RAPALA VMC CORP.

STOCK EXCHANGE RELEASE
April 24, 2013
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RAPALA VMC CORPORATION'S JANUARY TO MARCH 2013: SALES GROWTH CONTINUED DESPITE DELAYED SPRING. POSITIVE DEVELOPMENT IN WORKING CAPITAL AND CASH FLOW.

- Net sales for the first quarter increased from last year by 2% to 75.3 (73.5 MEUR) reaching record sales for the first quarter. Sales were strong in Russia, North America and Finland. Sales were supported by the new ice fishing business. Conversely, late spring delayed the start of the sales of more profitable summer fishing products.
- Comparable operating profit, excluding non-recurring items and mark-to-market valuation of operative currency derivatives, decreased from last year to 8.1 MEUR (10.6 MEUR) for the first quarter. Profitability was affected by late spring impacting the product mix, ongoing production transfers to Batam, inventory reduction initiatives and foreign exchange rates.
- Net profit for the quarter reduced to 6.6 MEUR (7.5 MEUR) and earnings per share were 0.15 EUR (0.16 EUR). Net profit includes a positive tax impact of 0.6 MEUR relating to a court ruling and authority decision in Finland concerning past year.
- Following continuing intense focus on working capital and inventory management, cash flow from operating activities improved to -8.1 MEUR (-9.3 MEUR) for the quarter and inventories reduced to 116.4 MEUR (125.0 MEUR). Strengthening of the Group's balance sheet continued, and gearing reached first quarter record low level of 68.7% (75.7%).
- Implementation of the Rapala Group's strategy of profitable growth continued by making a decision to establish own ice drill manufacturing operations in Finland as well as introducing new Rapala Scatter Rap lure family and Angry Birds co-operation to the market.
- Guidance remains unchanged. The Group's sales are expected to increase from last year and comparable operating profit, excluding non-recurring items and mark-to-market valuations of operative currency derivatives, to be 30 MEUR plus or minus 10%.

The attachment presents the interim review by the Board of Directors as well as the accounts.

Contact information and conference call details are at the end of the review by the Board of Directors.

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Market Situation and Sales

Year 2013 started with positive expectations. Sales continued to grow strongly in Russia. Sales were growing also in North America, Finland, Baltic countries, Latin America and most Asian distribution countries, while at the same time in several countries, especially in Europe, retail sentiment has become more cautious.

Weather conditions were opposite compared to last year. After a late start of the new ice fishing business in the USA in the end of last year, the winter weathers lasted long in all major markets in North America and Northern and Eastern Europe, to certain extent giving positive support to sales of the new ice fishing products as well as winter sports equipment, while the overall sales of the season were still suffering from knock-on effects from previous season. However, at the same time, late spring clearly delayed the start of the sales of more profitable summer fishing products, which were also impacted by shortage of products from external suppliers. Net sales for the first quarter increased from last year by 2% to 75.3 (73.5 MEUR) reaching all time record sales for the first quarter. New units contributed 0.3 MEUR to net sales. Change in foreign exchange did not have any significant impact compared to last year.

Net sales of Group Products increased by 3% from last year to 47.1 MEUR (45.8 MEUR) supported by sales of the new ice fishing products as well as strong performance of hooks and Rapala lures. Sales of Third Party Products were up 1% to 28.1 MEUR (27.7 MEUR), with increased sales of winter sports, outdoor and hunting. Sales of fishing electronics increased, while in total Third Party Products' sales was down, impacted by late start of the summer fishing season.

Net sales in North America were up by 6% for the quarter, as long winter supported the sales of ice fishing products both in USA and Canada. US dollar had a slight negative impact on quarter sales compared to last year. With comparable exchange rates quarterly sales were up 7%. In USA the improved housing and stock markets have increased the general consumer confidence, while the increasing fuel prices and payroll taxes have reduced discretionary spending of lower income consumers. US retailers continued their increased focus on sports categories other than fishing and put more emphasis on promoting their own brands. The launch of new Scatter Rap lure family in USA in February has been a success.

