13	1.0
Cash		0.9
Goodwill	12	1.0
Disposed assest total		**4.9**
Cash received at closing		1.4
Cash received later		5.3
Total Consideration		**6.7**
Gain on sale		**1.9**

4. OTHER OPERATING INCOME

EUR million	2011	2010
Sale of gift manufacturing unit in China	1.9	
Other gains from sale of intangible and tangible assets	0.2	0.1
Royalty income	0.3	0.2
Insurance compensations	0.1	0.0
Rental income	0.1	0.1
Government grants	0.0	0.1
Scrap sales	0.0	0.0
Other income	0.2	0.1
Total	**2.9**	0.7

Other income, EUR 0.2 million (2010: EUR 0.1 million) is a combination of several smaller income items, of which none is individually significant. More information on the sale of Gift manufacturing unit in China, see note 3.

5. OTHER OPERATING EXPENSES

EUR million	2011	2010
Selling and marketing expenses	-12.2	-12.1
Rents paid	-7.4	-6.8
Freight	-5.7	-5.3
Maintenance and utility expenses	-5.2	-5.0
Traveling expenses	-4.6	-4.4
Sales commissions	-3.6	-3.6
Consulting expenses	-2.2	-1.7
IT and telecommunication	-1.9	-1.8
Valuation allowance for trade receivables	-1.2	-0.6
Insurance expenses	-0.8	-0.8
Auditors' fees and services	-0.8	-0.7
Outsourced logistics	-0.6	-0.6
Other expenses	-7.0	-6.4
Total	**-53.3**	-49.7

AUDITORS' FEES AND SERVICES

EUR million	2011	2010
Audit fees	-0.7	-0.6
Fees for tax services	0.0	0.0
Other fees	0.0	0.0
Total	**-0.8**	-0.7

NON-RECURRING INCOME AND EXPENSES INCLUDED IN OPERATING PROFIT

EUR million	2011	2010
Costs related to business acquisitions	-0.3	-0.2
Restructuring of Hungarian operations	0.1	-0.2
Relocation of Finnish operations	-0.3	
Sale of gift manufacturing unit in China [1)]	1.5	
Other restructuring costs	-0.4	-0.1
Other non-recurring items		-0.1
Total included in EBITDA	**0.6**	-0.5
Non-recurring impairment of non-current assets in China		0.0
Impairment of non-current assets relating to relocation of Finnish operations	-0.4	
Other non-recurring impairments	0.0	
Total included in operating profit	**0.2**	-0.5

[1)] Including a gain of EUR 1.9 million and costs related to divestment

Non-recurring income is included in other operating income in the consolidated income statement. Non-recurring expenses are included in other operating expenses, employee benefit expenses and depreciation and impairments.

6. MATERIALS AND SERVICES

EUR million	2011	2010
Materials, goods and supplies		
Purchases during the period	-125.6	-123.1
Change in inventory	0.6	0.2
External services	-8.2	-12.9
Total	**-133.2**	-135.7

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2011	2010
Wages and salaries	-50.4	-48.0
Pension costs – defined contribution plans	-3.8	-3.6
Pension costs – defined benefit plans	-0.2	-0.3
Other long-term employee benefits	0.0	-0.2
Option programs to be settled in shares		0.1
Option programs to be settled in cash	0.1	-0.1
Other personnel expenses	-7.9	-7.1
Total	**-62.4**	-59.1

The employee benefit expenses in 2011 include EUR 0.8 million (2010: EUR 0.3 million) employee related restructuring expenses. For more details on employee benefits for top management and option programs, see notes 28 and 29.

AVERAGE PERSONNEL

Persons	2011	2010
North America	116	112
Nordic	444	468
Rest of Europe	835	842
Rest of the World	813	895
Total	**2 208**	2 317

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

EUR million	2011	2010
Amortization and impairment of intangible assets		
Amortization of customer relations	-0.3	-0.3
Amortization of other intangible assets	-0.3	-0.2
Depreciation and impairment of tangible assets		
Depreciation of buildings	-0.8	-0.7
Depreciation of machinery and equipment	-3.4	-3.5
Depreciation of other tangible assets	-1.7	-1.4
Impairment losses of buildings	-0.4	
Impairment losses of other tangible assets	0.1	0.0
Total	**-7.0**	-6.1

In 2011 the impairments of tangible and intangible assets were related to the relocation of Finnish operations, restructuring of winter sport business in Norway and other non-recurring impairments on tangible and intangible assets. In 2010 impairments were mainly related to the reorganization of the Chinese manufacturing operations.

9. RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 2.1 million recognized as an expense in 2011 (2010: EUR 2.1 million). Group has not capitalized research and development costs.

10. FINANCIAL INCOME AND EXPENSES

EUR million	2011	2010
Foreign exchange gains		
From loans and receivables	7.2	6.9
From financial liabilities measured at amortized cost	2.6	1.4
Foreign exchange losses		
From loans and receivables	-7.3	-4.3
From financial liabilities measured at amortized cost	-4.3	-2.4
Interest and other financial income		
Interest income from loans and receivables	0.2	0.2
Other financial income	0.0	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-3.6	-3.4
Other financial expenses	-0.3	-0.3
Total	**-5.5**	-1.8

Interest expenses include interest expense of finance lease contracts of EUR -0.0 million in 2011 (2010: EUR -0.0 million).

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR million	2011	2010
Change in fair value of interest rate derivatives – hedge accounted, net of tax	-0.1	-1.2
Gains and losses on hedges of net investments, net of tax	-0.4	-1.1
Total	**-0.5**	-2.3

EXCHANGE GAINS AND LOSSES IN THE INCOME STATEMENT

EUR million	2011	2010
In net sales	0.4	0.9
In purchases	-0.1	-0.4
In other operating expenses		
Change in fair value of currency derivatives, non-hedge accounted	-0.1	0.5
In financial income and expenses		
Foreign exchange gains and losses, net	-1.8	1.6
Total	**-1.6**	2.5

In 2011 and 2010, hedges of net investments and interest rate derivatives, which fulfill IAS 39 effectiveness requirements, had no income statement effect.

11. INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2011	2010
Income taxes for the current year	-7.9	-8.5
Deferred taxes	-0.1	-0.3
Total	**-8.0**	-8.7

INCOME TAX RECONCILIATION

EUR million	2011	2010
Income taxes at Finnish corporate tax rate (26%)	-6.6	-7.7
Effect of different tax rates in foreign subsidiaries	-1.2	-0.3
Non-deductible expenses and tax exempt income	0.4	0.2
Foreign withholding taxes	-0.3	-0.4
Losses for which no deferred tax benefit is recognized	-0.4	-0.1
Taxes for prior years	-0.5	-0.7
Changes in the carrying amounts of deferred tax assets and liabilities from prior years	0.5	0.2
Impact of the changes in the tax rates on deferred tax balances	0.0	0.0
Effect of consolidation and eliminations	0.0	0.0
Other items	0.0	0.0
Income taxes in the income statement	**-8.0**	-8.7

TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

2011 EUR million	Before tax	Tax expense/ benefit	Net of tax
Change in translation differences	2.0		2.0
Gains and losses on cash flow hedges	-0.1	0.0	-0.1
Gains and losses on hedges of net investment	-0.5	0.1	-0.4
Total	**1.4**	**0.1**	**1.5**

2010 EUR million	Before tax	Tax expense/ benefit	Net of tax
Change in translation differences	7.8		7.8
Gains and losses on cash flow hedges	-1.6	0.4	-1.2
Gains and losses on hedges of net investment	-1.5	0.4	-1.1
Total	4.7	0.8	5.5

MOVEMENT OF DEFERRED TAXES

2011

EUR million	Jan. 1	Income statement	Equity	Translation differences	Acquisitions (see note 3)	Dec. 31
Tax losses and credits carried forward	2.3	0.4		0.0		2.7
Provisions	0.1	0.1		0.0		0.2
Pension obligations	0.3	0.0		0.0		0.3
Depreciation difference	0.1	0.1		0.0		0.2
Effect of consolidation and eliminations	5.0	-0.4		0.1		4.7
Other temporary differences	1.8	-0.2	0.0	0.0		1.6
Total deferred tax assets	**9.7**	**0.0**	**0.0**	**0.1**		**9.8**
Depreciation difference and other untaxed reserves	2.6	0.1		0.1		2.7
Inventory	2.4	-0.1		0.1		2.4
Fair value adjustments for acquired net assets	3.2	0.0		0.0	0.1	3.3
Other temporary differences	0.6	0.2		0.0		0.8
Total deferred tax liabilities	**8.8**	**0.2**		**0.2**	**0.1**	**9.2**
Net deferred tax asset	**0.9**	**-0.1**	**0.0**	**-0.1**	**-0.1**	**0.6**

2010

EUR million	Jan. 1	Income statement	Equity	Translation differences	Acquisitions	Dec. 31
Tax losses and credits carried forward	1.9	0.4		0.0		2.3
Provisions	0.1	0.0		0.0		0.1
Pension obligations	0.2	0.0		0.0		0.3
Depreciation difference	0.2	-0.1		0.0		0.1
Effect of consolidation and eliminations	4.5	0.1		0.4		5.0
Other temporary differences	0.9	0.2	0.4	0.1	0.2	1.8
Total deferred tax assets	8.0	0.5	0.4	0.5	0.2	9.7
Depreciation difference and other untaxed reserves	2.1	0.3		0.2		2.6
Inventory	2.1	0.2		0.1		2.4
Fair value adjustments for acquired net assets	1.4	0.0		0.1	1.7	3.2
Other temporary differences	0.2	0.4		0.0		0.6
Total deferred tax liabilities	5.8	0.8		0.5	1.7	8.8
Net deferred tax asset	2.2	-0.3	0.4	0.0	-1.5	0.9

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2011, the Group had tax losses carried forward of EUR 7.1 million (2010: EUR 6.8 million), for which deferred tax assets have not been recognized in the consolidated financial statements because the realization of the tax benefit is not probable. EUR 3.7 million of these tax losses will expire during the next five years (2010: EUR 3.6 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 0.9 million (2010: EUR 0.4 million) in subsidiaries, which have generated losses in financial year 2011 or 2010. The recognition of these assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

12. INTANGIBLE ASSETS

2011

EUR million	Trademarks	Customer relations	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1	17.7	3.5	46.5	5.8	73.5
Additions				0.4	0.4
Acquisitions (see note 3)	0.4		0.1	0.0	0.5
Disposals			-1.1	-0.1	-1.2
Reclassifications [1]				0.2	0.2
Translation differences	0.4	0.0	0.5	0.0	0.9
Acquisition cost Dec. 31	**18.5**	**3.4**	**46.0**	**6.4**	**74.3**
Accumulated amortization Jan. 1	-0.6	-1.3		-3.8	-5.7
Acquisitions (see note 3)				0.0	0.0
Disposals				0.0	0.0
Reclassifications [1]				-0.2	-0.2
Amortization during the period		-0.3		-0.3	-0.7
Translation differences	0.0	0.0		0.0	0.0
Accumulated amortization Dec. 31	**-0.6**	**-1.6**		**-4.2**	**-6.4**
Carrying value Jan. 1	**17.1**	**2.2**	**46.5**	**2.0**	**67.8**
Carrying value Dec. 31	**17.9**	**1.8**	**46.0**	**2.3**	**67.9**

2010

EUR million	Trademarks	Customer relations	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1	11.9	2.2	43.7	5.5	63.3
Additions	0.0			0.2	0.2
Acquisitions (see note 3)	5.3	1.0	0.9		7.3
Disposals	0.0			0.0	0.0
Reclassifications [1]				0.1	0.1
Translation differences	0.4	0.3	1.9	0.1	2.7
Acquisition cost Dec. 31	17.7	3.5	46.5	5.8	73.5
Accumulated amortization Jan. 1	-0.6	-0.9		-3.5	-5.0
Disposals	0.0			0.0	0.0
Reclassifications [1]				0.0	0.0
Amortization during the period	0.0	-0.3		-0.2	-0.5
Translation differences	0.0	-0.1		0.0	-0.2
Accumulated amortization Dec. 31	-0.6	-1.3		-3.8	-5.7
Carrying value Jan. 1	11.3	1.3	43.7	1.9	58.3
Carrying value Dec. 31	17.1	2.2	46.5	2.0	67.8

[1] Includes reclassifications between intangible and tangible assets.

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

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR million	Group Fishing Products	Other Group Products	Third Party Products	Total
2011				
Goodwill	43.7	0.0	2.3	46.0
Trademarks with indefinite lives	17.2	0.1	0.5	17.9
2010				
Goodwill	43.0	1.1	2.4	46.5
Trademarks with indefinite lives	16.4	0.1	0.6	17.1

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

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

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections, which were used in these calculations, were based on most recent 5-year financial forecasts prepared by the management and approved by the Board. The estimated sales and production volumes are derived from the utilization of existing property, plant and equipment. The most important assumptions on which management has based its cash flow projections are the sales and gross margins. Discount rate is the weighted average pre-tax cost of capital (WACC), which was 5.4% in 2011 and 6.0% in 2010. In the impairment tests prepared in 2011 and 2010, 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 2011 or 2010.

Key assumptions

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

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

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

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

Sensitivity analysis

The key sensitivity factors for the impairment test are the estimated EBITDA margin and the discount rate. It is the management's opinion that no probable change in any of the key sensitivity factors would lead to a situation where the carrying amount would exceed the recoverable amount. Even if the discount rate would be 8 percentage points higher or EBITDA margin 30% lower than used in the management's estimates, it would not lead to an impairment loss in Group Fishing Products and Third party Products. In Other Group Products the sensitivity level is some half of the others.

13. TANGIBLE ASSETS

2011 EUR million	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.8	21.4	49.8	10.9	0.7	84.6
Additions	0.0	1.1	3.5	2.0	1.4	8.1
Acquisitions (see note 3)			0.1	0.0		0.2
Disposals			-2.5	-3.1	0.0	-5.6
Reclassifications [1]		0.1	0.7	0.1	-1.1	-0.2
Transfer to assets held-for-sale	-0.1	-0.9				-1.0
Translation differences	0.0	0.1	0.2	0.1	0.0	0.5
Acquisition cost Dec. 31	**1.8**	**21.7**	**51.8**	**10.1**	**1.0**	**86.4**
Accumulated depreciation Jan. 1		-13.4	-36.6	-5.9		-55.9
Acquisitions (see note 3)			0.0	0.0		-0.1
Disposals			2.0	1.9		3.9
Reclassifications [1]			0.1	0.1		0.2
Transfer to assets held-for-sale		0.7				0.7
Depreciation during the period		-0.8	-3.4	-1.7		-6.0
Impairment		-0.4		0.1		-0.3
Translation differences		-0.1	-0.2	-0.1		-0.4
Accumulated depreciation Dec. 31		**-14.0**	**-38.2**	**-5.7**		**-57.9**
Carrying value Jan. 1	**1.8**	**8.0**	**13.2**	**5.0**	**0.7**	**28.7**
Carrying value Dec. 31	**1.8**	**7.7**	**13.7**	**4.4**	**1.0**	**28.5**

2010 EUR million	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.6	16.7	47.1	8.7	1.4	75.5
Additions	0.0	0.6	3.1	1.5	1.2	6.4
Acquisitions (see note 3)			1.1	0.3		1.4
Disposals			-3.4	-0.5	-0.5	-4.4
Reclassifications [2]		3.6	0.8	0.4	-1.4	3.5
Translation differences	0.1	0.5	1.1	0.5	0.0	2.2
Acquisition cost Dec. 31	1.8	21.4	49.8	10.9	0.7	84.6
Accumulated depreciation Jan. 1		-8.9	-35.0	-4.2		-48.0
Acquisitions (see note 3)			-0.7	-0.2		-1.0
Disposals			3.1	0.4		3.4
Reclassifications [2]		-3.6	0.3	-0.2		-3.5
Depreciation during the period		-0.7	-3.5	-1.4		-5.6
Impairment			0.0	0.0		0.0
Translation differences		-0.2	-0.8	-0.2		-1.2
Accumulated depreciation Dec. 31		-13.4	-36.6	-5.9		-55.9
Carrying value Jan. 1	1.6	7.8	12.1	4.5	1.4	27.5
Carrying value Dec. 31	1.8	8.0	13.2	5.0	0.7	28.7

[1] Includes reclassifications between intangible and tangible assets.
[2] Includes reclassifications between acquisition cost and accumulated depreciation.

