RAPALA VMC CORP.

INTERIM REPORT Q1/2014

APRIL 17, 2014

RAPALA
VMC
CORP.

INTERIM REPORT
April 17, 2014
at 9:30 a.m.

RAPALA VMC CORPORATION'S JANUARY TO MARCH 2014: SLOW START FOR THE YEAR DUE TO WEATHER CONDITIONS, CURRENCY RATES AND ECONOMICAL UNCERTAINTIES

Q1 in brief:

- Net sales were 66.2 MEUR, down 12% from previous year (75.3). With comparable exchange rates sales down 6%.
- Comparable operating profit was 6.7 MEUR (8.1).
- Cash flow from operations was -8.3 MEUR (-8.1).
- Earnings per share was 0.11 EUR (0.15).
- Batam lure factory ramp-up proceeding.
- Full year guidance unchanged.

President and CEO Jorma Kasslin: "Beginning of the year was challenging in many respects. We witnessed abnormal weather conditions in many countries. Here in Finland, lack of snow hurt our winter sports business, while in North America winter was partly so extreme that it clearly delayed the beginning of summer fishing season. The political unrest in Eastern Europe disturbed the business to some extent, especially through major changes in currency rates. All in all strengthening of the Euro explains nearly half of the total sales decline in the first quarter.

Lower sales also had direct impact on our profitability, even though we managed to improve our gross margins. The exit from China and ramp-up of the Batam factory is proceeding, but these still burden our results. We have put a lot of focus and resources to improve the Asian manufacturing situation, and we expect to see clear results during the latter part of the year.

Summer fishing sales is picking up in USA as we speak and we expect early spring to support the second quarter sales here in Europe."

Key figures

MEUR	**I 2014**	I 2013	**change %**	I-IV 2013
Net sales	**66.2**	75.3	**-12%**	286.6
Operating profit	**7.4**	8.6	**-14%**	26.1
% of net sales	**11.2%**	11.4%		9.1%
Operating profit comparable *	**6.7**	8.1	**-17%**	27.1
% of net sales	**10.1%**	10.8%		9.5%
Cash flow from operations	**-8.3**	-8.1	**-2%**	15.3
Gearing %	**76.5%**	68.7%		71.2%
EPS, EUR	**0.11**	0.15	**-27%**	0.32

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

Market environment

Overall market conditions were challenging in several market areas. Unfavorable weather conditions disturbed the business in many markets and retailers were forced to put tight control on their purchases and cash flow. Political unrest in Eastern Europe and continuing economical uncertainty in several other markets had a negative impact on sales. Major changes in currencies caused additional uncertainty and impacted customer behavior. However, economic indicators are showing some positive signals in the US and certain European countries.

Business Review January-March 2014

Group net sales for the first quarter were down 12%. Changes in translation exchange rates explain the net sales decline by some 4 MEUR. With comparable translation exchange rates quarterly net sales were 6% behind last year's level.

North America

Currencies had a negative impact on North American sales compared to last year and net sales were down 6% for the quarter with comparable exchange rates. Extreme winter weathers and late start of spring delayed sales of summer fishing products, but at the same time it is supporting the replenishment sales of ice fishing products and cash flow of retailers.

Nordic

Nordic sales were down for the first quarter. Currencies had a small negative impact on sales compared to last year. Nordic countries suffered from late and exceptionally warm and snowless winter which impacted the winter sports and ice fishing product sales especially in Finland. At the same time, early and warm spring supported the beginning of sales of summer fishing products.

Rest of Europe

Political turbulence in Russia and Ukraine had some direct and indirect impact on sales in these countries. Currencies, mainly Ruble, burdened the sales in the Rest of Europe compared to last year and with comparable exchange rates net sales were down 4% for the quarter. Quarterly sales were also negatively impacted by delivery problems of suppliers as well as weak winter conditions. Early spring supported the start of summer fishing product sales.

Rest of the World

In Rest of the World sales were also impacted negatively by currencies, for the most part South African Rand and Australian dollar, and with comparable exchange rates quarterly sales were 7% behind last year. Economic and political instability was disturbing the business in South Africa and Thailand.

