Rapala

February 10, 2011 at 8.30 a.m.

ANNUAL ACCOUNTS 2010: NET SALES, COMPARABLE OPERATING PROFIT AND EARNINGS PER SHARE TO ALL TIME RECORDS

- Net sales for the fourth quarter increased by 18% compared to last year to a quarterly record of 60.4 MEUR (IV/09: 51.4 MEUR), supported by strong sales of winter sports equipment, good North American sales and impact of currencies. Net sales for the full year increased to an all time record at 269.4 MEUR (I-IV/09: 234.6 MEUR), 15% increase from last year.
- Comparable operating profit, excluding non-recurring items, improved markedly from last year and reached 4.3 MEUR (1.0 MEUR) in fourth quarter, following the increased sales and improved margins. Comparable operating profit for the full year reached record levels of 31.8 MEUR (23.5 MEUR), and comparable operating margin was 11.8% (10.0%). Reported operating profit was 31.3 MEUR (22.1 MEUR) for the full year.
- Net profit for the fourth quarter improved to 1.8 MEUR (-0.8 MEUR) and to 20.7 MEUR (14.3 MEUR) for the full year. Earnings per share were 0.04 EUR (-0.02 EUR) for the fourth quarter and full year earnings per share increased by 48% to 0.46 EUR (0.31 EUR).
- Cash flow from operating activities in the fourth quarter dropped to -2.2 MEUR (6.0 MEUR) and was 13.0 MEUR (24.6 MEUR) for the full year period, while focus on working capital management has gradually also turned into securing the service levels to the customers and exploiting the sales opportunities.
- Implementation of the Group’s strategy continued during fourth quarter by making preparations to establish new distribution operations in Mexico and Indonesia. Projects to relocate Peltonen ski factory and Finnish distribution operations into larger premises in Heinola and Jyväskylä respectively proceeded and will be finalized in 2011.
- It is expected that in 2011 the net sales will increase from 2010 and also the comparable operating margin is targeted to improve.
- Board proposes to the Annual General Meeting that a dividend of EUR 0.23 per share to be paid. This represents 50% of earnings per share.

The attachment presents the summary of the annual review by the Board of Directors and extracts from the financial statements for 2010.

A conference call on the 2010 result will be arranged today at 3 p.m. Finnish time (2 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 370148#) 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: 370148#). Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

Following the challenging year 2009, year 2010 started with cautious optimism. Good winter weathers in the beginning of the year supported Rapala's sales in the Nordic countries. Business grew strongly in Russia and other Eastern Europe and positive signs of economic recovery were witnessed also in other countries. In many countries strengthening of local currencies eased up the pressure on consumer confidence, increased purchasing power and simultaneously supported the growth of Rapala's net sales throughout the year. The latter part of the year was again gaining benefit of the good winter sports equipment sales especially in Finland as well as gradually improving market conditions in North America, which the Group was able to capitalize with improved customer service.

Net sales for 2010 increased by 15% to an all time record at 269.4 MEUR (234.6 MEUR). Net change of currency movements and newly established or acquired subsidiaries increased 2010 net sales by 16.9 MEUR and 2.6 MEUR respectively. With comparable exchange rates and organization structure net sales increased by 7%.

Net sales of Group Fishing Products were up 10% in 2010, following steady growth in sales of lures, success in Sufix fishing lines sales and impact of acquisition of Dynamite Baits Ltd ("Dynamite"). Net sales of Other Group Products increased significantly by 42%, due to booming winter sports equipment sales and partial recovery of the gift products business. In 2010, net sales of Third Party Products increased by 17% from last year, with strongest growth in fishing lines and winter sports equipment.

Partly supported by strengthening of the USD, net sales in North America increased in 2010 by 12%. In the Nordic countries net sales increased by 8%, especially following the growth in sales of winter sports equipment. In Rest of the Europe the annual growth in sales was 17%, as a result of strong growth especially in East Europe. In 2010 the net sales in Rest of the World increased by 26%, mainly as a result of increased sales of fishing and gift products from Group's Chinese manufacturing unit.