The carrying value of the machinery included in tangible assets was EUR 12.6 million as of December 31, 2011 (2010: EUR 12.7 million).

ASSETS LEASED BY FINANCE LEASE AGREEMENTS

EUR million	2011 Machinery and equipment	2011 Other tangible assets	2010 Machinery and equipment	2010 Other tangible assets
Carrying value Jan. 1	0.4	0.1	0.1	
Additions	0.0	0.1	0.2	
Acquisitions (see note 3)			0.2	0.0
Disposals	0.0	-0.1		
Reclassifications [1]	-0.1	0.1	-0.1	0.1
Depreciation during the period	-0.1	-0.1	-0.1	0.0
Translation differences	0.0	0.0	0.0	0.0
Carrying value Dec. 31	**0.2**	**0.1**	0.4	0.1
Accumulated depreciation Dec. 31	-0.2	-0.1	-0.2	0.0
Acquisition cost Dec. 31	**0.4**	**0.2**	0.5	0.1

[1] Includes reclassification between machinery and equipment and other tangible assets

ASSETS HELD-FOR-SALE

As part of the relocation of Finnish distribution operations, an office and warehouse building in Korpilahti, Finland, was classified as held for sale during 2011. This resulted in an impairment loss of EUR 0.4 million.

14. INVESTMENTS IN ASSOCIATED COMPANIES

In September, Rapala acquired 50% of the share capital and voting rights of Shimano UK Ltd, forming a true 50/50 joint venture company, Shimano Normark UK Ltd, to distribute both Rapala and Shimano products in the UK on an exclusive basis. The total consideration was based on the net assets of the acquired company upon closing and totaled to GBP 1.4 million (EUR 1.5 million). The acquisition did not create any goodwill. The consolidated accounts include share of profit/loss from acquisition to December 31. Shimano Normark UK Ltd's income statement and balance sheet figures are based on the information for the accounting year ending on November 30.

The Group has a 33.3% interest in unlisted Lanimo Oü. Its main activity is producing leather-haberdashery. The carrying amount of Lanimo Oü does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the period ending on September 30, due to differences in reporting time schedule. Information for the financial period ending on December 31, 2010 is the following: assets EUR 0.1 million, liabilities EUR 0.1 million, sales EUR 0.1 million and loss EUR 0.0 million.

EUR million	2011	2010
Acquisition cost Jan. 1	0.0	0.0
Acquisitions	1.5	
Share of profit/loss	-0.2	0.0
Translation differences	0.1	
Acquisition cost Dec. 31	**1.5**	0.0

INFORMATION ON ASSOCIATES AND JOIN VENTURES

2011

EUR million	Ownership, %	Domicile	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities	Sales	Profit/ loss
Shimano Normark UK Ltd.	50.0	United Kingdom	0.2	4.0	0.0	1.1	8.5	0.0
Lanimo OÜ	33.3	Estonia	0.1	0.1	0.0	0.0	0.1	0.0

2010

EUR million	Ownership, %	Domicile	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities	Sales	Profit/ loss
Lanimo OÜ	33.3	Estonia	0.1	0.0	0.0	0.0	0.1	0.0

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR million	2011	2010
Carrying value Jan. 1	0.3	0.3
Translation differences	0.0	0.0
Carrying value Dec. 31	**0.3**	0.3

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

16. RECEIVABLES

EUR million	2011	2010
Non-current receivables		
Interest-bearing		
Loan receivables	4.5	0.1
Escrow deposit	1.3	1.3
Non-interest-bearing		
Other receivables	0.2	0.2
Current receivables		
Interest-bearing		
Loan receivables	1.1	0.0
Derivatives	0.2	0.0
Interest receivables	0.2	
Non-interest-bearing		
Trade receivables	51.1	53.0
VAT receivable	1.4	1.4
Prepaid insurance expenses	0.3	0.2
Other prepaid expenses and accrued income	1.7	1.9
Other receivables	1.8	1.1
Valuation allowance for trade receivables	-2.8	-2.3
Total	**61.1**	57.0

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

The weighted average interest rate of non-current loan receivables was 3.96% (2010: 3.44%). The weighted average interest rate of current loan receivables at December 31, 2011 was 4.04% (2010: 2.56%).

ALLOWANCE FOR TRADE RECEIVABLES

EUR million	2011	2010
Allowance for trade receivables Jan. 1	2.3	2.5
Additions	1.2	0.7
Deductions	-0.3	-1.0
Recovery	-0.3	-0.1
Translation differences	0.0	0.1
Allowance for trade receivables Dec. 31	**2.8**	2.3

In most cases allowances are determined individually, when there is objective evidence (such as significant over-due 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	2011	2010
Raw material	8.4	8.1
Work in progress	9.4	9.7
Finished products	100.9	97.4
Net realizable value provisions	-3.2	-3.0
Total	**115.5**	112.2

In 2011, the carrying value of inventories included a provision for net realizable value of EUR 3.2 million (2010: EUR 3.0 million).

18. CASH AND CASH EQUIVALENTS

EUR million	2011	2010
Cash at bank and in hand	27.8	27.3
Short-term deposits	1.1	0.6
Total	**28.9**	27.9

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

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

19. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

EUR million	2011	2010
Share capital Jan. 1	3.6	3.6
Share capital Dec. 31	**3.6**	3.6
Share premium fund Jan. 1	16.7	16.7
Share premium fund Dec. 31	**16.7**	16.7
Fair value reserve Jan. 1	-1.5	-0.3
Gains and losses on cash flow hedges, net of tax	-0.1	-1.2
Fair value reserve Dec. 31	**-1.6**	-1.5
Fund for invested non-restricted equity Jan. 1	4.9	4.9
Fund for invested non-restricted equity Dec. 31	**4.9**	4.9
Own shares Jan. 1	-2.5	-1.4
Purchase of own shares	-0.1	-1.1
Own shares Dec. 31	**-2.6**	-2.5
Retained earnings Jan. 1	100.7	84.0
Translation differences	2.3	7.4
Gains and losses on hedges of net investments, net of tax	-0.4	-1.1
Dividends paid	-9.0	-7.4
Share-based payments		-0.1
Other changes		0.0
Net income for the period	14.0	18.0
Retained earnings Dec. 31	**107.7**	100.7

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

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

DIVIDENDS

For more details on dividends, see note 31.

SHARES AND SHARE CAPITAL

On December 31, 2011, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 468 449 (2010: 39 468 449). The book value of a share is EUR 0.09.

OWN SHARES

On February 4, 2010, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 7, 2009. The repurchasing of shares started on February 15, 2010 and ended on March 31, 2010 when Rapala held 368 144 own shares. Based on the authorization of the AGM held on April 14, 2010 the repurchasing of own shares continued from May 3 to June 30, from August 2 to September 30 and from November 1 to December 31, 2010. At the end of December 2010, Rapala held 540 198 own shares, representing 1.4% of the total number and the total voting rights of Rapala shares. The average price for the repurchased own shares in January-December 2010 was EUR 5.72. The average share price of all repurchased own shares held by Rapala was EUR 4.71.

On November 17, 2011, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 5, 2011. In 2011 a total of 11 859 shares were repurchased at the average price of EUR 5.46. At the end of December 2011, Rapala held 552 057 own shares, representing 1.4% of the total number and the total voting rights of Rapala shares. The average share price of all repurchased own shares held by Rapala was EUR 4.73.

CHANGES IN SHARE CAPITAL IN 2010–2011

There were no changes in the share capital in 2010 and 2011.

BOARD'S AUTHORIZATIONS

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

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

SHARE BASED PAYMENTS

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

20. EMPLOYEE BENEFIT OBLIGATIONS

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

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR million	2011	2010
Current service cost	-0.1	-0.3
Interest cost	-0.1	0.0
Actuarial gains and losses	0.0	0.0
Total	**-0.2**	-0.3

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR million	2011	2010
Present value of unfunded obligations	1.4	1.3
Unrecognized actuarial gains/losses	0.0	0.0
Unrecognized prior service cost	-0.1	-0.1
Net obligations	**1.3**	1.2

BALANCE SHEET RECONCILIATION

EUR million	2011	2010
Obligations Jan. 1	1.2	1.0
Current service cost	0.1	0.3
Interest cost	0.1	0.0
Actuarial gains and losses	0.0	0.0
Effect of any curtailments or settlements	-0.1	-0.1
Obligations Dec. 31	**1.3**	1.2

ASSUMPTIONS

%	2011	2010
Discount rate	4.8	4.8
Future salary increase	2.6	2.5
Annual inflation rate	2.0	2.0

AMOUNTS FOR CURRENT AND PREVIOUS FOUR PERIODS

EUR million	2011	2010	2009	2008	2007
Present value of funded obligations				0.1	0.1
Fair value of plan assets				-0.1	-0.1
Present value of unfunded obligations	1.4	1.3	1.0	0.7	0.7
Experience adjustment on plan liabilities	0.0	0.0	0.0	-0.1	-0.1

The Group expects to contribute EUR 0.0 million to its defined benefit pension plans in 2012.

21. PROVISIONS

EUR million	2011	2010
Restructuring provisions		
Provisions Jan. 1	0.1	0.0
Additions		0.1
Utilized provisions	-0.1	0.0
Translation differences	0.0	0.0
Provisions Dec. 31		0.1
Warranty provisions		
Provisions Jan. 1		0.0
Reversal of unutilized provisions		0.0
Provisions Dec. 31		
Other provisions		
Provisions Jan. 1	0.1	0.0
Additions	0.1	0.1
Utilized provisions	-0.1	0.0
Reclassification from current non-interest-bearing liabilities	0.1	
Translation differences	0.0	0.0
Provisions Dec. 31	**0.2**	0.1
Non-current	0.1	0.0
Current	0.1	0.2
Total provisions	**0.2**	0.2

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

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33.

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 2011, the Group continued to develop its risk management processes. Group Risk Management, consisting of the Group CFO, Group Funding Manager and Group Risk Manager, review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. Uncertainty in global economy and financial markets increased at the latter part of 2011 and 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

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

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

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

Currency derivatives used by the Group at the end of 2011 were short-term zero cost option pair instruments. The fair values of the options are received from the bank and are determined based on fair value calculations using the Black and Scholes model. All changes in fair value of currency derivatives are recognized in the income statement. In 2011, currency derivatives had an income statement effect of EUR -0.1 million (2010: EUR 0.5 million). Fair values of currency derivatives are summarized under section 4. Derivatives.

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

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

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

The Group has net investments in subsidiaries whose equity is in foreign currency and thus exposed to foreign exchange rate movements when translated into euro. At the end of 2011, the Group hedged partially its net investments in JPY and USD currency denominated subsidiaries using equivalent currency loans. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity. The total non-euro-denominated equity of the Group's foreign subsidiaries was EUR 90.6 million on December 31, 2011 (2010: EUR 85.2 million), of which 10.7 % was on Dec. 31 subject to equity hedging (2010: 16.8 %). If the currencies linked to Euro based on ERM II (DKK, LTL and LVL) are excluded, the hedge ratio was 11.3 % (2010: 18.1 %).

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

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

Hedging of net investments in foreign subsidiaries

2011

	Total net investment (currency million)	Loans used for hedging (currency million)	Total net investment (EUR million)	Loans used for hedging (EUR million)	Hedge rate (%)	Booked in translation difference in equity (EUR million)
USD	37.7	11.7	29.2	9.0	31.0	-0.2
JPY	138.7	65.0	1.4	0.6	46.9	-0.1
Other			60.1			-0.2
Total			**90.6**	**9.7**	**10.7**	**-0.5**

2010

	Total net investment (currency million)	Loans used for hedging (currency million)	Total net investment (EUR million)	Loans used for hedging (EUR million)	Hedge rate (%)	Booked in translation difference in equity (EUR million)
USD	33.8	18.3	25.3	13.7	54.0	-1.1
JPY	127.8	75.0	1.2	0.7	58.7	-0.1
NOK	16.3		2.1			-0.1
AUD	5.6		4.3			-0.2
Other			52.4			0.0
Total			85.2	14.4	16.8	-1.5

Exposure to foreign exchange risk from transactions

Below is presented the foreign currency exposure in companies whose functional currency is other than the currency under analysis. The connections possibly prevailing between different currencies are not take into account, e.g. US dollar and Hong Kong dollar are considered as separate currencies in this analysis.

Balance sheet items include both Group's external and internal items. Income statement items do not include internal items to the extent reported currency is foreign currency for both transaction parties and hence does not expose the Group to foreign exchange risk.

The positions of other currencies are smaller.

2011

EUR million	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	11.9	0.0	0.1
Foreign currency trade payables Dec. 31.	-18.8	-0.6	-3.3
Foreign currency loans receivable Dec. 31.	10.1	0.4	5.5
Foreign currency loans payable Dec. 31. [1]	-24.2		-10.0
Foreign currency cash and cash equivalents Dec. 31.	5.3	0.2	0.9
Net exposure in balance sheet Dec. 31.	**-15.8**	**0.0**	**-6.8**
Actual foreign currency sales and purchases Jan. 1–Dec. 31	46.2	0.7	-8.9
Actual foreign currency expenses Jan. 1–Dec. 31	-61.1	-19.9	-3.6
Net exposure in the income statement Jan. 1–Dec. 31	**-14.9**	**-19.2**	**-12.5**
Currency derivatives Dec. 31. [2]	3.4		
Net exposure	**-27.3**	**-19.2**	**-19.3**

2010

EUR million	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	9.0	0.1	16.6
Foreign currency trade payables Dec. 31.	-16.4	-2.8	-2.2
Foreign currency loans receivable Dec. 31.	11.0	0.3	0.1
Foreign currency loans payable Dec. 31. [1]	-20.3		-5.9
Foreign currency cash and cash equivalents Dec. 31.	6.6	0.6	0.9
Net exposure in balance sheet Dec. 31.	-10.1	-1.8	9.6
Actual foreign currency sales and purchases Jan. 1–Dec. 31	52.1	1.0	0.7
Actual foreign currency expenses Jan. 1–Dec. 31	-56.8	-26.4	-14.7
Net exposure in the income statement Jan. 1–Dec. 31	-4.7	-25.4	-14.0
Currency derivatives Dec. 31. [2]	9.0		
Net exposure	-5.8	-27.1	-4.5

[1] Excluding loans used for hedging net investments in foreign subsidiaries
[2] Currency derivatives are used to hedge a portion of purchases in foreign currency.

Sensitivity analysis

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

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

2011

EUR million	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	1.5	0.9	2.0	-0.4	-0.5	-1.0	-0.7	-2.4
Net income (net of tax)	1.7	0.7	1.3	-0.4	-0.6	-0.7	-0.6	-1.7
Equity (net of tax) [3]	-2.3	-2.3	0.0	-0.4	-0.1	-1.0	-0.6	-0.1

2010

EUR million	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	-0.6	0.1	2.8	-0.4	-0.7	-0.8	-0.4	-1.9
Net income (net of tax)	-0.3	0.1	1.9	-0.4	-0.8	-0.6	-0.3	-1.3
Equity (net of tax) [3]	-1.6	-2.0	-0.1	-0.4	-0.2	-0.8	-0.5	-0.2

[3] Without the effect of net income.

A 10% strengthening would have the equal but opposite effect with exception of USD, where 10% strengthening would have EUR 0.5 million larger opposite effect on operating profit and net income than stated above as a result of the used hedging instruments.