In Nordic counties, sales were at last year level, impacted by foreign exchange rates, late spring and delayed sales of summer fishing products. Sales increased in Finland while in Norway the proportion of presales decreased. Net sales in Rest of Europe decreased by 1%. Sales were down in the UK and Central Europe impacted by delayed spring. Sales growth continued strong in Russia, lead by sales of ice fishing products and lures. Hungary and Spain continued to suffer from macro-economic challenges and the restructuring of operations in Switzerland continued.

In Rest of the world sales increased by 10% supported by new distribution company in Chile and good sales in Latin America and most Asian distribution markets, led by Japan. Sales were impacted by currency movements, and with comparable exchange rates sales were up 18%.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items and mark-to-market valuation of operative currency derivatives, decreased from last year to 8.1 MEUR (10.6 MEUR) for the first quarter. Comparable operating profit margin was 10.8% (14.4%) for the quarter. Decline in profitability was affected by late spring impacting the product mix, ongoing production transfers from China to Batam, margin and volume impacts of continuing inventory reduction initiatives and foreign exchange rates impacting the purchases. Reported operating profit for the first quarter was 8.6 MEUR (10.4 MEUR) and included net loss of non-recurring items of 0.0 MEUR (0.0 MEUR) and mark-to-market valuation of operative currency derivatives of 0.5 MEUR gain (0.2 MEUR loss).

Key figures MEUR	**I** **2013**	I 2012	I-IV 2012
Net sales	**75.3**	73.5	290.7
EBITDA as reported	**10.3**	12.0	32.7
Comparable EBITDA*	**9.8**	12.2	33.8
Operating profit (EBIT)	**8.6**	10.4	25.9
Comparable EBIT*	**8.1**	10.6	27.1

* Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

Operating profit for Group Products decreased compared to last year and amounted to 6.2 MEUR (7.0 MEUR). Operating profit was negatively impacted by late spring delaying the shipments of more profitable summer fishing products, inventory clearance initiatives and setting up the second phase of lure production in Batam. Operating profit of Third Party Products decreased to 2.4 MEUR (3.4 MEUR), with main contribution coming from fishing products impacted negatively by currency exchange movements on purchases and inventory clearance sales.

Total financial (net) expenses for the quarter were 0.3 MEUR (0.0 MEUR), including change in (net) currency exchange gains of 0.4 MEUR (1.0 MEUR). Net interest and other financing expenses decreased slightly from last year to 0.8 MEUR (1.0 MEUR).

Net profit for the quarter reduced to 6.6 MEUR (7.5 MEUR) and earnings per share were 0.15 EUR (0.16 EUR). Net profit includes a positive tax impact of 0.6 MEUR relating to a court ruling and authority decisions in Finland concerning past years. The share of non-controlling interest in net profit decreased from last year.

Cash Flow and Financial Position

In line with the Group's intense focus on working capital and inventory management, the positive development in this area continued. Cash flow from operations improved to -8.1 MEUR (-9.3 MEUR). During the first quarter inventories and trade receivables developed more positively compared to last year and net change in working capital amounted to -15.0 MEUR (-18.9 MEUR). Working capital was up from December as inventories and trade receivable increased seasonally.

Also the Group's inventory levels continued to develop positively. Inventories increased seasonally by 5.8 MEUR from December 2012, but decreased by 8.6 MEUR from last March amounting to 116.4 MEUR (125.0 MEUR). Thus compared to last year, inventories decreased 7%, while same time sales increased 2%. New business units and impact of currency movements increased inventories by 1.5 MEUR compared to last year, consequently on comparable basis inventories reduced 10.1 MEUR from last year.