Financial Results and Profitability

Comparable operating profit for 2010, excluding non-recurring items, reached all time records at 31.8 MEUR (23.5 MEUR). It was positively affected by increased sales and consequently improved fixed cost coverage, improvement in profitability of Group's own products and strengthening of several currencies. Comparable operating margin for the year was 11.8% (10.0%).

Reported operating profit for 2010 was 31.3 MEUR (22.1 MEUR) including non-recurring business acquisition and restructuring costs of 0.5 MEUR (non-recurring net cost of 1.4 MEUR in 2009). Most of these costs relate to acquisition of Dynamite Baits Ltd and restructuring of the Group's Hungarian operations. Reported operating margin was 11.6% (9.4%) and return on capital employed 15.2% (11.5%).

Key figures MEUR	**IV** **2010**	IV 2009	**I-IV** **2010**	I-IV 2009
Net sales	**60.4**	51.4	**269.4**	234.6
EBITDA as reported	**5.7**	2.5	**37.4**	28.9
EBITDA excl. one-off items	**5.8**	2.5	**37.9**	29.3
Operating profit (EBIT)	**4.2**	0.7	**31.3**	22.1
EBIT excl. one-off items	**4.3**	1.0	**31.8**	23.5

In 2010 operating profit of Group Fishing Products increased by 36% compared to last year, as a result of improved sales and profitability in lures, lines and fishing knives. Operating profit of Other Group products quadrupled compared to 2009, especially due to the increased sales and improved profitability of winter sports equipment. Operating profit of Third Party Products increased by 34% in 2010, with biggest increase from fishing lines.

Financial (net) expenses in 2010 were 1.8 MEUR (2.1 MEUR) including net interest expenses of 3.1 MEUR (3.5 MEUR) and (net) currency exchange gains of 1.6 MEUR (1.5 MEUR).

Net profit for the year increased by 45% to an all time record of 20.7 MEUR (14.3 MEUR) and earnings per share equally to a record of 0.46 EUR (0.31 EUR).

Cash Flow and Financial Position

During 2010 the Group's focus on working capital management changed gradually also into securing service levels to customers and exploiting sales opportunities. Increase in sales, together with acquisition and establishment of new subsidiaries, the ongoing change in production planning model in China and the strengthening of most currencies against euro resulted in increase in inventories by 17.8 MEUR from last December (4.0 MEUR decrease in 2009).

The proportion of average working capital to net sales was reduced in 2010 compared to 2009, but in absolute terms 13.0 MEUR more (2009: 3.0 MEUR less) cash was tied into working capital in 2010. Accordingly, in 2010, cash flow from operating activities was down to 13.0 MEUR (24.6 MEUR).

In 2010 net cash used in investing activities amounted to 13.2 MEUR (6.3 MEUR). In addition to the normal capital expenditure of 6.2 MEUR (6.7 MEUR), the main item was the acquisition of Dynamite with an effect of 6.1 MEUR, of which 1.3 MEUR relates to an escrow account deposit.

Due to the above, in the end of 2010, net interest-bearing debt was increased to 92.0 MEUR (Dec 2009: 79.4 MEUR). The liquidity of the Group remained good. Equity-to-assets ratio was slightly weaker than last year at 42.6% (Dec 2009: 42.8%), as was also gearing at 71.2% (Dec 2009: 71.1%).

Strategy Implementation

The biggest step taken during 2010 in implementation of Rapala's strategy of profitable growth was acquisition of 100% of the share capital of Dynamite, a manufacturer of premium carp baits, having its manufacturing facilities and offices in Nottingham, United Kingdom. In 2010, net sales of Dynamite were some 8.2 MEUR, of which 1.8 MEUR was consolidated into Rapala. Dynamite is a market leader in UK and has a good market share in a few other European countries. Some 30% of Dynamite's 2010 sales was outside the UK. The Group aims to significantly expand its sales to carp fishermen in the next few years by more than doubling Dynamite's sales.