2. Interest rate risk

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

EUR million	2011 Non-current	2011 Current	2010 Non-current	2010 Current
Loans from financial institutions with fixed interest rate	0.0	0.0	0.1	0.1
Pension loans with fixed interest rate	2.2	4.4	6.6	4.9
Loans from financial institutions with variable interest rate	8.4	86.6	18.3	67.8
Commercial paper program with variable interest rate		25.0		21.0

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

Most of the Group's interest-bearing liabilities have an interest period of less than one year. In order to manage the interest rate risk and to take benefit of favorable interest rate levels, EUR 7.0 million of the Group's loans payable is connected to fixed interests or interest periods of 12-month or longer (2010: EUR 11.8 million).

The interest rate risk may also be managed by using interest rate swaps, where the Group pays a fixed rate and receives variable rate. As of Dec. 31 the Group had 10 interest rate swaps, which were designated and effective as cash flow hedges in accordance with IAS 39. The market price based fair values of interest rate derivatives are received from issuer bank. In 2011, interest rate derivatives had an equity effect of EUR -0.1 million (2010: EUR -1.2 million) and no income statement effect (2010: no effect). Fair values of interest rate derivatives are summarized under section 4. Derivatives.

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 Dec. 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on Dec. 31.
- The sensitivity analysis of interest rate swaps is based on calculations received from the bank.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate.

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EUR million	2011 Net income (net of tax)	2011 Equity (net of tax) [4]	2010 Net income (net of tax)	2010 Equity (net of tax) [4]
Loans from financial institutions with variable interest rate	-0.6	0.6	-0.6	1.0
Commercial paper program with variable interest rate	-0.2		-0.1	

[4] Without the effect of net income.

3. Other market price risks

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

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

4. Derivatives

EUR million	2011 Foreign currency options	2011 Foreign currency forwards	2011 Interest rate swaps	2011 Total	2010 Foreign currency options	2010 Foreign currency forwards	2010 Interest rate swaps	2010 Total
Nominal amount	3.4		67.9		9.0	0.1	86.3	95.4
Positive fair values	0.2				0.0	0.0		0.0
Negative fair values			2.1		0.3	0.0	2.0	2.3
Net fair values	**0.2**		**-2.1**	**-1.9**	-0.3	0.0	-2.0	-2.3

All foreign currency derivatives mature within the next 12 months. Interest rate swaps, which are effective and mature between 2012 and 2013, generate following non-discounted cash flows, calculated based on interest rates and foreign exchange rates prevailing as per Dec. 31: EUR -1.1 million during year 2012 and EUR -0.9 million during year 2013.

LIQUIDITY RISK

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

Group's finance management raises most of the Group's interest-bearing debt centrally. The Group seeks to reduce liquidity and refinancing risks with balanced maturity profile of loans as well as by keeping sufficient amount of credit lines available. As from 2007, the flexibility of the Group's liquidity management has been increased with a EUR 25 million domestic commercial paper program, which together with Group's credit limits is utilized to balance the seasonality of the Group's cash flow. The size and maturity of issued commercial papers is decided by the CFO and Group Funding Manager, 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. 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, which were renewed in 2006, include ordinary loan covenants, which set conditions among other things on corporate restructurings, continuation of business, disposal of assets and external obligations as well as the Group's financial indicators like investments, equity-to-assets and gearing ratios, net debt to EBITDA ratio and cash flow to total debt service ratio. Increased sales in 2011 as well as increased working capital levels did put pressure on the cash flow covenant in some quarters in 2011. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group does not foresee that the bank covenants would create exposures to its liquidity in near future.

The Group's credit limits not drawn at December 31, 2011 were EUR 6.4 million (2010: EUR 19.8 million). Major part of the Group's credit limits is part of the Group's loan facilities renewed in 2006 and maturing in 2013. Group's domestic commercial paper program not sold at December 31, 2011 was EUR 0.0 million (2010: EUR 4.0 million).

MATURITY OF THE GROUP'S FINANCIAL LIABILITIES

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

2011

EUR million	Carrying value	Financial liabilities [2]	Contractual cash flows	2012	2013	2014	2015	2016	Total
Interest-bearing liabilities									
Loans from financial institutions [1]	**95.1**	**95.1**	95.8	87.3	8.4	0.0	0.0		**95.8**
Pension loans	**6.6**	**6.6**	6.8	4.5	2.1	0.1			**6.8**
Commercial paper program	**25.0**	**25.0**	25.0	25.0					**25.0**
Finance lease	**0.2**	**0.2**	0.3	0.1	0.1	0.1	0.0		**0.3**
Other interest-bearing liabilities [3]	**0.0**	**0.0**	0.0	0.0					**0.0**
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	**39.5**	**29.5**	29.5	25.9	2.3	0.7	0.7		**29.5**
Derivatives, net settled [4]									
Liabilities (payments)									
Interest rate derivatives, hedge accounted	**2.1**	**2.1**	2.0	1.1	0.9				**2.0**
Currency derivatives, non-hedge accounted									
Assets (receipts)									
Currency derivatives, non-hedge accounted	**0.2**	**0.2**	0.2	0.2					**0.2**
Total	**168.4**	**158.4**	**159.1**	**143.8**	**13.8**	**0.9**	**0.7**		**159.1**

2010

EUR million	Carrying value	Financial liabilities [2]	Contractual cash flows	2011	2012	2013	2014	2015	Total
Interest-bearing liabilities									
Loans from financial institutions	86.3	86.3	87.6	68.8	10.4	8.3	0.0	0.0	87.6
Pension loans	11.5	11.5	12.0	5.2	4.6	2.1	0.1		12.0
Commercial paper program	21.0	21.0	21.0	21.0					21.0
Finance lease	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.0	0.4
Other interest-bearing liabilities [3]	0.2	0.2	0.0	0.0					0.0
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	43.0	31.8	31.8	27.5	1.0	2.0	0.6	0.7	31.8
Derivatives, net settled [4]									
Liabilities (payments)									
Interest rate derivatives, hedge accounted	2.0	2.0	3.1	0.9	1.2	1.0			3.1
Currency derivatives, non-hedge accounted	0.3	0.3	0.0	0.0					0.1
Assets (receipts)									
Currency derivatives, non-hedge accounted	0.0	0.0	0.0	0.0					0.0
Total	164.6	153.5	156.0	123.7	17.3	13.5	0.9	0.7	156.1

[1] EUR 71.6 million of the interest-bearing liabilities maturing in 2012 is part of Group's revolving credit facilities, which mature in 2013 or later.
[2] The proportion of the carrying values which are classified as financial liabilities according to IAS 39.
[3] Maturity of interest payable has been presented in the contractual cash flows of loans and commercial paper program.
[4] Cash flows of interest rate and currency derivatives are calculated based on interest and foreign exchange rates as per Dec. 31

CREDIT AND DEFAULT RISK

The Group followed actively credit and default risks associated with customers and other counterparties in 2011. The Group's credit and default risk portfolio did not significantly change during the course of the year. The proportional amount of Group's trade receivables, which are past due date, increased slightly from 2010. Credit loss net allowances for trade receivables increased moderately from 2010 to 2011.

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

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

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

For information on allowance for trade receivables, see note 16. An allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for allowances is done locally in each business unit on case-by-case basis.

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

ANALYSIS OF TRADE RECEIVABLES THAT WHERE DUE BUT NOT IMPAIRED

EUR million	2011	2010
Neither past due or impaired	36.1	39.7
Past due but not impaired		
Less than 1 month	4.7	4.4
1–3 months	3.4	2.3
4–5 months	1.3	1.3
6–7 months	1.0	1.3
Over 7 months	1.6	1.7
Total	**48.3**	50.8

CAPITAL MANAGEMENT

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

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

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

1. Gearing ratio below 150%
2. Return on equity clearly above the average interest rate on net interest-bearing debt
3. Net interest-bearing debt to EBITDA below 3.8
4. Equity-to-assets ratio above 33%.

For definitions of key figures, see page 68

EUR million	2011	2010
Non-current interest-bearing liabilities	12.7	27.1
Current interest-bearing liabilities	116.6	94.6
Cash and cash equivalents	28.9	27.9
Interest-bearing receivables	9.1	1.8
Net interest-bearing debt at the end of the period	91.2	92.0
Total equity Dec. 31	135.8	129.2
Debt-to-equity (gearing) ratio, %	**67.2**	71.2
Net profit for the period	17.2	20.7
Total equity Jan. 1	129.2	111.7
Total equity Dec. 31	135.8	129.2
Total equity (average for the period)	132.5	120.4
Return on equity, %	**13.0**	17.2
Net interest expense	3.4	3.1
Net interest-bearing debt Dec. 31	91.2	92.0
Average interest rate on net interest-bearing debt, %	**3.7**	3.4
Net interest-bearing debt at the end of the period	91.2	92.0
Operating profit before depreciation and impairments (EBITDA)	37.7	37.4
Net interest-bearing debt to EBITDA - ratio	**2.4**	2.5
Total equity	135.8	129.2
Total shareholders' equity and liabilities – advances received	314.3	303.6
Equity-to-assets ratio, %	**43.2**	42.6

In 2010, the Group met its objectives for capital management:

1. Gearing ratio was 67.2% (2010: 71.2%).
2. Return on equity, 13.0% (2010: 17.2%), was clearly higher than the average interest rate on net interest-bearing debt, which was 3.7% (2010: 3.4%).
3. Net interest-bearing debt to EBITDA was 2.4 (2010: 2.5).
4. Equity-to-assets ratio was 43.2% (2010: 42.6%).

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

23. FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR million	2011 Carrying value	2011 Financial assets and liabilities *	2011 Fair value of financial assets and liabilities *	2010 Carrying value	2010 Financial assets and liabilities *	2010 Fair value of financial assets and liabilities *	Note
FINANCIAL ASSETS							
Loans and receivables							
Non-current financial assets							
Loan receivables	4.5	4.5	4.5	0.1	0.1	0.1	16
Other interest-bearing receivables	1.3	1.3	1.3	1.3	1.3	1.3	16
Non-interest-bearing receivables	0.2	0.2	0.2	0.2	0.2	0.2	16
Current financial assets							
Cash and cash equivalents	28.9	28.9	28.9	27.9	27.9	27.9	18
Loan receivables	1.1	1.1	1.1	0.0	0.0	0.0	16
Trade and other non-interest-bearing receivables	53.5	51.8	51.8	55.3	53.9	53.9	16
Available-for-sale financial assets							
Available-for-sale investments	0.3	0.3	0.3	0.3	0.3	0.3	15
Financial assets at fair value through income statement – held-for-trading							
Currency derivatives - non-hedge accounted	0.2	0.2	0.2	0.0	0.0	0.0	16, 22
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement – held-for-trading							
Currency derivatives – non-hedge accounted				0.3	0.3	0.3	22, 24
Hedge accounted derivatives							
Interest rate derivatives – hedge accounted	2.1	2.1	2.1	2.0	2.0	2.0	22, 24
Financial liabilities measured at amortized cost							
Non-current financial liabilities							
Loans from financial institutions	8.4	8.4	8.4	18.4	18.4	18.4	24
Pension loans	2.2	2.2	2.2	6.6	6.6	6.7	24
Finance lease	0.1	0.1	0.1	0.3	0.3	0.3	24
Other non-interest-bearing liabilities	3.7	3.7	3.7	4.3	4.3	4.3	25
Current financial liabilities							
Loans from financial institutions	86.7	86.7	86.7	67.9	67.9	67.9	24
Commercial paper program	25.0	25.0	25.0	21.0	21.0	21.0	24
Pension loans	4.4	4.4	4.4	4.9	4.9	4.9	24
Finance lease	0.1	0.1	0.1	0.1	0.1	0.1	24
Other interest-bearing liabilities	0.2	0.2	0.2	0.2	0.2	0.2	24
Trade and other non-interest-bearing payables	35.8	25.8	25.8	38.6	27.5	27.5	25

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

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

EUR million	2011 Total	2011 Level 1	2011 Level 2	2011 Level 3	2010 Total	2010 Level 1	2010 Level 2	2010 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	0.2		0.2		0.0		0.0	
Hedge accounted derivatives								
Interest rate derivatives – hedge accounted								
Total	**0.5**		**0.2**	**0.3**	0.3		0.0	0.3
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement - held-for-trading								
Currency derivatives – non-hedge accounted					0.3		0.3	
Hedge accounted derivatives								
Interest rate derivatives – hedge accounted	2.1		2.1		2.0		2.0	
Total	**2.1**		**2.1**		2.3		2.3	

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, 2011, 81.8 % of non-current loans based on floating rates was connected to one-month euribor, libor or similar and the rest to maximum three-month euribor, libor or similar (2010: 77.5 %). 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.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33.

24. INTEREST-BEARING LIABILITIES

EUR million	2011 Average interest rate, % 1)	2011	2010
Non-current interest-bearing liabilities			
Loans from financial institutions	1.79	8.4	18.4
Pension loans	2.33	2.2	6.6
Finance lease	4.43	0.1	0.3
Derivatives		2.0	1.8
Current interest-bearing liabilities			
Loans from financial institutions	1.90	76.4	57.9
Current portion of non-current loans from financial institutions	1.78	10.2	10.0
Commercial paper program	2.27	25.0	21.0
Pension loans	2.18	4.4	4.9
Finance lease	4.78	0.1	0.1
Derivatives		0.2	0.4
Other current liabilities		0.2	0.2
Total		**129.3**	121.7

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

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR million	2011 Current	2011 Non-Current	2010 Non-Current	2010 Current
Loans from financial institutions				
EUR	4.3	43.0	9.4	24.7
USD	4.0	35.2	8.8	29.6
NOK		4.0		7.0
GBP	0.1	0.0	0.1	0.6
AUD	0.0	0.0	0.1	1.6
DKK		1.4		1.4
ZAR		0.2		0.4
JPY		0.6		0.7
CHF		2.1		2.0
Pension loans and commencial paper program				
EUR	2.2	29.4	6.6	25.9
Finance lease				
GBP	0.1	0.0	0.1	0.1
NOK	0.0	0.0	0.1	
Other	0.0	0.0	0.0	0.0
Total	**10.7**	**116.1**	25.1	93.9

FINANCE LEASE

EUR million	2011 Minimum lease payments	2011 Present value of payments	2010 Minimum lease payments	2010 Present value of payments
Within one year	0.1	0.1	0.1	0.1
1–3 years	0.2	0.1	0.2	0.2
3–5 years	0.0	0.0	0.1	0.1
Total minimum lease payments	**0.3**	**0.2**	0.4	0.4
Less future finance charges	0.0		0.0	
Present value of minimum lease payments	**0.2**	**0.2**	0.4	0.4

Finance lease contracts are for machinery and equipment and other tangible assets, and are not individually significant.

25. NON-INTEREST-BEARING LIABILITIES

EUR million	2011	2010
Non-current non-interest-bearing liabilities		
Other non-current liabilities	3.7	4.3
Current non-interest-bearing liabilities		
Advances received	0.2	0.5
Trade payables	17.6	19.9
Accrued employee-related expenses	8.7	9.5
VAT payable	1.3	1.6
Other accrued expenses and deferred income	5.3	5.4
Other current liabilities	2.6	1.8
Total	**39.5**	43.0

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

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

26. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR million	2011	2010
On own behalf		
Business mortgages	16.1	16.1
Guarantees	0.1	0.1
Total	**16.2**	16.2

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

Group's lease commitments are presented in note 27.

DISPUTES AND LITIGATIONS

In 2008, the Group appealed to the Administrative Court against the Finnish tax authorities' decision made in 2007, based on which the parent company's taxation has been amended since 2004. The appeal was rejected in 2011, and the Group passed an appeal to the Supreme Administrative Court. The case is still pending. The taxes and the penalties for delayed payments levied by the tax authorities have been fully paid and booked. The cumulative disputed taxes totaled EUR 5.0 million on December 31, 2011.

Group's subsidiary has been sued in the US on alleged infringement of two patents that the Group has denied. Due to the ongoing court proceedings it is not possible to give any prediction or forecast of the likely outcome of the case. Based on the current estimates and the fact that the Group is fully indemnified by a third party against any expenses or payments resulting from the claim against one of the two patents, these cases are not expected to have any material financial impact to the Group Financial Statements. The Financial Statements do not include any provisions related to these claims.