Net cash used in investing activities was 2.0 MEUR (8.3 MEUR) for the quarter. Normal operative capital expenditure was 2.0 MEUR (2.3 MEUR). 2012 first quarter investing activities include acquisition of the assets of Strike Master Corporation and Mora Ice brand with total of 6.4 MEUR and proceeds from the sale of a real estate in Finland of 0.3 MEUR.

Net interest bearing debt increased seasonally from December, but was down from March last year at 100.4 MEUR (107.3 MEUR). Strengthening of the Group's balance sheet continued and gearing reached first quarter record low level of 68.7 % (75.7 %). In the end of March equity-to-assets ratio increased to 42.3 (40.8%).

Strategy Implementation

Execution of the Rapala Group's strategy of profitable growth is based on three cornerstones: brands, manufacturing and distribution, supported by strong corporate culture. In 2013 strategy implementation will continue in various areas.

The Group has made a decision to establish own ice drill manufacturing operations in Finland to strengthen its position in ice drill business, which was entered in early 2012 by acquiring assets of Strike Master Corporation as well as the brand and intellectual property rights relating to Mora Ice products. Preparations to start the operations by the end of the year are ongoing.

The establishment the Group's new hook manufacturing unit on Batam Island in Indonesia was finalized during the first quarter, while the first phase of the new lure manufacturing unit will be finalized in April. The units are technically capable to manufacture products cost efficiently as the volumes pick up. Construction and installation work for tripling the size of lure manufacturing operations in Batam are proceeding and certain new production phases were already started in the end of last year. New products and production phases will be added gradually during the next 12–15 months.

The Group increased its ownership in Peltonen cross country ski factory to 100%. Previously Group's ownership was 90%.

Special performance improvement initiative continued in the Group's distribution company in Switzerland.

Working capital and cash flow management was still one of the top priorities of the Group, and the Group continues to work to reduce the inventory levels and develop the Group's internal supply chain as well as its purchasing processes.

Capability to constantly create new innovative products is one significant strategic asset for the Group. In February 2013 the Group made an early launch of a new Rapala Scatter Rap lure family, with distinctive evasive swimming action, into the markets in USA and Japan and the reception was exceptionally good. In April 2013 the Group published its cooperation agreement with Rovio Entertainment Ltd on utilizing Rovio's Angry Bird characters in selling lures and other fishing equipment in Finland and five other countries in Europe as well as in China. Additionally in April 2013 Rapala Eco Wear® Reflection jacket was honored with the Red Dot award, one of the most recognized design awards in the world.

Discussions and negotiations regarding acquisitions and business combinations continued during first quarter of 2013.

Short-term Outlook

In the first quarter sales grew in major markets in North America and Russia and this is expected to continue. In several markets late arrival of spring has postponed sales to second quarter, while the total impact of weathers on whole season's sales is still uncertain. Where applicable, presales have generally been on or above last year's levels.

The successful launch of the new Rapala Scatter Rap lure family is expected to support the sales in the USA and Japan.

After a long winter in North America, the retail pipeline of winter fishing products is expected to be rather empty. The Rapala Group's winter fishing program "The Ice Force" is well established among retailers in the USA for coming season, which will secure improved sales volumes during the year.

For coming season the US distribution range will be further complemented with Otter winter fishing products.

New manufacturing units as well as a few other underperforming units have burdened the Group's profitability, but the situation is expected to improve gradually during the year. The continuing actions to reduce the Group's inventory levels may have some negative impact on profitability, but support the cash flow generation.

The guidance for 2013 remains unchanged. The Group's sales are expected to increase from last year and comparable operating profit, excluding non-recurring items and mark-to-market valuations of operative currency derivatives, to be 30 MEUR plus or minus 10%.

Second quarter interim report will be published on July 19.