The acquisition of Dynamite makes Rapala a strong player in the European carp fishing market, the fastest growing market in fishing throughout the Europe. Acquisition also contributes to the Group's brand strategy and portfolio and leverages Rapala's unique sourcing and distribution platforms. UK distribution of Rapala's other products will be combined into the Dynamite's efficient UK distribution system during first half of 2011.

The operations of the Group's new distribution companies in Belarus, Iceland and China (gift products) started in the first half of 2010. During the last quarter of the year Rapala proceeded with plans to establish own distribution operations also in Mexico and Indonesia. Both operations are planned to start during first half of 2011. The Group's Finnish distribution company Normark Suomi Oy and ski manufacturer Peltonen Ski Oy proceeded with plans to relocate to larger premises. Both relocations are planned to take place during 2011. Demand for cross-country skis is further expected to increase as the Group's Russian distribution company will start winter sports equipment business in 2011.

A special performance improvement initiative was carried out in the Hungarian operations during 2010. This included e.g. relocation to new premises in Budapest.

Working capital and cash flow management was still one of the top priorities for the Group, but following the positive results in this field in the past two years, the focus on inventory management has also turned into improving the delivery performance, securing the service levels to the customers and exploiting the sales opportunities. Work to develop the Group's supply chain, including, among others, changes in production planning and development of systems for purchasing and inventory management, progressed and will continue further to 2011 with target to ensure improved service levels to customers with relatively lower and faster turning inventory levels.

Development of organic growth in terms of extensions of current product categories continued. New products for the season 2011 were introduced to the market in summer and, for example, the Group's new innovative Sufix 832 fishing line, featuring Gore fibers, has been received exceptionally well in all world markets. As an evidence of success of the Group's product development, Rapala received again number one position on International

Game Fish Association's (IGFA) annual listing of lures used to catch most world record fishes in 2010.

Personnel and R&D

Number of personnel increased by 2% during the year and was 2 313 (2 271) at the year-end. The average number of personnel increased by 3% to 2 317 (2 259).

Research and development expenses increased by 5% to 2.1 MEUR (2.0 MEUR) in 2010.

Risk Management, Internal Controls and Corporate Responsibility

The processes previously developed for internal controls and risk management were applied and further developed in 2010. Corporate Governance section covering these areas was updated by the Board in the end of 2010. The Board also approved its updated Corporate Governance Statement, which will be included in the Annual Report for 2010.

A major step in widening the reporting of corporate responsibility from environmental responsibility to also economic and social responsibility was taken in 2009 and this same initiative was followed in 2010. The progress made in these areas is described in more detail in the Annual Report for 2010.

Short-term Outlook

Despite the still ongoing uncertainties in the current status and development pace of the global economies, generally the trends in the economy seem to be positive. The Group's business performed well during 2010. For 2011 the view on general market situation and sentiment is therefore also positive, with no major threats in sight assuming there are no unexpected crisis in the global financial or political systems.

In East Europe growth of sales is expected to continue. In Western Europe market situation is expected to be stable, while the Group's sales there will grow following the acquisition of Dynamite and due to the Group's strong distribution company network. In the Nordic countries beginning of the year is still supported with the good sales of winter sports equipment and the good season is expected to support next season's presales and autumn deliveries. The US retail market is expected to recover, although slowly, and the Group's position in the US market is strong. The Group's growth is further supported with establishment of new distribution companies as well as successful launch of new products, e.g. Sufix 832 fishing line. The Group's manufacturing units are well prepared to meet the demand of the coming fishing season.

At the end of December 2010, the Group's order backlog was up 7% from last December at 47.0 MEUR (43.8 MEUR).

It is expected that in 2011 the net sales will increase from 2010 and also the comparable operating margin 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 2010 (2009: EUR 0.19) per share be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2010, the parent company's distributable equity totaled 34.7 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year 2010. 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.

Annual Report and Annual General Meeting

The Annual Report, including Financial Statements for 2010 and Corporate Governance Statement will be published on Rapala's website on March 14, 2011. Annual General Meeting is planned to be held on April 5, 2011.