External Net Sales by Area

MEUR	I 2014	I 2013	change %	I-IV 2013
North America	**19.4**	21.7	**-11%**	88.4
Nordic	**13.2**	15.2	**-13%**	60.8
Rest of Europe	**26.6**	29.5	**-10%**	103.6
Rest of the World	**7.1**	8.9	**-20%**	33.8
Total	**66.2**	75.3	**-12%**	286.6

Financial Results and Profitability

Comparable and reported operating profit decreased from last year. Comparable and reported profit margins were almost at last year's level. First quarter operating profit was positively supported by improved gross margin, but this was not sufficient to offset the negative impact of lower sales. Ramp-up of the new lure factory in Batam was burdening the profitability.

In the first quarter there were no material non-recurring items. Mark-to-market valuation of operative currency derivatives included in the reported operating profit was 0.7 MEUR (0.5).

Total financial (net) expenses for the first quarter were 1.9 MEUR (0.3). A negative impact in financial items resulted from the (net) foreign exchange expenses of 1.0 MEUR (gain 0.4). Net interest and other financing expenses increased slightly from last year to 0.9 MEUR (0.7).

Net profit for the quarter reduced from last year and earnings per share were 0.11 EUR (0.15). Net profit includes a positive tax impact of 1.0 MEUR related to an agreement with the Finnish tax authority on the parent company's taxation in years 2006-2013. The share of non-controlling interest in net profit decreased from last year and totaled 0.0 MEUR (0.9).

Key figures

MEUR	I 2014	I 2013	change %	I-IV 2013
Net sales	**66.2**	75.3	**-12%**	286.6
Operating profit	**7.4**	8.6	**-14%**	26.1
Operating profit, comparable *	**6.7**	8.1	**-17%**	27.1
Net profit	**4.3**	6.6	**-35%**	16.1

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

Segment Review

Group Products

First quarter sales of Group Products decreased from last year. Sales were burdened by foreign exchange rates and with comparable exchange rates net sales were down 3%. Unfavorable weather conditions impacted negatively sales of summer fishing tackle in the US and sales of winter fishing and winter sports products in Europe.

Operating profit for Group Products decreased compared to last year. Operating profit was supported by recovery of gross margins while negative impact was due to lower sales and costs related to ramp-up of the Batam unit.

Third Party Products

Sales of Third Party Products were below last year in the first quarter. With comparable exchange rates net sales were down 12%. Decrease in sales of third party fishing and winter sports products resulted from supplier's delivery problems, economical instabilities and weather conditions.

Operating profit for Third Party Products was at last year level burdened by lower sales while supported by more favorable exchange rates on purchases and recovery of margin.

Net Sales by Segment

MEUR	I 2014	I 2013	change %	I-IV 2013
Group Products	**43.3**	47.1	**-8%**	176.3
Third Party Products	**22.9**	28.1	**-19%**	110.5
Eliminations	**0.0**	-	**0%**	-0.1
Total	**66.2**	75.3	**-12%**	286.6

Operating profit by Segment

MEUR	I 2014	I 2013	change %	I-IV 2013
Group Products	**4.9**	6.2	**-21%**	19.4
Third Party Products	**2.5**	2.4	**4%**	6.7
Total	**7.4**	8.6	**-14%**	26.1

Financial position

Cash flow from operations decreased slightly from last year to -8.3 MEUR (-8.1). During the first quarter inventories and payables developed negatively compared to last year whereas receivables developed positively. Net change in working capital amounted to -16.0 MEUR (-15.1). Inventories increased seasonally by 7.9 MEUR from the end of 2013, and increased by 1.8 MEUR from last March amounting to 118.2 MEUR (116.4). Currency impact decreased inventories by some 11 MEUR. Increase in working capital, especially inventories, was driven by slowdown in sales and transfer of production from China to Batam.

Net cash used in investing activities was at last year's level and totaled -2.1 MEUR (-2.0) for the first quarter, for the most part consisting of normal operative capital expenditure.