Helsinki, April 24, 2013

Board of Directors of Rapala VMC Corporation

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A conference call on the quarter result will be arranged today at 2:00 p.m. Finnish time (1:00 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 804610#) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)20 7111 1244 (pin code: 804610#). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME	**I**	I	I-IV
MEUR	**2013**	2012	2012
Net sales	**75.3**	73.5	290.7
Other operating income	**0.2**	0.3	1.3
Materials and services	**35.2**	32.2	140.7
Personnel expenses	**16.2**	15.7	62.6
Other costs and expenses	**13.6**	13.8	55.8
Share of results in associates and joint ventures	**-0.2**	-0.1	-0.3
EBITDA	**10.3**	12.0	32.7
Depreciation, amortization and impairments	**1.7**	1.6	6.8
Operating profit (EBIT)	**8.6**	10.4	25.9
Financial income and expenses	**0.3**	0.0	4.9
Profit before taxes	**8.3**	10.4	21.0
Income taxes	**1.7**	2.9	7.1
Net profit for the period	**6.6**	7.5	14.0
Attributable to:			
Equity holders of the company	**5.7**	6.2	10.1
Non-controlling interests	**0.9**	1.3	3.8
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR (diluted = non-diluted)	**0.15**	0.16	0.26

STATEMENT OF COMPREHENSIVE INCOME	**I**	I	I-IV
MEUR	**2013**	2012	2012
Net profit for the period	**6.6**	7.5	14.0
Other comprehensive income, net of tax			
Change in translation differences*	**2.0**	-1.8	-0.3
Gains and losses on cash flow hedges*	**0.3**	0.1	-0.6
Gains and losses on hedges of net investments*	**-0.3**	0.3	0.2
Actuarial gains (losses) on defined benefit plan	**-**	-	-0.3
Total other comprehensive income, net of tax	**2.1**	-1.4	-1.0
Total comprehensive income for the period	**8.7**	6.1	12.9
Total comprehensive income attributable to:			
Equity holders of the Company	**7.8**	4.6	9.2
Non-controlling interests	**0.9**	1.5	3.7

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

STATEMENT OF FINANCIAL POSITION MEUR	Mar 31 2013	Mar 31 2012	Dec 31 2012
ASSETS			
Non-current assets			
Intangible assets	**73.2**	71.8	72.6
Property, plant and equipment	**30.1**	28.9	29.3
Non-current assets			
Interest-bearing	**3.4**	5.8	3.7
Non-interest-bearing	**11.4**	11.2	11.4
	118.1	117.7	117.1
Current assets			
Inventories	**116.4**	125.0	110.6
Current assets			
Interest-bearing	**2.4**	1.1	2.5
Non-interest-bearing	**77.7**	74.3	58.5
Cash and cash equivalents	**30.8**	29.3	38.2
	227.2	229.8	209.7
Assets classified as held-for-sale	**-**	0.3	-
Total assets	**345.3**	347.8	326.8
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**135.9**	133.1	128.3
Non-controlling interests	**10.2**	8.6	9.4
	146.1	141.7	137.7
Non-current liabilities			
Interest-bearing*	**77.0**	10.1	78.7
Non-interest-bearing	**15.4**	16.4	15.6
	92.3	26.5	94.3
Current liabilities			
Interest-bearing*	**60.0**	133.5	55.5
Non-interest-bearing	**46.9**	46.1	39.3
	106.9	179.6	94.8
Total equity and liabilities	**345.3**	347.8	326.8

* As of April 2012 the new revolving credit facilities of the new bank loan agreements were classified as non-current liabilities to the extent banks' commitment is valid for longer than 12 months.

KEY FIGURES	I 2013	I 2012	I-IV 2012
EBITDA margin, %	**13.6%**	16.4%	11.2%
Operating profit margin, %	**11.4%**	14.1%	8.9%
Return on capital employed, %	**14.5%**	17.4%	11.4%
Capital employed at end of period, MEUR	**246.5**	249.0	227.5
Net interest-bearing debt at end of period, MEUR	**100.4**	107.3	89.9
Equity-to-assets ratio at end of period, %	**42.3%**	40.8%	42.2%
Debt-to-equity ratio at end of period, %	**68.7%**	75.7%	65.3%
Earnings per share, EUR (diluted = non-diluted)	**0.15**	0.16	0.26
Equity per share at end of period, EUR	**3.51**	3.42	3.31
Average personnel for the period	**2 130**	1 991	2 127

Definitions of key figures are consistent with those in the financial statement 2012.