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

27. LEASE CONTRACTS

THE GROUP AS A LESSEE

Future minimum rental payable under non-cancellable operating lease commitments

EUR million	2011	2010
Within one year	5.5	5.3
1–3 years	4.4	2.7
3 –5 years	2.0	0.6
Later than 5 years	3.4	0.6
Total	**15.2**	9.3

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

THE GROUP AS A LESSOR

Future minimum rental receivable under non-cancellable operating leases

EUR million	2011	2010
Within one year	0.1	0.1
1–3 years	0.1	0.1
Total	**0.1**	0.2

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

28. RELATED PARTY TRANSACTIONS

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

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR million	Sales and other income	Purchases	Paid rents	Other expenses	Receivables	Payables
2011						
Joint venture Shimano Normark UK Ltd.	1.6				0.1	
Associated company Lanimo Oü		0.1			0.0	
Entity with significant influence over the Group [1]			0.2	0.1	0.0	0.0
Management			0.3		0.0	0.0
2010						
Associated company Lanimo Oü		0.1			0.0	
Entity with significant influence over the Group [1]			0.2	0.1	0.0	
Management			0.3		0.0	0.1

[1] Lease agreement for the real estate for the consolidated operations in Morvillars, France and a service fee.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR million	2011	2010
Salaries and other short-term employee benefits	-2.9	-2.9
Costs for option programs to be settled in cash		0.0
Costs for share rewards		0.1
Total	**-2.9**	-2.9

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. In 2011 one new member was appointed to the Board of Directors and one member left his position in the Board.

On December 31, 2011, the members of the Board and the Executive Committee held directly a total of 3 000 Company shares (on December 31, 2010: 1 773 843). Indirect shareholding was 0 (on December 31, 2010: 1 130 000). Top management owned approximately 0.0% (7.4%) of the issued share capital and voting rights of Rapala on December 31, 2011.

In 2011 and 2010, no options were granted to top management.

For more information on share-based payments, see note 29 and the section 'Shares and Shareholders'. Details of top management shareholdings and options are given on pages 80–81.

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	2011	2010
Salaries and other short-term employee benefits	-0.5	-0.5
Costs for option programs to be settled in cash		0.0
Costs for share rewards		0.0
Total	**-0.5**	-0.5

The monthly salary of the CEO is EUR 27 000. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2011 totaled EUR 123 646 (2010: EUR 153 464). In addition to the mandatory pension insurance, CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. A supplementary pension has not been arranged for the CEO. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR million	2011	2010
Salaries and other short-term employee benefits	-2.0	-2.2
Costs for option programs to be settled in cash		0.0
Costs for share rewards		0.1
Total	**-2.0**	-2.2

In addition to the monthly salary members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the 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 of a few months, to encourage retention of senior management.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR million	2011	2010
Salaries and other short-term employee benefits	-0.4	-0.2
Total	-0.4	**-0.2**

Chairman of the Board is paid an annual remuneration of EUR 100 000 and other Members of the Board of Directors an annual remuneration of EUR 45 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are reimbursed for travel expenses following the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 370 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2011 (2010: EUR 240 000).

29. SHARE-BASED PAYMENTS

The Group did not have any share-based payment programs in place on December 31, 2011. The synthetic option program ended on March 31, 2011, and a reward totaling to 0.3 MEUR was disbursed during the second quarter.

Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability. In the cash settled option program and in the share reward program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payment programs is recognized in employee benefit expenses.

For more information on share-based payment programs, see section 'Shares and Shareholders'.

GENERAL TERMS AND CONDITIONS OF THE SHARE-BASED PAYMENTS PROGRAMS

	2006A (expired)	2006B (expired)
Nature of program	Granted synthetic options	Granted synthetic options
Personnel at the grant date	113	116
Number of options/share rewards granted	483 500	495 000
Number of options/share rewards outstanding	-	-
Exercise price, EUR [1]	6.14	5.95
Share price at the grant date, EUR	5.93	5.93
Term of contract	Dec. 14, 2006–Mar. 31, 2011 [3]	Dec. 14, 2006–Mar. 31, 2012 [3]
Vesting period	Dec. 14, 2006–Mar. 31, 2009	Dec. 14, 2006–Mar. 31, 2010
Conditions of the agreement	[2]	[2]
Execution	In cash [3]	In cash [3]

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

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

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

2010	2006A	2006B
Expected volatility, %	11	12
Expected life of option at the grant date (years)	4.3	5.3
Risk-free interest rate, %	0.11	0.56
Estimated forfeit ratio at the grant date, %	5	7
Fair value of the option at the grant date, EUR	1.09	1.34
Option-pricing model	Black-Scholes	Black-Scholes

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

In 2010 and 2011, no new options were granted. The options exercised in 2011 were synthetic options, and the weighted average share price during the ten trading days before the exercise date was EUR 6.85 (2006A) and EUR 5.98 (2006B). No options were exercised in 2010. The weighted average remaining contractual life for the share options outstanding as of December 31, 2010 was 0.25 years and the exercise price (reduced by the amount of dividends distributed) for options outstanding at the end of the year 2010 was EUR 6.14 . At the end of December, 2011, there were no outstanding option programs.

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

	2011 Pcs.	2011 Weighted average exercise price EUR/share	2010 Pcs.	2010 Weighted average exercise price EUR/share
Outstanding Jan. 1	876 000	6.05	1 343 500	6.06
Forfeited during the year	-50 500	6.07	-34 500	6.01
Exercised during the year	-825 500	6.04		
Expired during the year			-433 000	6.09
Outstanding Dec. 31			876 000	6.05
Exercisable at the end of the year			876 000	6.05

SHARE-BASED PAYMENT RECOGNITION IN THE INCOME STATEMENT

EUR million	2011	2010
Employee benefit expenses		
Share-based payment programs to be settled in shares		0.1
Option programs to be settled in cash	0.1	-0.1
Social security expense liability for share-based payments	0.0	0.1
Deferred taxes	-0.1	0.0
Total	**-0.1**	0.1

SHARE-BASED PAYMENT RECOGNITION IN THE BALANCE SHEET

EUR million	2011	2010
Assets		
Deferred tax assets		0.1
Equity and liabilities		
Equity		-0.3
Liabilities from option programs to be settled in cash		0.3
Social security expense liability for share-based payments [1]		0.0

[1] Included in current other non-interest-bearing payables.

30. EARNINGS PER SHARE

	2011	2010
Net profit for the period attributable to the equity holders of the Company, EUR million	14.0	18.0
Weighted average number of shares, 1000 shares	38 928	39 038
Diluted weighted average number of shares, 1000 shares	38 928	39 038
Earnings per share, EUR	**0.36**	0.46
Diluted earnings per share, EUR	**0.36**	0.46

For more details on the calculations of earnings per share, see accounting principles for the consolidated accounts page 34.

31. DIVIDEND PER SHARE

The dividend paid for 2010 was EUR 0.23 per share, totaling EUR 9.0 million. A dividend of EUR 0.23 per share, a total of EUR 9.0 million, is proposed for the Annual General Meeting of Shareholders to be held on April 11, 2012. This dividend payable is not reflected in the financial statements for 2011.

32. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no knowledge of any significant events after the balance sheet date that would have a material impact on the financial statements for 2011. Material events after the balance sheet date have been discussed in the Review of the Board of Directors.

33. GROUP COMPANIES

Subsidiaries by geographical area		Country	Group holding (%)	Nature of activity
Nordic				
Normark Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Normark Sport Finland Oy	*	Finland	100	Distribution
Normark Suomi Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	90	Manufacturing
Rapala Shimano East Europe Oy	3)	Finland	50	Administration
Rapala VMC Iceland ehf	*	Iceland	100	Distribution
Elbe Normark 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		Belarus	100	Distribution
Rapala Finance N.V.	*	Belgium	100	Administration
Normark S.r.o.	3)	Czech Republic	50	Distribution
ACE Ltd.	2)	UK	100	Sourcing/design
Dynamite Baits Ltd.	*	UK	100	Manufacturing/ Distribution
Normark Sport Ltd.		UK	100	Administration
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Rapala France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Normark Hungary Ltd	*	Hungary	66.6	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
ZAO Normark	3)	Russia	50	Distribution
Normark Spain SA	*	Spain	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
VMC-Water Queen Ukraine	3)	Ukraine	50	Distribution

Subsidiaries by geographical area		Country	Group holding (%)	Nature of activity
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing/design/ manufacturing
VMC Inc.		USA	100	Distribution
Rest of the World				
Rapala VMC Australia Pty Ltd	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Kentec Gift (Shenzhen) Ltd		China	100	Distribution
Rapala VCM China Co.	*	China	100	Distribution
Rapala VMC (Hong Kong) Ltd	*	Hong Kong	100	Administration/ sourcing/design
Willtech (PRC) Ltd.		Hong Kong	100	Manufacturing
PT Rapala Indonesia	* 1)	Indonesia	80	Distribution
PT Rapala VMC Batam	1)	Indonesia	100	Manufacturing
PT VMC Fishing Tackle Indonesia	1)	Indonesia	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Normark Kazakhstan LLP	1) 3)	Kazakstan	50	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC Mexico S. de R.L. de C.V	1)	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 (Thailand) Co., Ltd.	*	Thailand	100	Distribution

Associated companies and joint ventures by geographical area		Country	Group holding (%)	Nature of activity
Shimano Normark UK Ltd.	* 2)	UK	50	Distribution
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) Established in 2011

2) Acquired in 2011

3) Controlled by Rapala

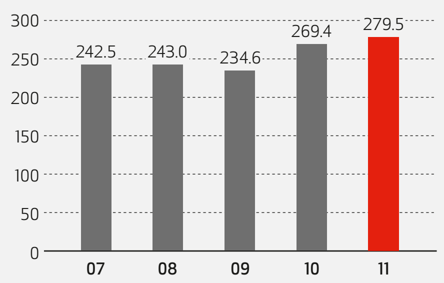
* Shares owned by the parent company

KEY FINANCIAL FIGURES

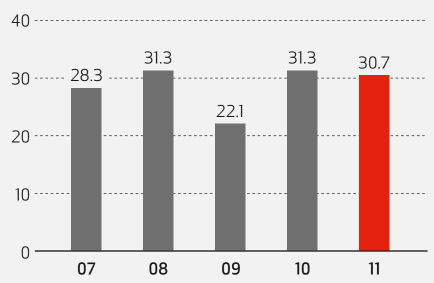
SCOPE OF ACTIVITY AND PROFITABILITY

		2007	2008	2009	2010	2011
Net sales	EUR million	242.5	243.0	234.6	269.4	279.5
Operating profit before depreciation and impairments	EUR million	33.8	37.5	28.9	37.4	37.7
as a percentage of net sales	%	13.9	15.5	12.3	13.9	13.5
Operating profit	EUR million	28.3	31.3	22.1	31.3	30.7
as a percentage of net sales	%	11.7	12.9	9.4	11.6	11.0
Profit before taxes	EUR million	23.3	26.5	19.9	29.5	25.2
as a percentage of net sales	%	9.6	10.9	8.5	10.9	9.0
Net profit for the period	EUR million	17.5	19.2	14.3	20.7	17.2
as a percentage of net sales	%	7.2	7.9	6.1	7.7	6.2
Attributable to						
Equity holders of the Company	EUR million	17.3	17.7	12.1	18.0	14.0
Non-controlling interest	EUR million	0.3	1.6	2.2	2.8	3.2
Capital expenditure	EUR million	9.3	13.7	7.6	12.7	10.0
as a percentage of net sales	%	3.8	5.6	3.2	4.7	3.6
Research and development expenses	EUR million	1.6	1.8	2.0	2.1	2.1
as a percentage of net sales	%	0.7	0.7	0.9	0.8	0.7
Net interest-bearing debt at the end of the period	EUR million	80.2	89.5	79.4	92.0	91.2
Capital employed at the end of the period	EUR million	177.1	193.2	191.1	221.3	227.0
Return on capital employed (ROCE)	%	15.9	16.9	11.5	15.2	13.7
Return on equity (ROE)	%	19.7	19.2	13.3	17.2	13.0
Equity-to-assets ratio at the end of the period	%	38.2	38.0	42.8	42.6	43.2
Debt-to-equity ratio (gearing) at the end of the period	%	82.8	86.4	71.1	71.2	67.2
Average personnel for the period	Persons	4 577	4 143	2 259	2 317	2 208
Personnel at the end of the period	Persons	4 356	3 197	2 271	2 313	1 921

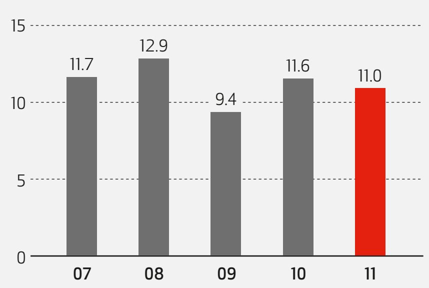
Net sales, EUR million



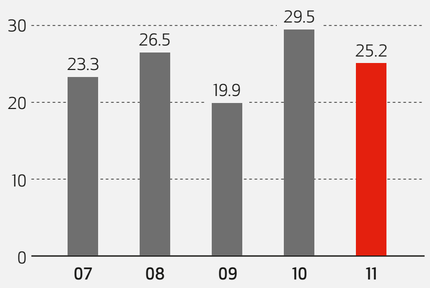
Operating profit, EUR million



Operating profit margin, %



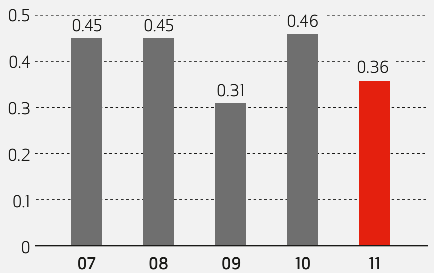
Profit before taxes, EUR million



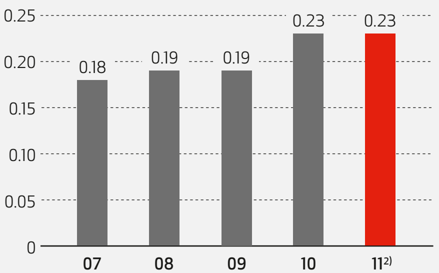
		2007	2008	2009	2010	2011
Share related key figures [1]						
Earnings per share	EUR	0.45	0.45	0.31	0.46	**0.36**
Fully diluted earnings per share	EUR	0.45	0.45	0.31	0.46	**0.36**
Equity per share	EUR	2.43	2.59	2.75	3.13	**3.30**
Dividend per share [2]	EUR	0.18	0.19	0.19	0.23	**0.23**
Dividend/earnings ratio [2]	%	40.2	42.2	61.3	49.9	**63.7**
Effective dividend yield [2]	%	3.24	5.46	3.82	3.35	**4.07**
Price/earnings ratio		12.5	7.8	16.1	14.9	**15.7**
Share price at the end of the period	EUR	5.55	3.48	4.97	6.86	**5.65**
Lowest share price	EUR	5.40	2.95	3.50	4.80	**4.86**
Highest share price	EUR	6.27	5.65	5.16	6.86	**7.38**
Average share price	EUR	5.82	4.21	4.46	5.75	**6.23**
Number of shares traded	Shares	8 684 433	4 144 626	3 138 597	4 051 489	**6 479 735**
Number of shares traded of average number of shares	%	22.51	10.52	8.01	10.38	**16.65**
Share capital	EUR million	3.6	3.6	3.6	3.6	**3.6**
Dividend for the period [2]	EUR million	6.9	7.5	7.4	9.0	**9.0**
Year end market capitalization [3]	EUR million	219.3	136.6	194.5	267.0	**219.9**
Number of shares at the end of the period excluding own shares [3]	1000 shares	39 468	39 256	39 128	38 928	**38 916**
Weighted average number of shares [3]	1000 shares	38 781	39 403	39 208	39 038	**38 928**
Fully diluted number of shares at the end of the period [3]	1000 shares	39 468	39 256	39 128	38 928	**38 916**
Fully diluted weighted average number of shares [3]	1000 shares	38 781	39 403	39 208	39 038	**38 928**

[1] In 2007, new restricted shares (RAP1VN0107) granted their holders the same rights as the old shares (RAP1V), except that these new shares did not give right to dividend paid from financial year 2007 and there was a lock-up period of 12 months. The new class of shares was combined to the old class of shares on October 24, 2008 when the difference regarding the right to dividend between the classes ended. For more details on RAP1VN0107 shares and its effect on share related key figures of 2007, see Annual Report 2007.
[2] Year 2011 board proposal.
[3] Excluding own shares.