Liquidity position of the Group was good. Following an increased focus on cash management, cash and cash equivalents reduced to 11.0 MEUR (30.8) and undrawn committed long-term credit facilities amounted to 78.5 MEUR at the end of the period. Due to seasonality of working capital, net interest bearing debt increased from year end and was 106.2 MEUR (100.4) at the end of March. Gearing was 76.5% (68.7) and equity-to-assets ratio 43.9% (42.3). The Group fulfills all financial covenants related to its credit facilities, and does not foresee any factors impairing this ability.

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. During the first quarter strategy implementation continued in various areas.

The Group's new ice drill manufacturing unit in Korpilahti, Finland, was ramping up its production and is ready to produce significant volumes of Mora Ice and Rapala UR branded ice drills and related accessories for the next winter season.

The new lure manufacturing unit in Batam, already employing more than 800 people, is intensively focusing on increasing the capacity, operative efficiency and product quality, in order to capitalize the benefits of streamlined production processes and cheaper production costs. The Group's own manufacturing operations in China will be closed down by the end of second quarter, enabling the targeted cost savings.

Initiatives to streamline the Group's supply chain are proceeding, focusing on consolidating purchasing and logistics processes in selected third party products in Europe and setting up a new logistics hub in Asia which enables further growth for selected fishing accessory products.

Discussions and negotiations regarding acquisitions and business combinations continued during the first quarter of the year, as the Group continues to seek also non-organic growth opportunities.

Product Development

Continuous product development and consistent innovation are core competences for the Group and major contributor to the value and commercial success of the brands.

New products for 2015 season will be presented in EFTTEX and ICAST trade shows during the coming summer, including among others new Scatter Rap, Balsa Extreme and weedless lures under Rapala brand, expansion of Storm Arashi lure offering as well as multitude of new hook series under VMC brand.

Organization and Personnel

Average number of personnel for the first quarter was 2 678 (2 130), majority of the increase coming from expansion of lure manufacturing operations in Batam. At the end of March, the number of personnel was 2 691 (2 183).

Short-term Outlook and Risks

Outlook for the rest of the year is still cautious and short-term visibility is limited.

In the US the general retail and consumer sentiment is gradually improving and the summer fishing sales is now picking up. After good winter sales retailers' cash position is good and pipeline is clean for the next winter season. In Europe, the early spring should support the summer fishing sales, and economic indicators show improvement in certain European countries such as Spain. However, retailers' financial position is weaker due to bad winter sales, and this will have some knock-on impact on the next winter season.

The continuing political turbulence between Russia and Ukraine is raising concerns on these markets. Further escalation of the crisis may have negative impacts on customer consumption even more widely in Europe. Drastic changes in foreign exchange rates are impacting negatively the profit margins and consumer demand in some countries.

Closing down manufacturing operations in China and ramping up the new lure factory in Batam are proceeding, but these will have some negative impact on profits in 2014, although situation is expected to improve during the latter part of the year.

The Group expects the sales to improve during the second quarter. Assuming comparable translation exchange rates, the Group expects to maintain full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) at 2013 level.

Short term risks and uncertainties and seasonality of the business are described in more detail in the end of this interim report.

Second quarter interim report will be published on July 21.

Helsinki, April 17, 2014

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 3364 5719 or +1 917 286 8055 or +358 (0)9 2310 1675 (pin code: 342486#) 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 3427 0598 (pin code: 9070355#). 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	**2014**	2013	2013
Net sales	**66.2**	75.3	286.6
Other operating income	**0.1**	0.2	0.8
Materials and services	**28.5**	35.2	134.4
Personnel expenses	**16.9**	16.2	64.0
Other costs and expenses	**11.8**	13.6	54.9
Share of results in associates and joint ventures	**0.0**	-0.2	-0.5
EBITDA	**9.1**	10.3	33.6
Depreciation, amortization and impairments	**1.7**	1.7	7.5
Operating profit (EBIT)	**7.4**	8.6	26.1
Financial income and expenses	**1.9**	0.3	5.5
Profit before taxes	**5.5**	8.3	20.6
Income taxes	**1.2**	1.7	4.6
Net profit for the period	**4.3**	6.6	16.1
Attributable to:			
Equity holders of the company	**4.3**	5.7	12.5
Non-controlling interests	**0.0**	0.9	3.6
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR (diluted = non-diluted)	**0.11**	0.15	0.32