STATEMENT OF CASH FLOWS	**I**	I	I-IV
MEUR	**2013**	2012	2012
Net profit for the period	**6.6**	7.5	13.9
Adjustments to net profit for the period *	**3.3**	4.6	20.6
Financial items and taxes paid and received	**-2.9**	-2.5	-13.6
Change in working capital	**-15.1**	-18.9	4.2
Net cash generated from operating activities	**-8.1**	-9.3	25.2
Investments	**-2.0**	-2.3	-7.7
Proceeds from sales of assets	**0.0**	0.4	0.8
Sufix brand acquisition	**-**	-	-0.8
Strikemaster and Mora Ice acquisitions	**-**	-6.4	-6.7
Acquisition of other subsidiaries, net of cash	**0.0**	-	0.0
Proceeds from disposal of subsidiaries, net of cash	**-**	-	0.8
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-2.0**	-8.3	-13.6
Dividends paid to parent company's shareholders	**-**	-	-8.9
Dividends paid to non-controlling interest	**-**	-	-1.6
Net funding	**2.6**	18.3	9.1
Purchase of own shares	**-0.3**	-0.1	-0.7
Net cash generated from financing activities	**2.3**	18.3	-2.2
Adjustments	**0.1**	0.2	0.2
Change in cash and cash equivalents	**-7.8**	0.9	9.6
Cash & cash equivalents at the beginning of the period	**38.2**	28.9	28.9
Foreign exchange rate effect	**0.4**	-0.6	-0.4
Cash and cash equivalents at the end of the period	**30.8**	29.3	38.2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Non-controlling interests	**Total equity**
Equity on Jan 1, 2012	**3.6**	**16.7**	**-1.6**	**-4.1**	**4.9**	**-2.6**	**111.8**	**7.2**	**135.8**
Impact of new standards	-	-	-	-	-	-	-0.1	-	**-0.1**
Restated balance	**3.6**	**16.7**	**-1.6**	**-4.1**	**4.9**	**-2.6**	**111.7**	**7.2**	**135.7**
Comprehensive income *	-	-	0.1	-1.7	-	-	6.2	1.5	**6.1**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Equity on Mar 31, 2012	**3.6**	**16.7**	**-1.5**	**-5.8**	**4.9**	**-2.7**	**117.9**	**8.6**	**141.7**
Equity on Jan 1, 2013	**3.6**	**16.7**	**-2.3**	**-4.1**	**4.9**	**-3.4**	**112.8**	**9.4**	**137.7**
Comprehensive income *	-	-	0.3	1.7	-	-	5.7	0.9	**8.7**
Purchase of own shares	-	-	-	-	-	-0.3	-	-	**-0.3**
Share based payments	-	-	-	-	-	-	0.1	-	**0.1**
Other changes	-	-	-	-	-	-	0.0	0.0	**0.0**
Equity on Mar 31, 2013	**3.6**	**16.7**	**-1.9**	**-2.3**	**4.9**	**-3.7**	**118.6**	**10.2**	**146.1**

* For the period, (net of tax)

SEGMENT INFORMATION*

MEUR	**I**	I	I-IV
Net Sales by Operating Segment	**2013**	2012	2012
Group Products	**47.1**	45.8	176.4
Third Party Products	**28.1**	27.7	114.3
Total	**75.3**	73.5	290.7
Operating Profit by Operating Segment			
Group Products	**6.2**	7.0	18.9
Third Party Products	**2.4**	3.4	7.0
Total	**8.6**	10.4	25.9