Earnings per share, EUR

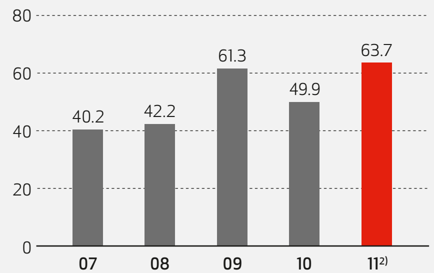


Dividend per share, EUR



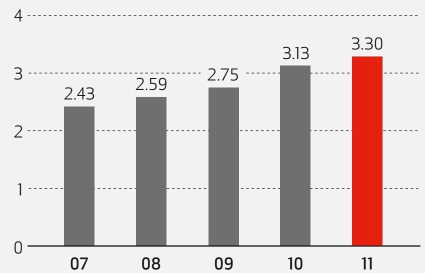
[2] Board proposal

Dividend/earnings ratio, %



[2] Board proposal

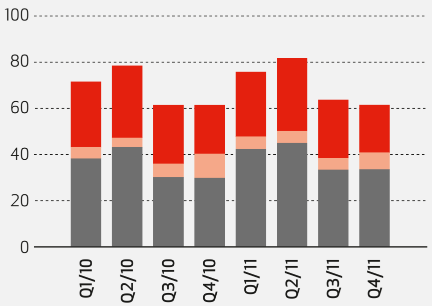
Equity per share, EUR



KEY FIGURES BY QUARTER

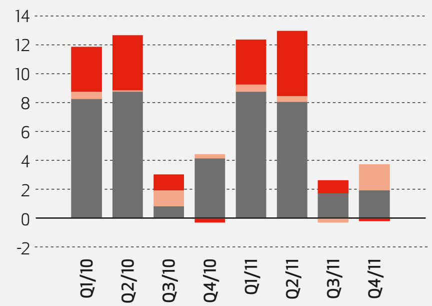
		Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Net sales by operating segment									
Group Fishing Products	EUR million	37.7	42.7	29.7	29.4	41.9	44.5	32.9	33.0
Other Group Products	EUR million	5.0	4.0	5.8	10.4	5.3	5.1	5.1	7.3
Third Party Products	EUR million	28.2	31.1	25.3	21.0	27.9	31.4	25.1	20.6
Intra-segment sales	EUR million	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.1	-0.2
Total net sales	EUR million	70.8	77.6	60.6	60.4	74.7	80.9	63.0	60.8
Operating profit before depreciation and impairments	EUR million	13.1	14.1	4.5	5.7	13.7	14.4	4.1	5.5
as a percentage of net sales	%	18.6	18.2	7.4	9.5	18.4	17.8	6.5	9.0
Operating profit by operating segment									
Group Fishing Products	EUR million	8.1	8.6	0.7	4.0	8.6	7.9	1.6	1.8
Other Group Products	EUR million	0.5	0.1	1.1	0.3	0.5	0.4	-0.2	1.8
Third Party Products	EUR million	3.1	3.8	1.1	-0.2	3.1	4.5	0.9	-0.1
Total Group operating profit	EUR million	11.7	12.5	2.9	4.2	12.1	12.8	2.3	3.5
as a percentage of net sales	%	16.5	16.1	4.8	6.9	16.2	15.8	3.6	5.8
Profit before taxes	EUR million	12.1	12.1	1.7	3.5	11.1	11.3	0.3	2.5
as a percentage of net sales	%	17.1	15.6	2.8	5.8	14.8	14.0	0.5	4.2
Net profit for the period	EUR million	9.1	8.4	1.4	1.8	7.9	8.0	0.2	1.1
as a percentage of net sales	%	12.9	10.8	2.4	3.0	10.6	9.9	0.3	1.8
Attributable to									
Equity holders of the Company	EUR million	8.6	7.2	0.5	1.7	7.0	6.6	-0.5	0.9
Non-controlling interest	EUR million	0.6	1.1	0.9	0.1	0.9	1.4	0.7	0.2

Net sales, EUR million



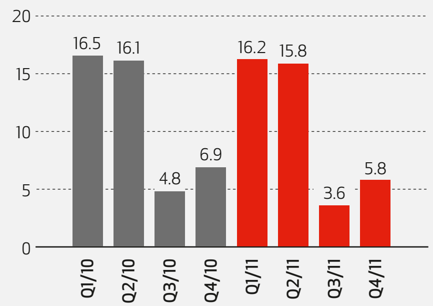
Group Fishing Products
Other Group Products
Third Party Products

Operating profit, EUR million

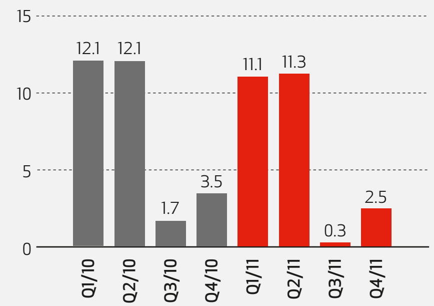


Group Fishing Products
Other Group Products
Third Party Products

Operating profit, %



Profit before taxes, EUR million



		Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Assets by operating segment									
Group Fishing Products	EUR million	182.4	186.0	185.3	190.5	200.0	192.4	190.3	195.5
Other Group Products	EUR million	11.1	10.5	10.2	12.7	13.5	16.5	17.8	12.2
Third Party Products	EUR million	78.4	75.6	69.3	71.1	85.2	77.4	67.1	68.8
Intra-segment	EUR million	-0.1		-0.1		-0.1			0.0
Non-interest bearing assets total	EUR million	271.9	272.1	264.7	274.3	298.6	286.3	275.2	276.5
Liabilities by operating segment									
Group Fishing Products	EUR million	32.1	35.4	35.9	35.1	35.6	36.2	33.4	32.5
Other Group Products	EUR million	2.2	2.3	2.4	2.9	3.2	4.2	4.2	2.5
Third Party Products	EUR million	16.7	14.8	13.8	15.1	19.1	13.3	13.0	14.5
Intra-segment	EUR million	-0.1		-0.1		-0.1			
Non-interest bearing liabilities total	EUR million	50.9	52.6	52.0	53.1	57.8	53.6	50.7	49.5
Capital expenditure	EUR million	1.8	1.5	7.7	1.7	1.8	1.7	3.8	2.7
Net interest-bearing debt at the end of the period	EUR million	96.6	90.4	87.9	92.0	106.7	103.4	93.9	91.2
Capital employed at the end of the period	EUR million	221.0	219.6	212.8	221.3	240.8	232.7	224.5	227.0
Return on capital employed (ROCE)	%	22.6	24.4	5.7	8.1	21.0	22.6	4.1	6.3
Return on equity (ROE)	%	31.0	27.8	4.8	5.9	24.1	24.8	0.7	3.2
Equity-to-assets ratio at the end of the period	%	41.7	41.3	41.9	42.6	41.2	40.4	42.2	43.2
Debt-to-equity ratio (gearing) at the end of the period	%	77.7	70.0	70.4	71.2	79.5	79.9	71.8	67.2
Average personnel for the period	Persons	2 178	2 214	2 308	2 341	2 257	2 304	2 271	2 223
Personnel at the end of the period	Persons	2 275	2 285	2 322	2 313	2 248	2 251	2 101	1 921

Quarterly key figures are not audited.

DEFINITION OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	=	Operating profit + depreciation and impairments
Net interest-bearing debt	=	Total interest-bearing liabilities - total interest-bearing assets
Capital employed	=	Total equity + net interest-bearing liabilities
Working capital	=	Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	=	Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	=	Total liabilities - interest-bearing liabilities
Average interest rate on net interest-bearing debt, %	=	(Interest paid - interest received) x 100 / Net interest-bearing debt
Net interest-bearing debt to EBITDA	=	Net interest-bearing debt / Operating profit before depreciation and impairments
Return on capital employed (ROCE), %		Operating profit x 100 / Capital employed (average for the period)
Return on equity (ROE), %	=	Net profit for the period x 100 / Total equity (average for the period)
Debt-to-equity ratio (Gearing), %	=	Net interest-bearing liabilities x 100 / Total equity
Equity-to-assets ratio, %	=	Total equity x 100 / Total shareholders' equity and liabilities - advances received
Earnings per share, EUR	=	Net profit for the period attributable to the equity holders of the Company / Adjusted weighted average number of shares
Dividend per share, EUR	=	Dividend for the period / Adjusted number of shares at the end of the period
Dividend/earnings ratio, %	=	Dividend for the period x 100 / Net profit for the period attributable to the equity holders of the Company
Equity per share, EUR	=	Equity attributable to equity holders of the Company / Adjusted number of shares at the end of the period
Effective dividend yield, %	=	Dividend per share x 100 / Adjusted share price at the end of the period
Price/earnings ratio	=	Adjusted share price at the end of the period / Earnings per share
Average share price, EUR	=	EUR amount traded during the period / Adjusted number of shares traded during the period
Year-end market capitalization, EUR	=	Number of shares at the end of the period x share price at the end of the period
Average number of personnel	=	Calculated as average of monthly averages

PARENT COMPANY FINANCIAL STATEMENTS, FAS

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

PARENT COMPANY INCOME STATEMENT

EUR million	2011	2010
Net sales	**29.0**	31.0
Other operating income	0.1	0.1
Change in inventory of finished products and work in progress	0.2	1.1
Production for own use	0.1	0.1
Materials and services	-12.5	-14.0
Employee benefit expenses	-8.6	-9.8
Other operating expenses	-5.0	-5.1
Operating profit before depreciation and impairments	**3.2**	3.5
Depreciation and impairments	-1.3	-1.3
Operating profit	**1.9**	2.2
Financial income and expenses	-3.6	-0.8
Profit before extraordinary items	**-1.7**	1.3
Extraordinary items	2.3	2.8
Profit before appropriations and taxes	**0.6**	4.1
Appropriations	0.0	-0.4
Income taxes	-1.8	-1.6
Net profit for the period	**-1.1**	2.1

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	2011	2010
Non-current assets		
Intangible assets	0.9	1.2
Tangible assets	6.1	5.8
Investments	148.2	146.5
Interest-bearing receivables	4.4	6.4
Non-interest-bearing receivables	1.7	0.9
Total non-current assets	**161.2**	160.8
Current assets		
Inventories	7.4	7.1
Current financial assets		
Interest-bearing	17.3	17.9
Non-interest-bearing	16.2	12.3
Cash and cash equivalents	5.8	5.9
Total current assets	**46.8**	43.2
Total assets	**208.0**	204.0

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	2011	2010
Shareholders' equity		
Share capital	3.6	3.6
Share premium fund	16.7	16.7
Fair value reserve	-2.1	-2.0
Fund for invested non-restricted equity	4.9	4.9
Own shares	-2.6	-2.5
Retained earnings	25.3	32.2
Net income for the period	-1.1	2.1
Total shareholders' equity	**44.6**	54.9
Appropriations	0.9	0.9
Non-current liabilities		
Interest-bearing	13.2	30.7
Non-interest-bearing	1.4	1.5
Total non-current liabilities	**14.6**	32.2
Current liabilities		
Interest-bearing	119.0	91.2
Non-interest-bearing	28.9	24.7
Total current liabilities	**147.9**	115.9
Total shareholders' equity and liabilities	**208.0**	204.0

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR million	2011	2010
Share capital Jan. 1	3.6	3.6
Share capital Dec. 31	**3.6**	3.6
Share premium fund Jan. 1	16.7	16.7
Share premium fund Dec. 31	**16.7**	16.7
Fair value reserve Jan. 1	-2.0	-0.5
Gains and losses on cash flow hedges	-0.1	-1.6
Fair value reserve Dec. 31	**-2.1**	-2.0
Fund for invested non-restricted equity Jan. 1	4.9	4.9
Fund for invested non- restricted equity Dec. 31	**4.9**	4.9
Own shares Jan. 1	-2.5	-1.4
Purchase of own shares	-0.1	-1.1
Own shares Dec. 31	**-2.6**	-2.5
Retained earnings Jan. 1	34.3	39.6
Dividends paid	-9.0	-7.4
Net income for the period	-1.1	2.1
Retained earnings Dec. 31	**24.2**	34.3

DISTRIBUTABLE EQUITY

Other distributable funds	2011	2010
Retained earnings	34.3	39.6
Dividends paid	-9.0	-7.4
Purchase of own shares	-2.6	-2.5
Gains and losses on cash flow hedges	-2.1	-2.0
Net income for the period	-1.1	2.1
Distributable earnings	**19.5**	29.8
Other distributable equity		
Fund for invested non-restricted equity	4.9	4.9
Total distributable equity	**24.4**	34.7

PARENT COMPANY SHARE CAPITAL

	2011	2010
Shares	39 468 449	39 468 449
EUR	3 552 160	3 552 160

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR million	2011	2010
Net profit for the period	**-1.1**	2.1
Adjustments		
Income taxes	1.8	1.6
Financial income and expenses	3.6	0.8
Reversal of non-cash items		
Depreciation and impairments	1.3	1.3
Other items	-2.8	-2.0
Total adjustments	**3.8**	1.8
Financial items		
Interest paid	-3.4	-3.1
Interest received	0.7	0.6
Income taxes paid	-1.9	-1.5
Dividends received	0.3	3.2
Other financial items, net	-0.6	-0.1
Total financial items	**-4.8**	-1.0
Change in working capital		
Change in receivables	-11.7	-1.8
Change in inventories	-0.4	-1.7
Change in liabilities	4.1	5.8
Total change in working capital	**-8.0**	2.3
Net cash generated from operating activities	**-10.1**	5.3
Net cash used in investing activities		
Purchases of intangible assets		-0.1
Proceeds from disposal of tangible assets	0.1	
Purchases of tangible assets	-1.3	-1.3
Acquisition of subsidiaries and joint venture	-1.9	-6.4
Escrow deposit related to Dynamite Baits acquisition		-1.3
Change in interest-bearing receivables	5.7	-7.3
Total net cash used in investing activities	**2.6**	-16.4
Net cash generated from financing activities		
Dividends paid	-9.0	-7.4
Purchase of own shares	-0.1	-1.1
Loan withdrawals	120.3	106.1
Loan repayments	-103.9	-87.2
Total net cash generated from financing activities	**7.4**	10.3
Change in cash and cash equivalents	-0.2	-0.8
Cash and cash equivalents at the beginning of the period	5.9	6.1
Foreign exchange rate effect	0.1	0.6
Cash and cash equivalents at the end of the period	**5.8**	5.9

RISK MANAGEMENT

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

Rapala's Approach to Risk Management

The Board evaluates the Group's financial, operational and strategic risk position regularly and establishes related policies and instructions to be implemented and coordinated by Group management. The daily risk management 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 significant attention and new development initiatives by Group management also in 2011. In 2011 the focus of Group level risk management was on foreign exchange, liquidity, interest rate and hazard risks and further development of 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 one 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. Rapala 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. Increased pollution and potential environmental catastrophes are growing concerns for the Group. Rapala is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce the environmental impacts of its operations 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 section "Corporate Responsibility and Sustainable Development".

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.

Rapala 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 narrower. Rapala's global distribution network is unique in the industry and difficult to imitate. Within each market, Rapala's competitors are often local fishing tackle producers operating with limited geographical scope and limited range of products.

In some countries, competition is created by fishing tackle retailers selling private label products. Cross-border internet sales are 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 the country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs. The production risk was lowered in 2011 by establishing a new factory in Batam, Indonesia.