STATEMENT OF COMPREHENSIVE INCOME	**I**	I	I-IV
MEUR	**2014**	2013	2013
Net profit for the period	**4.3**	6.6	16.1
Other comprehensive income, net of tax			
Change in translation differences*	**-1.2**	2.0	-7.1
Gains and losses on cash flow hedges*	**0.1**	0.3	0.9
Gains and losses on hedges of net investments*	**0.6**	-0.3	-2.3
Actuarial gains (losses) on defined benefit plan	**-**	-	0.1
Total other comprehensive income, net of tax	**-0.4**	2.1	-8.4
Total comprehensive income for the period	**3.9**	8.7	7.7
Total comprehensive income attributable to:			
Equity holders of the Company	**4.3**	7.8	5.1
Non-controlling interests	**-0.4**	0.9	2.6

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

STATEMENT OF FINANCIAL POSITION	**Mar 31**	Mar 31	Dec 31
MEUR	**2014**	2013	2013
ASSETS			
Non-current assets			
Intangible assets	**70.1**	73.2	70.0
Property, plant and equipment	**31.0**	30.1	30.6
Non-current assets			
Interest-bearing	**3.0**	3.4	3.0
Non-interest-bearing	**10.1**	11.4	10.1
	114.3	118.1	113.7
Current assets			
Inventories	**118.2**	116.4	110.3
Current assets			
Interest-bearing	**1.0**	2.4	1.0
Non-interest-bearing	**72.1**	77.7	62.1
Cash and cash equivalents	**11.0**	30.8	16.9
	202.3	227.2	190.3
Total assets	**316.6**	345.3	304.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**127.2**	135.9	123.1
Non-controlling interests	**11.6**	10.2	12.0
	138.9	146.1	135.1
Non-current liabilities			
Interest-bearing	**39.4**	77.0	39.4
Non-interest-bearing	**12.8**	15.4	12.8
	52.2	92.3	52.2
Current liabilities			
Interest-bearing	**81.8**	60.0	77.8
Non-interest-bearing	**43.7**	46.9	38.9
	125.5	106.9	116.7
Total equity and liabilities	**316.6**	345.3	304.1

	I	I	I-IV
KEY FIGURES	**2014**	2013	2013
EBITDA margin, %	**13.7%**	13.6%	11.7%
Operating profit margin, %	**11.2%**	11.4%	9.1%
Return on capital employed, %	**12.4%**	14.5%	11.4%
Capital employed at end of period, MEUR	**245.1**	246.5	231.4
Net interest-bearing debt at end of period, MEUR	**106.2**	100.4	96.3
Equity-to-assets ratio at end of period, %	**43.9%**	42.3%	44.5%
Debt-to-equity ratio at end of period, %	**76.5%**	68.7%	71.2%
Earnings per share, EUR (diluted = non-diluted)	**0.11**	0.15	0.32
Equity per share at end of period, EUR	**3.30**	3.51	3.19
Average personnel for the period	**2 678**	2 130	2 428

Definitions of key figures are consistent with those in the financial statement 2013.

STATEMENT OF CASH FLOWS MEUR	I **2014**	I 2013	I-IV 2013
Net profit for the period	**4.3**	6.6	16.1
Adjustments to net profit for the period *	**3.9**	3.3	18.6
Financial items and taxes paid and received	**-0.5**	-2.9	-8.6
Change in working capital	**-16.0**	-15.1	-10.8
Net cash generated from operating activities	**-8.3**	-8.1	15.3
Investments	**-2.0**	-2.0	-10.7
Proceeds from sales of assets	**0.1**	0.0	0.2
Sufix brand acquisition	**-**	-	-0.7
Acquisition of other subsidiaries, net of cash	**-0.2**	0.0	0.0
Proceeds from disposal of subsidiaries, net of cash	**-**	-	0.5
Change in interest-bearing receivables	**0.0**	0.0	-0.1
Net cash used in investing activities	**-2.1**	-2.0	-10.8
Dividends paid to parent company's shareholders	**-**	-	-8.9
Net funding	**4.0**	2.6	-16.0
Purchase of own shares	**-0.1**	-0.3	-1.0
Net cash generated from financing activities	**3.8**	2.3	-25.9
Adjustments	**0.8**	0.1	1.5
Change in cash and cash equivalents	**-5.8**	-7.8	-19.8
Cash & cash equivalents at the beginning of the period	**16.9**	38.2	38.2
Foreign exchange rate effect	**-0.1**	0.4	-1.4
Cash and cash equivalents at the end of the period	**11.0**	30.8	16.9