Helsinki, February 10, 2011

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**IV 2010**	IV 2009	**I-IV 2010**	I-IV 2009
Net sales	**60.4**	51.4	**269.4**	234.6
Other operating income	**0.3**	0.6	**0.7**	1.2
Materials and services	**27.5**	24.0	**123.9**	108.4
Personnel expenses	**15.8**	14.2	**59.1**	53.8
Other costs and expenses	**11.7**	11.4	**49.7**	44.7
EBITDA	**5.7**	2.5	**37.4**	28.9
Depreciation and amortization	**1.5**	1.8	**6.1**	6.9
Operating profit (EBIT)	**4.2**	0.7	**31.3**	22.1
Financial income and expenses	**0.7**	1.1	**1.8**	2.1
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0
Profit before taxes	**3.5**	-0.4	**29.5**	19.9
Income taxes	**1.7**	0.4	**8.7**	5.7
Net profit for the period	**1.8**	-0.8	**20.7**	14.3
Attributable to:				
Equity holders of the Company	**1.7**	-0.9	**18.0**	12.1
Non-controlling interests	**0.1**	0.1	**2.8**	2.2
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, EUR (diluted = non-diluted)	**0.04**	-0.02	**0.46**	0.31

STATEMENT OF COMPREHENSIVE INCOME MEUR	**IV 2010**	IV 2009	**I-IV 2010**	I-IV 2009
Net profit for the period	**1.8**	-0.8	**20.7**	14.3
Other comprehensive income, net of tax				
Change in translation differences	**2.7**	1.5	**7.8**	1.5
Gains and losses on cash flow hedges	**0.4**	0.1	**-1.2**	-0.1
Gains and losses on hedges of net investments	**-0.2**	0.1	**-1.1**	0.2
Total other comprehensive income, net of tax	**2.8**	1.7	**5.5**	1.6
Total comprehensive income for the period	**4.6**	1.0	**26.3**	15.9
Total comprehensive income attributable to:				
Equity holders of the Company	**4.3**	0.8	**23.1**	13.6
Non-controlling interests	**0.3**	0.1	**3.2**	2.3

STATEMENT OF FINANCIAL POSITION	**Dec 31**	Dec 31
MEUR	**2010**	2009
ASSETS		
Non-current assets		
Intangible assets	**67.8**	58.3
Property, plant and equipment	**28.7**	27.5
Non-current financial assets		
Interest-bearing	**1.7**	0.5
Non-interest-bearing	**9.2**	8.0
	107.4	94.2
Current assets		
Inventories	**112.2**	94.4
Current financial assets		
Interest-bearing	**0.0**	0.2
Non-interest-bearing	**56.5**	43.5
Cash and cash equivalents	**27.9**	29.0
	196.6	167.0
Total assets	**304.0**	261.2
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**121.8**	107.4
Non-controlling interests	**7.4**	4.2
	129.2	111.7
Non-current liabilities		
Interest-bearing	**27.1**	36.0
Non-interest-bearing	**13.7**	10.1
	40.8	46.0
Current liabilities		
Interest-bearing	**94.6**	73.1
Non-interest-bearing	**39.4**	30.5
	134.0	103.5
Total equity and liabilities	**304.0**	261.2

KEY FIGURES	**IV**	IV	**I-IV**	I-IV
	2010	2009	**2010**	2009
EBITDA margin, %	**9.5%**	4.8%	**13.9%**	12.3%
Operating profit margin, %	**6.9%**	1.3%	**11.6%**	9.4%
Return on capital employed, %	**8.1%**	1.4%	**15.2%**	11.5%
Capital employed at end of period, MEUR	**221.3**	191.1	**221.3**	191.1
Net interest-bearing debt at end of period, MEUR	**92.0**	79.4	**92.0**	79.4
Equity-to-assets ratio at end of period, %	**42.6%**	42.8%	**42.6%**	42.8%
Debt-to-equity ratio at end of period, %	**71.2%**	71.1%	**71.2%**	71.1%
Earnings per share, EUR	**0.04**	-0.02	**0.46**	0.31
Fully diluted earnings per share, EUR	**0.04**	-0.02	**0.46**	0.31
Equity per share at end of period, EUR	**3.13**	2.75	**3.13**	2.75
Average personnel for the period	**2 341**	2 261	**2 317**	2 259

Definitions of key figures in the interim report are consistent with those in the Annual Report 2009.