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. Rapala'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.

Rapala'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 less than 5 % of the Group's net sales. Rapala is not largely engaged in direct consumer retailing. This is not considered to be a risk as consumer demand is largely driven by brand consciousness and alternative routes to market can be established when needed.

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

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

Operational and Hazard Risks

Even though the fishing tackle business has not traditionally been strongly influenced by the increased uncertainties and downturns in the general economic climate, these may influence at least for a short while, the sales of fishing tackle when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses, such as gasoline price, uncertainties concerning employment and governmental austerity measures may temporarily affect consumer spending also in the fishing tackle business. However the underlying consumer demand has historically proven to be fairly solid.

The underlying consumer demand for the Group's products is seasonal and also impacted by unforeseeable factors such as weather. To offset the seasonality, the Group is engaged in production and distribution of winter fishing and 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 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 organization. The importance of proper order forecasting and production planning has increased. The related risks are managed with high level of cooperation between manufacturing and distribution units, safety stocks and extensive insurance coverage. The Group-wide supply chain and logistics initiatives continued in 2011 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. The Group uses several subcontractors in China, but the Group is not as such critically dependent on any of these subcontractors. This risk has been further reduced as the new production facility in Indonesia has taken over some production previously done by Chinese subcontractors. 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 problems e.g. in case of fire or other hazard. Such hazard could lead to property damages but also to business interruption losses throughout the supply chain. Therefore, Rapala has increased the emphasis of hazard risk management. The Group has together with its insurance company continued to conduct annually several hazard prevention reviews to Group's key locations. Group management has also continued to build risk awareness throughout the organization.

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

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.

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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

Group Strategy and Management Approach to Sustainable Development

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

The Group's fishing tackle manufacturing and sourcing platform consists of Europe's largest production facilities for lures with specialized factories in Finland, Estonia and Russia, manufacturing operations for lures and accessories in China, a treble hook production facility in France, newly established lure and hook manufacturing operations in Indonesia, knife manufacturing in Finland and carp bait manufacturing in the UK. The Group has a well established sourcing unit in Taiwan managing the high quality but low cost external sourcing of the products not considered feasible to manufacture in the Group's own manufacturing units.

The Group's own personnel operate in 37 countries and its products are sold to over 100 countries. Rapala has been in the lure business, which was the first product category for the Group, for some 75 years. The VMC hook operations acquired in 2000 have over 100 years of experience. Marttiini knife manufacturing, acquired in 2005, has operated for more than 80 years already. Many products still offered by the Group, have a life-cycle of several dozens of years. Almost all of the Group's products relate to outdoor life and sports with a close connection to nature.

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

Economic Responsibility

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

Rapala focuses on profitable growth to increase shareholder value. This objective is achieved by providing customers with high-quality products and service, creating long-lasting partnerships with suppliers, subcontractors and customers, and offering employees competitive compensation and good working conditions. With operations in 37 countries worldwide, Rapala also influences and creates well-being for the local societies. The Group's value added is distributed to these different stakeholders as shown in the graph below.

Rapala creates value for its customers by offering its products and services worldwide. By market areas, North America contributed 25% (27%), Nordic countries 22% (24%), Rest of Europe 39 % (36%) and Rest of the World 14% (13%) to the Group's total net sales. See Note 2 to the consolidated financial statements on page 36 for detailed geographical information.

In 2011, Group companies paid interests of EUR 3.6 million (EUR 3.3 million) to financial institutions and corporate income taxes of EUR 8.2 million (EUR 8.8 million) to tax authorities worldwide. As presented in the graph below, the shareholders were paid dividends of total EUR 11.8 million in 2011, of which EUR 9.0 million to the shareholders of the parent company (EUR 7.4 million to the shareholders of the parent company).

Social Responsibility

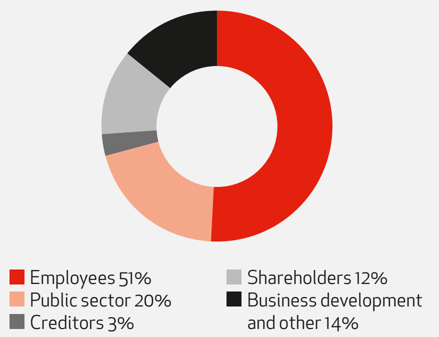
Importance of Competent and Motivated Personnel

With some 2 000 employees in 37 countries worldwide, Rapala recognizes the importance of competent and well-motivated personnel. Rapala appreciates the continuous development of its employees who have possibilities to both on-the-job learning and special training or education. The Group's strategy for profitable growth requires that the management systems, the group-wide knowledge sharing and the everyday practices are developed systematically in all Group companies.

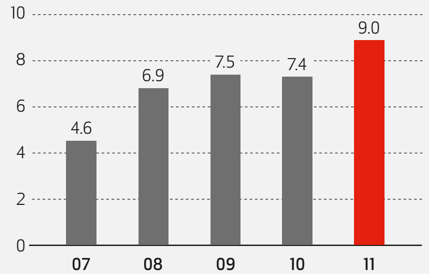
Personnel coaching and instructions together with good working conditions and appropriate protective equipment are important in minimizing occupational health and safety risks. The human resources management practices vary between the Group companies depending on the nature of the business units' operations in manufacturing, distribution, research and development and administration, and, to some extent, between different geographical areas due to the different regulations and local practices.

One of the Group's key values in the corporate culture is entrepreneurship. Rapala respects diversity and equal opportunities of all employees irrespective of color, nationality, gender, age or religion. Rapala employs men (49%)

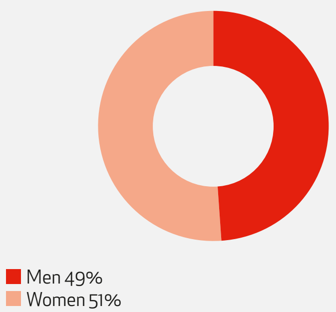
Distribution of value added



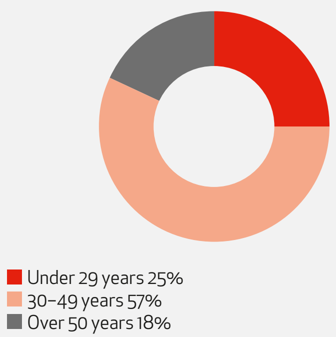
Dividends to shareholders



Percentages of men & women



Ages of personnel



and women (51%) of all ages as shown in the graph on previous page. Rapala's employees represent tens of different nationalities worldwide. There is no use of child labor in the Group's manufacturing or other operations. At the end of 2011, 54% (61%) of the employees worked in manufacturing or R&D, 18% (16%) in administration and 29% (23%) in distribution.

The Group's employee benefit expenses of EUR 62.4 million (EUR 59.1 million) represent 22% (22%) of the consolidated net sales. The employee benefits include wages, salaries, pension and other social security costs as well as other performance incentives. The CEO and senior management participate in the Group's senior management bonus scheme encouraging the achievement of the Group's targets and performance improvement. More information on top management remuneration can be found on page 83.

In order to secure Group's profitability and enhanced efficiencies and quality, Group occasionally carries out performance improvement initiatives, which may result in personnel reductions. When carrying out such initiatives, Rapala strives to act responsibly and in accordance with local legislation and practices as well as good human resources management principles.

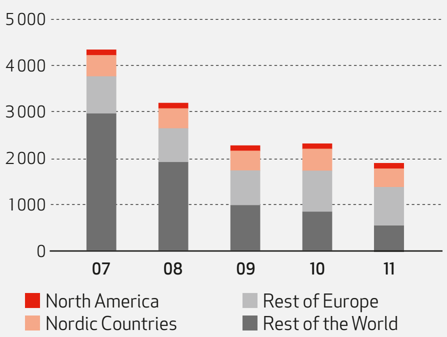
Supporting Local Societies and Human Rights

When operating in 37 countries and expanding its business into new markets, Rapala supports the sustainable development of local societies and the protection of human rights. Group companies worldwide contribute to many fundraising campaigns of local societies, and, for example, donate fishing equipment as prizes and encouragement for fishing competitions and environmental cleaning projects organized by non-profit organizations.

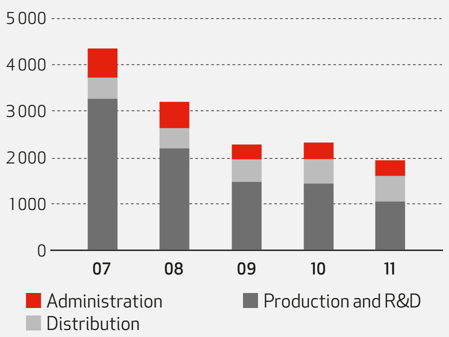
Rapala was a founder member of the European Fishing Tackle Trade Association (EFTTA) which was established in London in 1981, as an international, independent association to serve the European fishing tackle trade by campaigning to promote sport fishing, environmental issues and international business.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

For more than a decade already, Rapala's Swedish subsidiary has been the sole supporting partner to one of the world's most professional sport fishing educational institute, the Sport Fishing Academy (SFA) in Sweden. SFA has educated more than 800 dedicated and advanced sport fishing instructors and guides, marine conservationists and specialists to the international markets. Rapala provides the students and their teachers with fishing tackle and with business and fishing expertise. SFA has expanded also to hunting and each year Rapala awards four scholarships to the academy's fishing and hunting branches.

Personnel by geographical areas



Personnel by functions



Rapala's South-African subsidiary has been participating in fundraising of Eco-Care Trust, which is a non-governmental organization focused on the conservation of South Africa's natural water sources and ecosystems. The subsidiary has also for a couple of years conducted several seminars and workshops under the name "Rapala Fishing for the Future" aimed at educating anglers on fishing, fisheries, catch and release and how to enjoy the sport more and be more aware of the environment.

With two well-known local non-profit organizations, Rapala has established and sponsored a fish farm in North-West Tanzania for three years. The objective of the project has been to help the local population to have access to a steady supply of protein-rich food as well as a regular employment and long-term income to all those involved in the activity.

The launching phase of the project is complete, and the fish-farming project is now an autonomous, profitable and financially balanced project, and the families are able to continue benefiting from it without any further help. Additionally, Rapala has helped to establish a fish farm that will act as a reference for many other families to copy in this extremely poor region of Tanzania. Fish farming also relieves the pressure of over-fishing on Lake Victoria and improves Lake Victoria's ecology and wealth.

In the UK, Rapala has, for example, participated in several projects to provide teaching of fishing and environmental awareness for children and also supported a fishing festival for disabled people.

Also in the USA, Rapala has provided products and information to many different local elementary, middle and high schools for their outdoor curriculums and sponsored tournaments and contests.

In Sortavala, Russia, Rapala supports the local kindergarten and elementary school encouraging the children to educate and develop themselves.

High-Quality Products and Services

Today Rapala's distribution network covers six continents and is locally present in 34 different countries. The network allows to satisfy the specific needs of local retailers and consumers and thereby to build strong local partnerships with customers who range from smallest fishing tackle shops to world's largest retailers. It allows the Group to introduce new products efficiently and effectively to the market and also acts as a direct channel for customer input, which is valuable in product development.

Rapala's research and development is globally well known and respected for its capability to continuously bring new high-quality products with new and exceptional features to meet the fishermen's demanding expectations.

As a proof of the quality and continuous development Rapala holds world record of catching world record fish. With Rapala, Storm, Sufix, and VMC products the Group holds total of 903 International Game Fish Association (IGFA) world records, which is a clear proof of the quality and continuous development of the Group's products.

Rapala's research and development expenses totaled to EUR 2.1 million in 2011 (EUR 2.1 million) and represent 12% (10%) of the Group's net profit for the period.

Environmental Responsibility

Rapala's Approach to Environmental Affairs

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

The use of raw materials, airborne emissions and waste are the most significant environmental impacts of the Group. Rapala is improving its environmental performance through continuous development efforts, by increasing awareness and actively developing processes to replace hazardous materials and decreasing the use of energy and increasing the effectiveness in the use of raw materials.

The Group aims to develop its products, manufacturing processes and operating methods so that their environmental impact throughout the product's lifecycle will remain as small as possible. This process is long-lasting and, meanwhile, changes in production volumes and product mix may have greater short-term effects than the development trend as such.

Less than 50% of the products sold by Rapala are produced in the Group's own manufacturing facilities. Rapala's manufacturing sites develop their environmental operations in accordance with local legislation and regulations.

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

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

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

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

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

Production Processes

In Rapala's own production, in order to minimize the waste in painting, the lures are electronically engaged for better adherence of the paint. With this advanced painting technique, also usage and waste of lacquer is minimized.

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

Raw Materials

Hard-body lures manufactured by the Group are made of balsa, apache and plastics. An important part of the wood is sourced from the registered farms that respect the local law and regulations and sustainable development rules in farming and forestry. The Group's research and development department continuously seeks for possibilities to replace currently used raw materials with more environmentally friendly substitutes that do not decrease the desired features of the products. For example, some metal lures contain led, but to the extent functionally feasible, led is being replaced with other metals such as zinc or tungsten. The Group is also working in cooperation with external suppliers in order to find more environmentally friendly raw materials.

Products

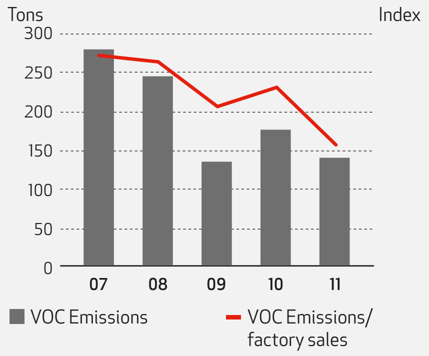
Most of the Group products are long-lasting, kept and used by consumers for years and even decades. All of the wooden parts of the Group products are biodegradable and most of the metal used in the Group products can be recycled. The biggest environmental challenge has been the plastic products but the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

Also, emphasis has been given on sustainable packaging. More efficient packaging, for example, reducing the package size, increasing the count in the inner packs and using recyclable packages saves energy in production and transportation in addition to creating less waste.

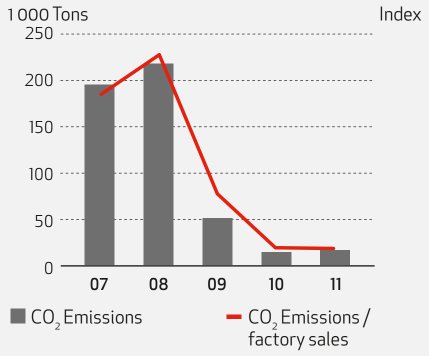
Transportation and Storage of Goods

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

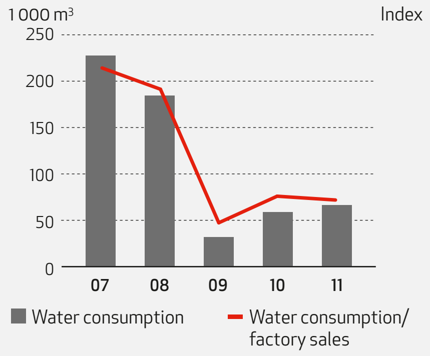
VOC Emissions



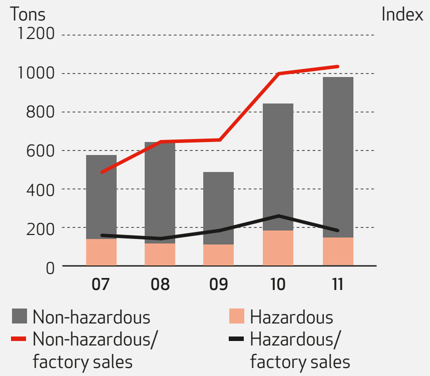
CO_2 Emissions



Water consumption



Waste



Special Issues and Actions in 2011

In 2011, Rapala has continued to develop and increased the reporting and follow-up of environmental affairs. More work is still needed to further develop these indicators and to standardize the measurement but especially to implement new ways of working to ensure long-term improvement in the underlying environmental effects.