* 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, 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 payment	-	-	-	-	-	-	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**
Equity on Jan 1, 2014	**3.6**	**16.7**	**-1.4**	**-12.5**	**4.9**	**-4.4**	**116.2**	**12.0**	**135.1**
Comprehensive income *	-	-	0.1	-0.2	-	-	4.3	-0.4	**3.9**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Equity on Mar 31, 2014	**3.6**	**16.7**	**-1.3**	**-12.7**	**4.9**	**-4.5**	**120.6**	**11.6**	**138.9**

* For the period, (net of tax)

SEGMENT INFORMATION*

MEUR **Net Sales by Operating Segment**	**I** **2014**	I 2013	I-IV 2013
Group Products	**43.3**	47.1	176.3
Third Party Products	**22.9**	28.1	110.5
Eliminations	**0.0**	-	-0.1
Total	**66.2**	75.3	286.6

Operating Profit by Operating Segment

Group Products	**4.9**	6.2	19.4
Third Party Products	**2.5**	2.4	6.7
Total	**7.4**	8.6	26.1

Assets by Operating Segment	**Mar 31** **2014**	Mar 31 2013	Dec 31 2013
Group Products	**226.7**	226.7	215.7
Third Party Products	**74.8**	82.1	67.4
Non-interest-bearing assets total	**301.5**	308.7	283.1
Unallocated interest-bearing assets	**15.0**	36.6	21.0
Total assets	**316.6**	345.3	304.1

* Segments are consistent with those in the financial statements 2013. Segments are described in detail in note 2 of the financial statements 2013.

External Net Sales by Area MEUR	**I** **2014**	I 2013	I-IV 2013
North America	**19.4**	21.7	88.4
Nordic	**13.2**	15.2	60.8
Rest of Europe	**26.6**	29.5	103.6
Rest of the world	**7.1**	8.9	33.8
Total	**66.2**	75.3	286.6

KEY FIGURES BY QUARTERS MEUR	I 2013	II 2013	III 2013	IV 2013	I-IV 2013	**I** **2014**
Net sales	75.3	81.4	66.6	63.3	286.6	**66.2**
EBITDA	10.3	15.2	4.5	3.7	33.6	**9.1**
Operating profit	8.6	13.4	2.6	1.5	26.1	**7.4**
Profit before taxes	8.3	11.6	-0.4	1.2	20.6	**5.5**
Net profit for the period	6.6	7.8	-1.2	2.9	16.1	**4.3**

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 2013, except for the adoption of the new or amended standards and interpretations.

Adoption of the revised standards IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 as well as the amended standards IAS 36 and IAS 39 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

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 2014. 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, 2014, the book value of inventories included a provision for net realizable value of 4.5 MEUR (4.5 MEUR at March 31, 2013 and 4.5 MEUR at December 31, 2013).

Impact of business acquisitions on the consolidated financial statements

In January 2014, the Group acquired 100% of the shares and voting rights of a French coarse fishing attractant manufacturer Mystic s.a.r.l.. The consideration amounted to 0.2 MEUR. The closing accounts were finalized during the first quarter and goodwill of 0.3 MEUR was recognized. The acquisition does not have material impact on the result or financial position of the Group.