	Mar 31	Mar 31	Dec 31
Assets by Operating Segment	**2013**	2012	2012
Group Products	**226.7**	227.6	214.0
Third Party Products	**82.1**	84.0	68.5
Non-interest bearing assets total	**308.7**	311.5	282.5
Unallocated interest-bearing assets	**36.6**	36.3	44.3
Total assets	**345.3**	347.8	326.8

Net Sales by Area**	**I**	I	I-IV
MEUR	**2013**	2012	2012
North America	**21.7**	20.5	83.6
Nordic	**15.2**	15.2	62.7
Rest of Europe	**29.5**	29.7	108.2
Rest of the world	**8.9**	8.1	36.2
Total	**75.3**	73.5	290.7

* Segments are consistent with those in the financial statements 2012. Segments are described in detail in note 2 of the financial statements 2012.

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**
MEUR	2012	2012	2012	2012	2012	**2013**
Net sales	73.5	83.7	65.6	67.9	290.7	**75.3**
EBITDA	12.0	13.3	5.4	1.9	32.7	**10.3**
Operating profit	10.4	11.6	3.7	0.2	25.9	**8.6**
Profit before taxes	10.4	10.5	1.9	-1.7	21.0	**8.3**
Net profit for the period	7.5	7.2	1.3	-2.1	14.0	**6.6**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Financial Statements 2012, except for the adoption of the new or amended standards and interpretations.

Presentation of comparative periods has been adjusted following the reclassification of interest-bearing and non-interest bearing items as announced on stock exchange release on January 4, 2013.

Adoption of amendment of IFRS 7 did not result in any changes in the accounting principles that would have affected the information presented in this interim report. The adoption of IFRS 13 added notes related to fair values. The amendment to IAS 1 standard changed the grouping of items presented in other comprehensive income. Items that would be reclassified to profit or loss at future point of time are presented separately from items that will never be reclassified.

The revised IAS 19 standard removed the option for corridor approach in recognizing the actuarial gains and losses from defined benefit plans. Under the revised standard, actuarial gains and losses are required to be recognized immediately and in full in other comprehensive income and they are excluded permanently from the consolidated income statement. Previously, actuarial gains and losses were deferred in accordance with the corridor method.

The amendments to IAS 19 have been applied retrospectively. The impact on comparative figures presented in the statement of financial position, statement of income and statement of other comprehensive income in this interim report are shown in the table below. The change impacted also key figures, which have been restated in this interim report. The adjustment on income statement and other comprehensive income was booked in the fourth quarter.

Impact from retrospective application of revised IAS 19 on consolidated financial statements 2012, MEUR	**Reported**	**Adjustment**	**Adjusted**
Impact on consolidated statement of income			
Personnel expenses	62.6	0.0	62.6
Operating profit	25.9	0.0	25.9
Income taxes	7.1	0.0	7.1
Net profit for the period	**13.9**	**0.0**	**14.0**
Impact on statement of financial position			
Deferred tax assets Jan 1, 2012	9.3	0.0	9.3
Change in deferred tax assets, income statement	-0.8	0.0	-0.8
Change in deferred tax assets, other comprehensive income	0.2	0.1	0.3
Deferred tax assets, Dec 31, 2012*	**8.7**	**0.2**	**8.9**
*) Included in non-current non-interest bearing assets			
Retained earnings Jan 1, 2012	111.8	-0.1	111.7
Net profit for the period	10.1	0.0	10.1
Other comprehensive income for the period	-	-0.3	-0.3
Other changes	-8.7	-	-8.7
Retained earnings Dec 31, 2012	**113.2**	**-0.3**	**112.8**

Employee benefit obligations, Jan 1, 2012	1.3	0.1	1.4
Period change, income statement	0.1	0.0	0.1
Period change, other comprehensive income	-	0.4	0.4
Effect of any curtailments or settlements	-0.1	-	-0.1
Employee benefit obligations Dec 31, 2012*	**1.4**	**0.5**	**1.9**

*) Included in non-current non-interest bearing liabilities

Use of estimates and rounding of figures

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

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

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for January-March 2013. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On March 31, 2013, the book value of inventories included a provision for net realizable value of 4.5 MEUR (3.1 MEUR at March 31, 2012 and 4.4 MEUR at December 31, 2012).