Environmental R&D work especially on biodegradable plastics proceeded in 2011. The first biodegradable products under Trigger X brand were launched already in 2008 and have been well received by the markets. New products are continuously being developed to expand the category.

In 2011 Rapala introduced the new Eco Wear Reflection waders, which are the first waders in the trade manufactured with a unique, ecological process from DuPont(TM) that significantly reduces their environmental footprint and the dependence on petroleum. More products will be introduced under Rapala Eco Wear brand with focus in its core values: environment, innovation and sustainable development.

In 2011, the Group companies participated in several countries in fisheries restoration and recreational fishing promotion campaigns. In addition, the Group supported cleaning of lakes, rivers and sea shores as well as environmental and fishing related education in many countries.

In Finland Rapala supported financially an initiative to promote best practices of sustainable recreational fishing for landlocked salmon. Additionally, at the end of the year 2011 Rapala launched a new fund to support small scale, volunteer-based fisheries improvement projects and studies in Finland. First grants will be issued for chosen projects in 2012.

In the USA, Rapala continued the participation in a project organized by Northwest Sportfishing Industry Association (NSIA) to support the efforts to preserve and restore the fisheries environment. Through the efforts of NSIA, fisheries that had been closed to fishing for decades are now open due to a mass marking program of all Columbia River hatchery salmon and steelhead. NSIA has also convinced the Columbia River hydroelectric owners to increase the spill over the dams to further assist the down river migration of salmon and steelhead smolts, which has significantly increased their survival rates.

In Canada Rapala is one of the founding financial supporters of a volunteer fish hatchery called Ringwood Hatchery. In 2011 the hatchery released over 500 000 Chinook salmon into the Great Lakes.

No material non-compliance, environmental accidents or hazards occurred in 2011.

Environmental Performance in 2011

Rapala monitors the environmental performance of its own manufacturing operations globally. Depending on the level of use of outsourcing partners in manufacturing the environmental measures of Group's direct manufacturing operations may fluctuate from one year to another as shown in the presented graphs.

The most significant emissions for the Group are the volatile organic compounds (VOC) and carbon dioxides (CO_2). Rapala's VOC emissions are calculated based on materials used in production, and carbon dioxides are calculated based on energy purchased and fuel used. In 2011, Rapala's VOC emissions decreased from last year and were 139 (176) tons and carbon dioxide emissions were 17 (15) thousand tons. VOC emissions originate mainly from different types of solvent used in conjunction with painting operations. Majority of the CO^2 emissions are created indirectly when energy produced elsewhere is purchased and consumed by the Group factories. The main reason for the decrease in CO_2 emissions during the past few years is that in some factories the use of heating oil has been reduced and replaced with natural gas.

Rapala's operations generate e.g. metal, wood, plastics, cardboard and municipal waste. Significant part of the waste is biodegradable like wood or recyclable like metals. Waste is recycled in compliance with local regulations and practices.

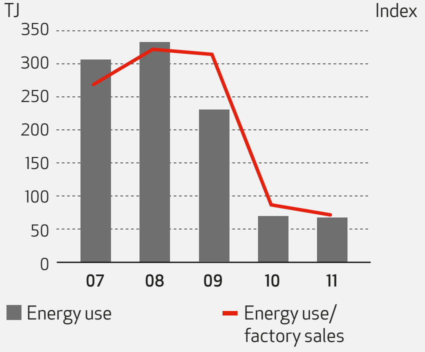
During 2011 the waste handling processes have been improved in Rapala's factory in Vääksy, Finland. All the waste that can't be recycled can still be utilized and used as energy fraction towards energy production. In 2011, Rapala's manufacturing operations generated 980 tons (840 tons) of waste of which 143 tons (181 tons) were hazardous waste, which is processed by disposal facilities dedicated for hazardous waste.

Rapala's manufacturing is not very energy-intensive but energy consumption is an environmental aspect measured by the Group. The majority of the energy is consumed in the form of electricity, natural gas and district heat. Fuel oil is used in some units for reserve and additional energy. In 2011, Rapala's total energy consumption was 68 (69) TJ. The majority of this is electricity. This amount does not include the fuels used in transportation and vehicles.

Rapala manufacturing units do not use much water in their processes. Most of the use is for sanitation and catering purposes. In 2011, the water consumption was 66 000 (58 000) m^3.

In 2011, the Group's environmental expenses were some EUR 0.2 million (EUR 0.2 million) and environmental investments were some EUR 0.1 million (EUR 0.2 million).

Energy use



SHARES AND SHAREHOLDERS

Rapala's shares have been traded on the NASDAQ OMX Helsinki since 1998. In 2011, the shares traded between EUR 4.86 and 7.38 with an average price of EUR 6.23.

Shares and Voting Rights

On December 31, 2011, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 468 449 (2010: 39 468 449). The book value of a share is EUR 0.09. Each share is entitled to one vote.

Board's Authorizations

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

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

Own Shares

On November 17, 2011, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 5, 2011. In 2011 a total of 11 859 shares were repurchased at the average price of EUR 5.46. At the end of December 2011, Rapala held 552 057 own shares, representing 1.4% of the total number and the total voting rights of Rapala shares. The average share price of all repurchased own shares held by Rapala was EUR 4.73.

Changes in Share Capital

There were no changes in the share capital in 2011.

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

The Group did not have any share-based payment programs in place on December 31, 2011. The synthetic option program ended on March 31, 2011, and a reward totaling to EUR 0.3 million was disbursed during the second quarter.

The share-based program was in place for senior and middle management (non-executive Board members have not participated in any share based remuneration programs).

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

Management Shareholding

On December 31, 2011, the members of the Board and the Executive Committee held directly a total of 3 000 Company shares and corresponding to 0.0% of all shares and voting rights. Details of management shareholdings are given on pages 80–81.

Trading and Performance of the Company's Shares

The Company share (RAP1V) is quoted on the NASDAQ OMX Helsinki. The 2011 closing price on December 31 was EUR 5.65. The highest price in 2011 was EUR 7.38, the lowest price EUR 4.86 and the average price EUR 6.23. The share price decreased 17.6% in 2011, while during the same period, the OMX Nordic Mid Cap price index decreased 24.7%. A total of 6 479 735 Rapala shares were traded in 2011. This represents 16.4% of all shares on December 31, 2011.

At the end of 2011, the market capitalization of all outstanding shares, excluding own shares, was EUR 219.9 million. Earnings per share (basic) were EUR 0.36 (EUR 0.46 in 2010). For more share related key figures see page 65.

Dividend

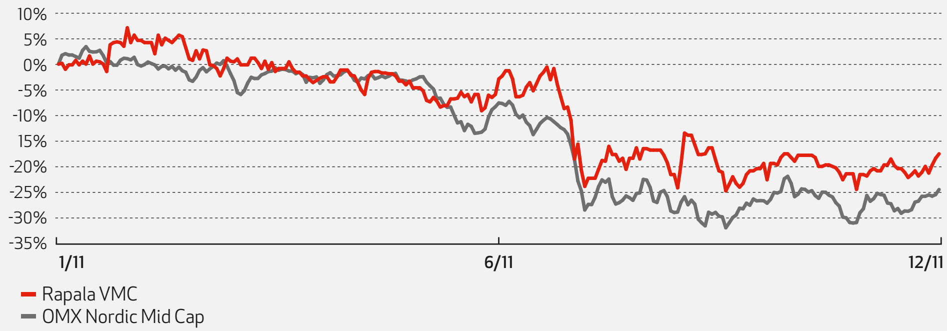
The Board proposes to the AGM that a dividend of EUR 0.23 per share will be paid for the financial year 2011.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2011*

Shareholders	Number of shares	%
Viellard Migeon & Cie	11 809 949	29.9
Sofina S.A.	7 500 000	19.0
Odin Norden I-II c/o Odin Forvaltnings AS	1 499 372	3.8
Ilmarinen pension insurance company	1 490 424	3.8
Odin Finland I-II	1 399 754	3.5
The State Pension Fund	1 290 000	3.3
Nordea Nordic Small Cap Fund	1 128 527	2.9
Mutual Insurance Company Pension Fennia	929 000	2.4
Shimano Singapore Private Limited	889 680	2.3
OP-Finland Small Firms Fund	783 000	2.0
Administrative registrations	4 100 008	10.4
Other shareholders total	6 648 735	15.4
Total number of shares	39 468 449	100

Share price development in 2007–2011, EUR

Share price in 2011, %



SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2011*

Shareholders	Number of shares	%
Private and public corporations	1 581 306	4.0
Financial and insurance companies	5 166 449	13.1
Public institutions	4 108 081	10.4
Non-profit organizations	85 468	0.2
Individuals	1 183 647	3.0
International shareholders	23 243 490	58.9
Administrative registrations	4 100 008	10.4
Total	39 468 449	100

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2011*

Number of shares	Number of shareholders	%	Total shares	%
1–100	690	33.5	48 165	0.1
101–500	862	41.9	237 448	0.6
501–1 000	255	12.4	212 636	0.5
1 001–10 000	192	9.3	597 903	1.5
10 001–1 000 000	50	2.4	8 439 615	21.4
1 000 001–	9	0.4	29 932 682	75.8
Total	2 058	100	39 468 449	100

* Number of shares includes 552 057 own shares held by the parent company.

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Emmanuel Viellard
Chairman
Chairman of the Rapala Board since 2005
President of Viellard Migeon & Cie
Vice Chairman and Executive Vice President of Lisi Industries
B.A., CPA
Year of birth: 1963
Shareholding and options*: -

Jorma Kasslin
President and Chief Executive Officer
Rapala Board member since 1998
M.Sc. (Eng.)
Year of birth: 1953
Shareholding and options*: -

Eero Makkonen
Rapala Board member since 1998
Chairman of the Rapala Board 1999–2005
B.Sc. (Eng.)
Year of birth: 1946
Shareholding and options*: -

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

Christophe Viellard
Rapala Board member since 2000
Chairman of Viellard Migeon & Cie
Diploma ESCP
Year of birth: 1942
Shareholding and options*: -

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

Isabelle de Bardies
Rapala Board member since 2011
Degree from the ESCP
Year of birth 1961
Shareholding and options*: -

King Ming (William) Ng was a member of the board from December 12, 2001 until April 5, 2011.

*Shareholdings and options on December 31, 2011.

EXECUTIVE COMMITTEE

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

Jussi Ristimäki
Chief Financial Officer (CFO)
Rapala Executive Committee member since 2010
Shareholding and options*: -

King Ming (William) Ng**
Head of Chinese Manufacturing Operations and Hong Kong Office
Rapala Executive Committee member since 2001
Shareholding and options*: -

Olli Aho
Company Counsel, Secretary of the Board and Investor Relations
Company Counsel, Secretary of the Board and Investor Relations
Rapala Executive Committee member since 1998
Shareholding and options*: -

Juhani Pehkonen
Head of Lure Business
Rapala Executive Committee member since 1998
Shareholding and options*: -

Stanislas de Castelnau
Head of Fishing Hook Business
Rapala Executive Committee member since 2002
Shareholding and options*: -

Tom Mackin
President of Rapala USA
Rapala Executive Committee member since 2007
Shareholding*: 3 000
Options*:

Lars Ollberg
Head of Fishing Line and Accessory Business
Rapala Executive Committee member since 2008
Shareholding and options*: -

* Shareholdings and options on December 31, 2011.

** Mr. King Ming (William) Ng resigned from executive committee on February 8, 2012.

OTHER GROUP KEY MANAGERS

LURES

Jari Kokkonen, Sales
Teemu Mäkelä, Marketing – Lures, Fishing Lines and Accessories
Jukka Sairanen, Research & Development – Rapala
Arto Nygren, Vääksy Factory
Juha Siltala, Pärnu Factory
Marina Sharapova, Sortavala Factory
Björn Floberghagen, Willtech Fishing Products
Kevin Au, Willtech Lures Factory
Victor Yan, Willtech Administration
Brian Wong, Willtech Supply Chain
Juha Siirtola, Batam Project
Marcus Twidale, Dynamite Baits Factory

FISHING HOOKS

Cyril Alexeline, Sales and Marketing (Europe)
Cyrille Mathieu, Sales and Marketing (USA)
Rodolphe Jacques, Asian operations

FISHING ACCESSORIES

Päivi Ohvo, Marttiini Knives
Jeremy Grayson, Willtech Accessories
Peter Nordlander, Sourcing

OTHER PRODUCTS

Juhani Eskelinen, Peltonen Cross Country Skis
Jukka Roikonen, KL-Teho Parts and Products

ADMINISTRATION

Esko Jäntti, Group Funding and Vääksy Factory
Anu Koskinen, Group Reporting
Anna Vitikainen, Group Reporting
Nina Serlachius, Group Supply Chain Management
Jan-Elof Cavander, Group Risk Management and Finance Projects

DISTRIBUTION

Gregg Wollner, USA
Nancy Adelmann, USA
John Newton, Canada
Philippe Guigo, France
Jean-Philippe Nicolle, France and VMC
Janne Paukkunen, Spain, Portugal, Mexico and Brazil
Saku Kulmala, Finland
Matts Baum, Sweden
Nils Larsen, Denmark
Morten Fredriksen, Norway and Iceland
Craig Brew, UK
Pete Chandler, UK
Thomas Brumann, Switzerland
Victor Skvortsov, Russia, Belarus, Kazakhstan
Valentin Savva, Belarus
Mikko Häikiö, Czech, Slovakia, Poland and Ukraine
Mirek Adamski, Poland
Roman Sereda, Ukraine
Daniel Sirucka, Czech Republic
Vitas Miskinis, Baltic countries
Mati Banhard, Estonia
Remigijus Zubavicius, Lithuania
Hannu Murtonen, Hungary
Dorel Tomescu, Romania
Manabu Kimoto, Japan
Leong Loke, Malaysia, Thailand and Indonesia
Jay Choi, South Korea
Aku Valta, Australia and Southeast Asia
Grant Pledger, South Africa
Mark Pledger, South Africa

CORPORATE GOVERNANCE STATEMENT

Rapala's Corporate Governance is based on Finnish Companies Act, other regulations concerning publicly listed companies, Rapala's Articles of Association and the rules and instructions concerning listed companies of the NASDAQ OMX Helsinki. Rapala adheres to the Finnish Corporate Governance Code, which is publicly available e.g. on the website of the Securities Market Association at www.cgfinland.fi. The full version of Rapala's Corporate Governance document, as well as this Corporate Governance Statement, is available at the website www.rapala.com. This Corporate Governance Statement is presented separately from the Review of the Board of Directors (Board), which can be found on pages 22–24.

General Meeting

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

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

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

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

More information on the AGM is found in the Annual Report's section "Shareholder information" and on the Company website.

Board of Directors

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

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

The Articles of Association provide that the Board consists of no fewer than five and no more than ten members. A person elected as a member of the Board shall have the qualifications required to perform the Director's duties and the possibility to devote sufficient time to the work. The current Board of Directors comprises seven members: one member dependent on the Company: the Company's CEO, and six non-executive members: Mr. Emmanuel Viellard, Mr. Eero Makkonen, Mr. Jan-Henrik Schauman, Mr. Marc Speeckaert, Mr. Christophe Viellard and Mrs. Isabelle de Bardies. In addition, all members of the Board of Directors, other than Mr. Emmanuel Viellard, Mr. Christophe Viellard and Mr. Marc Speeckaert, are independent of significant shareholders of the Company. Group President & CEO is a member of the Board of Directions in addition to his executive position. His membership in the Board of Directors is based on his broad know-how and long-term experience in fishing tackle industry. According to the majority of shareholders, the current composition and the number of Rapala's Board members is sufficient considering Rapala's operations. The Board does not have deputy members.

During the financial year 2011, the Board met 11 times. The average attendance rate at these meetings was 96.1%.

More information on Board members can be found on page 80.