STATEMENT OF CASH FLOWS MEUR	IV 2010	IV 2009	I-IV 2010	I-IV 2009
Net profit for the period	**1.8**	-0.8	**20.7**	14.3
Adjustments to net profit for the period *	**4.0**	2.9	**17.4**	14.7
Financial items and taxes paid and received	**-2.7**	-1.6	**-12.1**	-7.4
Change in working capital	**-5.2**	5.6	**-13.0**	3.0
Net cash generated from operating activities	**-2.2**	6.0	**13.0**	24.6
Investments	**-1.7**	-2.4	**-6.2**	-6.7
Proceeds from sales of assets	**0.2**	0.9	**0.3**	2.6
Dynamite Baits acquisition, net of cash	**-0.1**	-	**-4.8**	-
Sufix brand acquisition	**-**	-	**-1.2**	-1.1
Ultrabite brand acquisition	**-**	-0.9	**-**	-0.9
Acquisition of other subsidiaries, net of cash	**-**	-	**0.0**	-0.1
Change in interest-bearing receivables	**0.0**	-0.1	**-1.3**	-0.1
Net cash used in investing activities	**-1.6**	-2.6	**-13.2**	-6.3
Dividends paid	**-**	-	**-7.4**	-7.5
Net funding	**-0.4**	-12.1	**6.0**	-12.8
Purchase of own shares	**-0.2**	-0.1	**-1.1**	-0.6
Net cash generated from financing activities	**-0.7**	-12.1	**-2.5**	-20.8
Adjustments	**0.1**	1.3	**-0.5**	0.8
Change in cash and cash equivalents	**-4.4**	-7.3	**-3.2**	-1.7
Cash & cash equivalents at the beginning of the period	**31.6**	36.3	**29.0**	30.6
Foreign exchange rate effect	**0.7**	0.0	**2.2**	0.1
Cash and cash equivalents at the end of the period	**27.9**	29.0	**27.9**	29.0

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

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, 2009	**3.6**	**16.7**	**-0.3**	**-13.8**	**4.9**	**-0.9**	**91.5**	**1.9**	**103.7**
Comprehensive income*	-	-	-0.1	1.5	-	-	12.1	2.3	**15.9**
Purchase of own shares	-	-	-	-	-	-0.6	-	-	**-0.6**
Dividends paid	-	-	-	-	-	-	-7.5	-	**-7.5**
Share based payment	-	-	-	-	-	-	0.1	-	**0.1**
Other changes	-	-	-	-	-	-	0.0	0.0	**0.0**
Equity on Dec 31, 2009	**3.6**	**16.7**	**-0.3**	**-12.3**	**4.9**	**-1.4**	**96.3**	**4.2**	**111.7**
Equity on Jan 1, 2010	**3.6**	**16.7**	**-0.3**	**-12.3**	**4.9**	**-1.4**	**96.3**	**4.2**	**111.7**
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**	**-6.0**	**4.9**	**-2.5**	**106.7**	**7.4**	**129.2**

* For the period (net of tax)

SEGMENT INFORMATION*

MEUR	IV	IV	I-IV	I-IV
Net Sales by Operating Segment	**2010**	2009	**2010**	2009
Group Fishing Products	**29.4**	26.7	**139.5**	126.8
Other Group Products	**10.4**	6.3	**25.2**	17.8
Third Party Products	**21.0**	18.7	**105.6**	90.6
Intra-Group (Other Group Products)	**-0.3**	-0.2	**-0.9**	-0.6
Total	**60.4**	51.4	**269.4**	234.6
Operating Profit by Operating Segment				
Group Fishing Products	**4.0**	1.5	**21.4**	15.7
Other Group Products	**0.3**	0.3	**2.0**	0.5
Third Party Products	**-0.2**	-1.2	**7.8**	5.8
Total	**4.2**	0.7	**31.3**	22.1