Non-recurring income and expenses included in operating profit MEUR	**I 2014**	I 2013	I-IV 2013
Closure of Chinese lure manufacturing	**-**	-	-0.8
Other restructuring costs	**0.1**	-	-0.2
Other non-recurring items	**-**	0.0	-0.1
Total included in EBITDA and operating profit	**0.1**	0.0	-1.1
Other non-recurring impairments	**-**	-	-0.2
Total included in operating profit	**0.1**	0.0	-1.3

Commitments MEUR	**Mar 31 2014**	Mar 31 2013	Dec 31 2013
On own behalf			
Guarantees	**-**	0.1	-
Minimum future lease payments on operating leases	**16.6**	15.2	16.8

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
I 2014						
Joint venture Shimano Normark UK Ltd	**0.5**	**-**	**-**	**0.0**	**0.4**	**0.0**
Associated company Lanimo Oü	**-**	**-**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.0**	**0.1**	**0.0**	**-**
Management	**-**	**-**	**0.1**	**-**	**-**	**0.0**
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-IV 2013						
Joint venture Shimano Normark UK Ltd	3.0	-	-	-	0.1	-
Associated company Lanimo Oü	0.0	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	-	-	0.3	-	-	0.0

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

Open derivatives	**Mar 31 2014**		Mar 31 2013		Dec 31 2013	
MEUR	**Nominal Value**	**Fair Value**	Nominal Value	Fair Value	Nominal Value	Fair Value
Operative hedges						
Foreign currency derivatives	**53.7**	**0.6**	47.5	0.1	49.4	0.0
Monetary hedges						
Foreign currency derivatives	**25.6**	**-0.4**	16.6	0.0	24.6	0.1
Interest rate derivatives*	**69.5**	**-1.9**	80.3	-3.5	69.5	-2.0

* Includes also two cross-currency swaps.

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 2013.

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

	I 2014	I 2013	I-IV 2013
Included in operating profit	**0.7**	0.5	0.3

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 2014**		Mar 31 2013		Dec 31 2013	
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans and receivables	**81.2**	**81.2**	106.7	106.7	77.8	77.8
Available-for-sale financial assets (level 3)	**0.3**	**0.3**	0.3	0.3	0.3	0.3
Derivatives (level 2)	**1.0**	**1.0**	0.5	0.5	0.8	0.8
Financial liabilities						
Financial liabilities at amortized cost	**147.4**	**147.9**	166.5	167.1	138.1	138.7
Derivatives (level 2)	**2.6**	**2.6**	3.9	3.9	2.8	2.8

Shares and share capital

On April 10, 2014 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 26 548 own shares. At the end of the reporting period the company held 933 856 own shares, representing 2.4% 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 4.82 EUR.

On April 10, 2014 the Board decided to cancel 468 449 treasury shares. After the cancellation company has 465 407 treasury shares, which represent 1.2 per cent of the total number of shares. The cancellation does not have an effect on the share capital. A separate stock exchange release will be issued once the cancellation is valid after it has been registered with the Trade Register. Once the cancellation has been registered, the number of Rapala VMC Corporation's shares is 39 000 000.

During the reporting period, 197 086 shares (1 000 860) were traded at a high of 5.69 EUR and a low of 5.09 EUR. The closing share price at the end of the period was 5.65 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 continuously develops it's risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Financial Statements 2013.

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. Weathers impact consumer demand and may have impact on the Group's sales for current and following seasons. The Group is more affected by winter weathers after the expansion into winter fishing business, while the impacts on summer and winter seasons are partly offsetting each other.

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 uncertainties in future demand as well as the length of the Group's supply chain increases the challenges in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand upwards or downwards may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

Closing down lure manufacturing operations in China and ramping up and expanding the new production facility in Batam, Indonesia, may increase certain production cost and supply chain risks temporarily. The same applies to the newly established ice drill manufacturing unit in Finland.

The Group successfully refinanced its main credit facilities in 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 increased uncertainties and downturns in the general economic climate. They may influence, however, 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, sudden fluctuations in foreign exchange rates 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. 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 and the risks are monitored actively. 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 have an impact on the Group's reported operating profit. The Group is closely monitoring market development as well as its cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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