Board Committees in 2011

In 2011, the Board had only one Board committee, the Remuneration Committee. The Remuneration Committee operates under its charter and its main responsibility is to prepare the decisions of the Board relating to the remuneration of key employees of the Group. The Committee's other tasks include reviewing and making recommendations with respect to the terms of employment of the CEO and reviewing the remuneration packages of the Executive Committee members and some other senior managers.

The Remuneration Committee is chaired by the Chairman of the Board, Emmanuel Viellard. Its members are drawn from the Company's non-executive and independent Directors and currently consist of Eero Makkonen and Jan-Henrik Schauman. Committee members' appointments run concurrently with a Director's term as a member of the Board. In 2011, the Committee met three times. The attendance rate was 100%.

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

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

President and CEO

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

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

Executive Committee

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

More information on Executive Committee members can be found on page 81.

Business Organization

The Group comprises the parent company and the manufacturing and distribution subsidiaries. The head offices of the Group are located in Helsinki and Brussels. The share of the Company is quoted on the NASDAQ OMX Helsinki. The Group's business organization consists of three operating segments: Group Fishing Products, Other Group Products and Third Party Products.

Remuneration

In 2011, the annual fee to the Chairman of the Board was EUR 100 000 and the fee to other Board members was EUR 45 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board are reimbursed for travel expenses corresponding to the Company's traveling compensation principles.

The monthly salary of the CEO is EUR 27 000. The CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2011 totaled EUR 123 646. In addition to the mandatory pension insurance, the CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of the CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and the CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, the CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses). The Remuneration Committee prepares and makes proposals to the Board of Directors for the compensation of the CEO. The Board approves the compensation of the CEO.

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

For compensation of the Board, the CEO and the Executive Committee, see note 28 in the consolidated financial statements. Shareholdings and options of the Board, the CEO and the Executive Committee are given on pages 80–81. Remuneration Statement is available at Rapala's website www.rapala.com.

Responsibilities and Internal Control

The Group has a strong entrepreneurial and business oriented corporate culture that supports local decision making. This culture influences the set-up of Group's internal control and management. The Group's management model is strongly based on people management, delegation of responsibility, and recognition of differences in business environments, which all enable quick and flexible decision making. Instead of formal and heavily structured processes, the internal control of the Group is based on a flat and transparent organization where Group management is in frequent and personal interaction with Group companies. Number of personnel of Group management is relatively small, which enables focused and centralized information management and direct and tight relationships with operational and financial management of the business units. Business units are closely monitored through financial indicators and by observing the operative actions.

The Group comprises the parent company and the manufacturing and distribution subsidiaries. Group's internal controls and management are based on this legal structure. Responsibility for the management of these subsidiaries rests with each company's Board of Directors, which typically comprises the Group CEO, the Group CFO, the Company Counsel, and the subsidiary's managing director. In addition, the Group subsidiaries have their own management teams, which together with each subsidiary's managing director have responsibility over the operative decision making.

The CEO, the members of the Board of Directors, and the managing director of each Group company are responsible for ensuring that the accounting and administration in their respective areas of responsibility are in compliance with the local laws, the Group's operating principles, and the instructions and rules issued by the Board of Directors of the Company.

The aim of internal controls is to ensure the effectiveness and efficiency of the Group's operations, reliability of financial and operational reporting, and compliance with the applicable regulations, practices and policies.

The Board of Directors monitors the business activities of the Company and is responsible for ensuring that accounting, reporting and asset management are appropriately organized.

The Group has a harmonized chart of accounts, uniform accounting principles (IFRS) and related reporting process. This year the Group adopted a Group wide information technology system, which improves the transparency of supply chain and inventories. The Group's financial management monitors the functionality and reliability of the financial reporting process. The key instructions and regulations concerning financial reporting and risk management are available to managing directors and financial management of each subsidiary on Rapala finance intranet.

The Board of Directors monitors the Group's business risks on an ongoing basis. All Group companies report their financial performance and position at least once a month to the management that prepares for the Board of Directors a monthly management report, which explains the main recent developments in the business of the Group and the major Group companies.

Communication and personal interaction between Group management and subsidiaries is frequent and tight. Group management, managing directors, and financial management of all subsidiaries meet several times during the year, when also business performance and internal control issues are reviewed. In addition, representatives of Group management visit subsidiaries regularly in different assemblies. The purpose of these meetings is to share information mutually. These meetings enable Group management to monitor and give guidance to the subsidiaries.

Risks and Risk Management

Rapala Group's risks consist of strategic, operational, and hazard risks, as well as financial risks.

The main strategic risks relate to the status of sport fishing as a leisure time hobby, environmental issues affecting the fishing opportunities, success in developing new products, competitor actions, value of Group's brands, corporate reputation and other intangible assets, managing the costs and productivity, development of Group's strategic supplier partnerships, country and political risks as well as success in merger and acquisition projects.

The main operational risks relate to the effects the changes in economic cycles may have on consumer demand and customer behavior, annual seasonality of the business, weather, high interdependency between the Group's units and consequent supply chain, inventory and supplier management issues and availability of competent production labor. The Group's main hazard risks relate to fire or other similar disaster scenarios, which could lead to property damages but also to business interruption losses throughout the supply chain.

The main financial risks relate to market prices, liquidity and counterparty risks. The main market price risks relate to foreign exchange rates, interest rates and raw material prices. Liquidity risks relate to availability of sufficient funding even at the peaks of the seasons. Counterparty risk relates to creditworthiness of customers and other counterparties, such as banks.

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. This is carried out by monitoring and mitigating the related threats and risks while simultaneously identifying and managing opportunities. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by Group management.

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

Internal Audit

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

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

Insider Administration

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

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

Audit

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

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting (AGM) of Rapala VMC Corporation will be held at noon (12.00 EET) on April 11, 2012 at Rapala Office, Arabiankatu 12, Helsinki, Finland.

Each shareholder who is registered in the Company's shareholder register maintained by Euroclear Finland Oy on March 28, 2012 has the right to participate in the AGM. A holder of nominee registered shares who wish to attend the AGM should give notice for temporary entry into the company's shareholders' register for participation in the AGM at the latest on the date of registration for the general meeting on April 4 at 10.00 a.m. (EET). A holder of nominee registered shares is advised to request necessary instructions regarding the registration in the shareholder's register of the company, the issuing of proxy documents and registration for the general meeting from his/her custodian bank.

Shareholders who wish to attend the AGM must notify the Company no later than April 4, 2012 at 4 p.m. (EET). Instructions for submitting notice of attendance, as well as additional information on the AGM, are available at www.rapala.com.

Financial Reporting Schedule in 2012

In 2012, Rapala will publish financial information as follows:

- 1st Quarter 2012 Interim Report on April 27, 2012
- 2nd Quarter 2012 Interim Report on July 24, 2012
- 3rd Quarter 2012 Interim Report on October 23, 2012

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

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Nordea	**Rauli Juva**
SEB Enskilda	**Jutta Rahikainen**
Carnegie	**Tommy Ilmoni**
Pohjola	**Jari Räisänen**
Inderes Oy	**Sauli Vilén**

Stock Exchange Releases and Press Releases in 2011

December 23	Rapala Sells Non-Core Gift Business
November 17	Rapala Continues to Buy Back Own Shares
October 27	Interim Report Q3
October 27	Financial Reporting in 2012
July 27	Interim Report Q2
June 22	Rapala® Eco Wear Reflection Waders and Sufix® Synergy Carp Line Win Best New Product Competition at EFTTEX 2011
June 16	Rapala Strengthens Strategic Alliance with Shimano
May 3	Interim Report Q1
April 5	Decisions of Annual General Meeting
March 14	Notice to Convene the Annual General Meeting
March 14	Rapala's Financial Statements, Annual Report and Corporate Governance Statement 2010
March 11	Rapala® Clackin' Minnow and Sufix® 832 Advanced Superline Honored
March 2	Correction to Notification in Accordance with Chapter 2 Section 10 of the Securities Markets Act
March 2	Notification in Accordance with Chapter 2 Section 10 of the Securities Markets Act
February 10	Annual Accounts 2010
January 10	Annual Summary 2010

Full stock exchange releases, announcements and press releases are available at www.rapala.com. Rapala announced on November 17, 2011 that it continues to acquire its own shares. The Company has authorized a brokerage company to communicate these acquisitions. Releases related to these share buy-backs are available at www.rapala.com.

Group Products

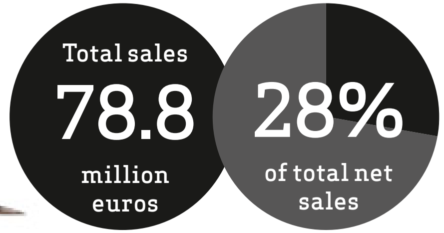
- **LURES & BAITS**
- **HOOKS**
- **LINES**
- **ACCESSORIES**
- **WINTER SPORTS**
- **HUNTING & OUTDOOR**

Third Party Products

- **FISHING**
- **WINTER SPORTS**
- **HUNTING & OUTDOOR**

The Group's brand portfolio includes the leading brands in the industry. Rapala's legacy of unwavering quality can be seen in all of the products.

GROUP BRANDED LURES AND BAITS



METAL JIGS

Used for vertical jigging in salt water, metal jigs are a growing category. They are sold under the Williamson brand.

HARD BAITS

Balsa-made hard baits that imitate the action of a wounded baitfish are the core of Rapala. Today, Rapala manufactures hard baits made of balsa, abachi and plastic hard baits under the Storm brand for all types of fishing around the world.

HYBRID LURES

Combining the best of both worlds, the hybrid lures feature soft plastic outer skin for a natural feel and a hard inner body or insert for durability and enhanced swimming action. Hybrid lures are sold under the Storm brand.

SOFT PLASTIC LURES

Soft plastic lures are sold as both unrigged and rigged, ready to use versions for fresh and salt water fishing. Rapala sells unrigged, pheromone enhanced, environmentally friendly soft plastics under Trigger X and unrigged and rigged soft plastics as Storm.

SPOONS

Spoon-shaped metal lures are used for both casting and trolling applications in both fresh and salt water. Most of the Groups trolling spoons are sold under the Luhr Jensen brand while the more general use versions are mostly Blue Fox branded.

BIG GAME TROLLING LURES

Williamson is legendary and credited with world record catches for the large trolling lures that are used for salt water big game fishing. Same types of lures are also available for smaller salt water species.

SPINNERS

The Group sells Vibrax spinners under the Blue Fox brand. Spinners are very universal light tackle lures that are mainly used in fresh water fishing.

BAITS

Boilies, ground bait, pellets, liquid attractants and particle baits are sold under the Dynamite Baits brand for carp, match and coarse fishing.

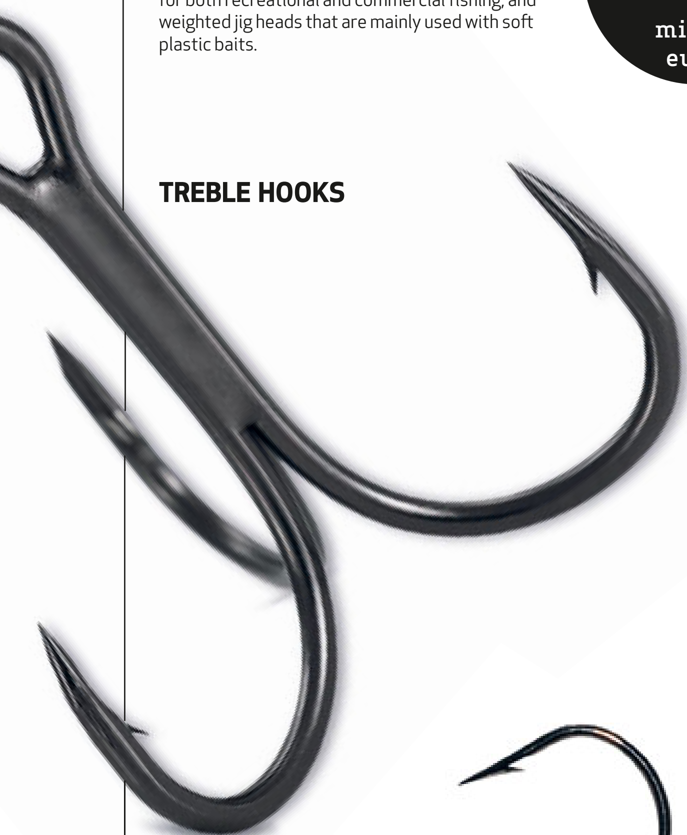
For more information on lures and baits, see page 10.

GROUP BRANDED HOOKS

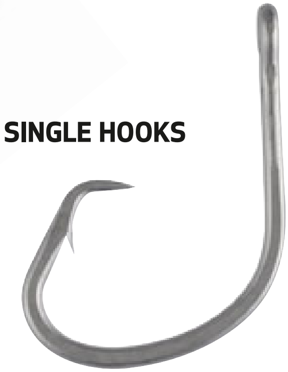
VMC branded hooks are the world leader in treble hooks. Treble hooks are mostly used in lures. The VMC hook range also includes single hooks for both recreational and commercial fishing, and weighted jig heads that are mainly used with soft plastic baits.

Total sales
17.8
million euros

TREBLE HOOKS



SINGLE HOOKS



WEIGHTED JIG HEADS

For more information on hooks, see page 13.

GROUP BRANDED LINES

MONOFILAMENT LINE

Made of single strand of nylon or co-polymers, monofilaments are most common lines in both recreational and sport fishing. Rapala sells most of its monofilament lines under the Sufix brand for all kinds of fishing applications.

Annual sales:
+28%
growth

BRAIDED LINE

Slower to make and more expensive than the monofilament lines, braided lines are manufactured by braiding high modulus polyethylene fibers to achieve greater strength than what monofilament lines have. Rapala sells braided lines under the Sufix and Rapala brands.

For more information on lines, see page 14.

GROUP BRANDED ACCESSORIES

Total sales **39.5** million euros

Annual sales: **+16%** growth

CLOTHING

Wading gear and sport specific clothing designed for fishing in various climates are sold under Rapala ProWear. The collection has been expanded to include environmentally conscious Rapala EcoWear waders.

KNIVES

The Group sells fishing specific and fillet knifes under the Rapala brand and a broad selection of hunting, outdoor, kitchen and lifestyle knifes under the Marttiini brand.

LUGGAGE

Specialized bags to hold fishing tackle and for traveling are sold under the Rapala brand. The range also includes a series of waterproof bags.

TOOLS

Pliers, scales and other tools that are important accessories for fishermen are sold under the Rapala brand.

EYEWEAR

Rapala offers a broad selection of polarized, custom designed sunglasses for fishing under Rapala Vision Gear.

For more information on accessories, see page 15.

GROUP BRANDED AND THIRD PARTY WINTER SPORTS

Rapala's portfolio includes the Peltonen brand for skis. In addition to skis, the Group sells third party winter sports gear like Alpina ski boots and Rex ski poles and ski wax.

For more information, see page 19.

For more information, see page 16.

THIRD PARTY FISHING PRODUCTS

RODS AND REELS

Rapala distributes Shimano rods and reels in Europe. In some countries where the Group does not have Shimano distribution, the Group sells Rapala branded and Okuma rods and reels

TACKLE BOXES

Fishermen need lure boxes and tackle bags to store their gear. Many of the Group's distribution units sell Plano tackle boxes.

MARINE ELECTRONICS

Modern fishing electronics like Humminbird sonar fish finders and GPS units and Minn Kota electric trolling motors are distributed by the Group units in many countries in Europe.

For more information, see page 18.

THIRD PARTY HUNTING & OUTDOOR PRODUCTS

OPTICS

The Group sells Leica, Bushnell and Tasco scopes for hunting in the countries where hunting guns are distributed and binoculars for general outdoor use.

GUNS

The Group sells rifles and shotguns like Beretta, Remington and Sako and ammunition for hunting in the Nordic countries.

ELECTRONICS

GPS-units like Magellan used for personal navigation support the outdoor product sales where the Group's product range extends beyond fishing tackle.

For more information, see page 19.

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Rapala Annual Report 2011
Design and realisation: Miltton Oy
Printing house: Lönnberg Painot Oy, Helsinki