	Dec 31	Dec 31
Assets by Operating Segment	**2010**	2009
Group Fishing Products	**190.5**	159.6
Other Group Products	**12.7**	10.2
Third Party Products	**71.1**	61.9
Intra-Group (Other Group Products)	**-**	0.0
Non-interest-bearing assets total	**274.3**	231.6
Unallocated interest-bearing assets	**29.7**	29.6
Total assets	**304.0**	261.2
Liabilities by Operating Segment		
Group Fishing Products	**35.1**	30.8
Other Group Products	**2.9**	2.5
Third Party Products	**15.1**	7.2
Intra-Group (Group Fishing Products)	**-**	0.0
Non-interest-bearing liabilities total	**53.1**	40.5
Unallocated interest-bearing liabilities	**121.7**	109.1
Total liabilities	**174.8**	149.6

	IV	IV	I-IV	I-IV
Net Sales by Area**	**2010**	2009	**2010**	2009
North America	**16.7**	13.1	**68.5**	61.1
Nordic	**24.9**	23.2	**110.4**	102.0
Rest of Europe	**19.2**	17.4	**104.6**	89.7
Rest of the world	**14.8**	13.7	**69.6**	55.3
Intra-Group	**-15.3**	-15.9	**-83.8**	-73.5
Total	**60.4**	51.4	**269.4**	234.6

* The operating segments include the following product lines: Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, Other Group Products include Group manufactured and/or branded gift products and products for winter sports and some other businesses and Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports.

**Geographical sales information has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**	**II**	**III**	**IV**	**I-IV**
MEUR	2009	2009	2009	2009	2009	**2010**	**2010**	**2010**	**2010**	**2010**
Net sales	65.2	67.7	50.2	51.4	234.6	**70.8**	**77.6**	**60.6**	**60.4**	**269.4**
EBITDA	11.6	11.5	3.3	2.5	28.9	**13.1**	**14.1**	**4.5**	**5.7**	**37.4**
Operating profit	10.0	9.4	1.9	0.7	22.1	**11.7**	**12.5**	**2.9**	**4.2**	**31.3**
Profit before taxes	8.5	9.8	2.1	-0.4	19.9	**12.1**	**12.1**	**1.7**	**3.5**	**29.5**
Net profit for the period	6.2	7.4	1.5	-0.8	14.3	**9.1**	**8.4**	**1.4**	**1.8**	**20.7**

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 Annual Report 2009, except for the adoption of the new or amended standards and interpretations. Adoption of the amended standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) had impact on accounting of non-controlling interest and amount of goodwill booked. Costs related to acquisitions have been recognized in income statement and conditional purchase prices have been assessed at a fair market value, and a later change shall be recognized in income statement. Adoption of amendments of IFRS 2 and IAS 39 as well as the new interpretations, IFRIC 17 and IFRIC 18 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-December 2010. 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 December 31, 2010, the book value of inventories included a provision for net realizable value of 3.0 MEUR (3.0 MEUR).

Impact of acquisitions on the consolidated financial statements

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 is some 5.3 MGBP (some 6.5 MEUR). 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 brings Rapala into an important segment of the bait market in which it has not been represented before.