Impact of business acquisitions on the consolidated financial statements

In March 2013, the Group purchased a 10% share of the Finnish ski manufacturing unit. This acquisition raised the Group’s ownership to 100%. Acquisition has no significant impact on the Group’s consolidated financial statements.

Non-recurring income and expenses included in operating profit	**I**	I	I-IV
MEUR	**2013**	2012	2012
Costs related to business acquisitions	**-**	0.0	0.0
Net gain from sale of gift manufacturing unit in China*	**-**	0.0	-0.7
Gain on disposal of real estate in Finland	**-**	0.1	0.1
Other non-recurring items	**0.0**	0.0	0.0
Total included in EBITDA and operating profit	**0.0**	0.0	-0.6

* Including an adjustment to sales price and costs related to the disposed business.

Commitments MEUR	**Mar 31** **2013**	Mar 31 2012	Dec 31 2012
On own behalf			
Business mortgage*	**-**	16.1	-
Guarantees	**0.1**	0.1	0.1
Minimum future lease payments on operating leases	**15.2**	14.2	16.6

* The Group refinanced its loan facilities in April 2012, and the business mortgage related to the previous facility was released. The new loan facilities are unsecured and include normal financial covenants.

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
I 2013						
Joint venture Shimano Normark UK Ltd	**0.4**	**-**	**-**	**-**	**0.3**	**-**
Associated company Lanimo Oü	**0.0**	**0.0**	**-**	**-**	**-**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.0**	**0.0**	**0.0**	**-**
Management	**-**	**-**	**0.1**	**-**	**-**	**0.0**
I 2012						
Joint venture Shimano Normark UK Ltd	0.7	-	-	-	0.4	0.0
Associated company Lanimo Oü	-	0.0	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.0	0.0	0.0	-
Management	-	-	0.1	-	0.0	0.0
I-IV 2012						
Joint venture Shimano Normark UK Ltd	3.9	-	-	-	0.1	0.0
Associated company Lanimo Oü	-	0.0	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	0.0	-	0.4	-	-	0.0

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

Open derivatives		**Mar 31 2013**		Mar 31 2012		Dec 31 2012
MEUR	**Nominal Value**	**Fair Value**	Nominal Value	Fair Value	Nominal Value	Fair Value
Operative hedges						
Foreign currency derivatives	**47.5**	**0.1**	4.5	0.1	35.1	-0.4
Monetary hedges						
Foreign currency derivatives	**16.6**	**0.0**	-	-	27.2	0.0
Interest rate derivatives	**85.3**	**-3.5**	67.2	-2.0	85.0	-3.0

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting are recognized based on their nature either in operative costs, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction. Some derivatives designated to hedge monetary items are accounted for according to hedge accounting. Financial risks and hedging principles are described in detail in the financial statements 2012.

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

	I 2013	I 2012	I-IV 2012
Included in operating profit	**0.5**	-0.2	-0.6

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the accounting period. The underlying foreign currency transactions will realize in future periods.

Fair values of financial instruments		**Mar 31 2013**
MEUR	**Carrying value**	**Fair value**
Financial assets		
Loans and receivables	**106.7**	**106.7**
Available-for-sale financial assets (level 3)	**0.3**	**0.3**
Derivatives (level 2)	**0.5**	**0.5**
Financial liabilities		
Financial liabilities at amortized cost	**166.5**	**167.1**
Derivatives (level 2)	**3.9**	**3.9**

Share based incentive plan

The Group has one share based incentive plan for the Group's key personnel. The plan includes one earning period which commenced on April 1, 2012 and will end on June 30, 2013. The potential reward from the plan will be based on development of Rapala Group's inventory levels and EBITDA. The potential reward will be paid primarily as Rapala VMC Corporation's shares in August 2013. The target group of the plan consists of 20 key employees. The gross rewards to be paid on the basis of the plan will correspond to the value maximum total of 235 000 company shares.

Shares and share capital

On April 11, 2013 The Annual General Meeting (AGM) updated Board's authorization on repurchase of shares. A separate stock exchange release on the decisions of the AGM was given, and up to date information on the board's authorizations and other decision of the AGM are available also on the corporate website.

At the end of the reporting period the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares during the reporting period was 39 468 449. During the reporting period, company bought back a total of 63 337 own shares. At the end of the reporting period the company held 764 737 own shares, representing 1.9% of the total number of shares and the total voting rights. The average share price of all repurchased own shares held by the company was 4.78 EUR.

During the reporting period, 1 000 860 shares (1 848 949) were traded at a high of 5.20 EUR and a low of 4.56 EUR. The closing share price at the end of the period was 4.73 EUR.

Short term risks and uncertainties

The objective of Rapala VMC Corporation's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased as Rapala VMC Corporation has continued to expand its operations. Accordingly, Group management continues to develop risk management practices and internal controls during 2013. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Financial Statements 2012.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half, although this seasonality pattern may partly change as the Group has increased its role in winter fishing business. The biggest deliveries for both summer and winter seasons are concentrated into relatively short time periods, and hence a well functioning supply chain is required. The Group's sales are to some extent affected by weather as it impacts consumer demand and the timing and length of the seasons. Late beginning of 2013 summer fishing season may reduce the total sales volumes of the season. The Group is more affected by winter weathers after the expansion into winter fishing business. On the other hand, unfavorable winter weathers may lead to early summer fishing season and resulting in higher summer fishing sales.

Working capital and inventory management is still a top priority for the Group and initiatives to improve the Group's inventory turnovers and shorten the factory lead-times continue in 2013. Inventory clearance sales supporting the inventory reduction targets may have some short-term negative impacts on sales and profitability of some product groups. The uncertainties in future demand as well as the length of the Group's supply chain increases the importance of supply chain management. Strong and rapid increases in consumer demand may put challenges on Group's supply chain to meet the demand. Management balances between risk of shortages and risk of excess production and purchasing, which would lead to excess inventories in the Group.

The ramp-up phase of the new production facilities in Batam, Indonesia, as well as production transfers from China to Indonesia may increase certain production cost and supply chain risks temporarily. The same applies to establishment of the new ice drill manufacturing unit in Finland during latter part of the year.

The Group successfully refinanced its credit facilities in April, 2012. These credit facilities include some financial covenants, which are actively monitored. The Group's liquidity and refinancing risks are well in control.

The fishing tackle business has not traditionally been strongly influenced by the increased uncertainties and downturns in the general economic climate. They may, however, 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 truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. Declining oil price may negatively impact the growing Russian market, while same time supporting consumption in USA. The Group is cautiously monitoring the development both in the global macro economy as well as in the various local markets it operates in.

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

The Group's sales and profitability are impacted by the changes in foreign exchange rates. The disturbances in global economy may cause heavy and unexpected fluctuations in foreign exchange rates. The Group monitors actively its currency position and related risks. To fix the exchange rates of future foreign exchange denominated sales and purchases, the Group has entered into several currency hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IAS 39, the unrealized mark-to-market valuations of currency hedging agreements has an impact on the Group's operating profit. Following the implementation of an updated risk policy in 2012 the nominal value of hedging instruments were increased and thereby potentially increasing the quarterly volatility of unrealized items in operating profit. The continuing strengthening of the Chinese yuan coupled with the possible strengthening of the US dollar increases cost pressures. Additionally, certain inflationary trends increase this pressure. The Group is closely monitoring market development and cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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