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

Acquisitions by December 31, 2010 MEUR	Fair value	Seller's carrying amount
Cash and cash equivalents and interest-bearing assets	**0.2**	**0.2**
Inventories	**1.4**	**1.4**
Trade and other non-interest-bearing receivables	**1.2**	**1.2**
Intangible assets	**6.4**	**-**
Tangible assets	**0.5**	**0.5**
Trade and other non-interest-bearing payables	**-1.7**	**-1.7**
Interest-bearing liabilities	**-0.7**	**-0.7**
Deferred tax liability (net)	**-1.6**	**0.2**
Non-controlling interest	**0.0**	**-**
Fair value of acquired net assets	**5.6**	**1.0**

MEUR	**2010**
Cash paid during financial year	**5.0**
Cash to be paid later [1)]	**1.3**
Contingent consideration	**0.2**
Total purchase consideration	**6.5**
Goodwill	**0.9**
Cash paid for the acquisitions	**5.0**
Cash and cash equivalents acquired	**-0.2**
Net cash flow	**4.8**

1) Paid to an escrow account.

1.3 MEUR of the total consideration has been paid to an escrow account and will be released to sellers in 3 years.

The contingent consideration requires acquired company Dynamite Baits to receive a tax benefit of 0.2 MEUR based on preliminary tax calculations. Consideration will be paid to sellers when the tax benefit is finally confirmed, approximately in year 2012. The discounted value of the contingent consideration 0.2 MEUR was estimated by applying the income approach assuming a discount rate of 1%.

The transaction costs of 0.2 MEUR 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 goodwill of 2010 (0.9 MEUR) 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.

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Non-recurring income and expenses included in operating profit MEUR	**IV** **2010**	IV 2009	**I-IV** **2010**	I-IV 2009
Sale of Hong Kong office premises	**-**	0.5	**-**	0.5
Restructuring of Chinese manufacturing operations *	**-**	-0.3	**-**	-0.4
Consolidation of French operations	**-**	-	**-**	0.0
Closure of Irish lure factory	**-**	-	**-**	-0.1
Costs related to business acquisitions	**-**	-	**-0.2**	-
Restructuring of Hungarian operations	**-0.0**	-	**-0.2**	-
Other restructuring costs	**-0.1**	-0.2	**-0.1**	-0.4
Other non-recurring items	**-0.0**	-0.1	**-0.1**	-0.1
Total included in EBITDA	**-0.1**	0.0	**-0.5**	-0.3
Non-recurring impairment of non-current assets in China	**-0.0**	-	**-0.0**	-0.7
Non-recurring impairment of non-current assets in Hungary	**-**	-0.3	**-**	-0.3
Total included in operating profit	**-0.1**	-0.4	**-0.5**	-1.4

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

Commitments MEUR	**Dec 31** **2010**	Dec 31 2009
On own behalf		
Business mortgage	**16.1**	16.1
Guarantees	**0.1**	0.2
Minimum future lease payments on operating leases	**9.3**	10.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-IV 2010					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**0.2**	**0.1**	**0.0**	**-**
Management	**-**	**0.3**	**-**	**0.0**	**0.1**
I-IV 2009					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.2	0.1	0.0	-
Management	-	0.3	0.0	0.0	0.0

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

Open derivatives MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
December 31, 2010				
Foreign currency options and forwards	**9.1**	**0.0**	**0.3**	**-0.3**
Interest rate swaps	**86.3**	**-**	**2.0**	**-2.0**
Total	**95.4**	**0.0**	**2.3**	**-2.3**
Dec 31, 2009				
Foreign currency options	7.1	0.1	-	0.1
Interest rate swaps	98.0	0.0	0.5	-0.5
Total	105.0	0.2	0.5	-0.3

The Group's financial risks and hedging principles are described in detail in the Annual Report 2009.

Share-based payments

The Group had one share-based payment program in place on December 31, 2010: a synthetic option program settled in cash. On March 31, 2010, the exercise period for options issued under the Share Option Program 2004B expired, and the 2009 Share Reward Program ended on December 31, 2010.

The IFRS accounting effect on operating profit was -0.1 MEUR (-0.1 MEUR) for the fourth quarter and +0.1 MEUR (-0.3 MEUR) for the financial year 2010 due to change in fair value of programs and change in non-market criteria. Terms and conditions of the share-based payment programs are described in detail in the Annual Report 2009.

Shares and share capital

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.

On December 31, 2010, 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 in 2010 was 39 468 449. 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.

During the year 2010, 4 051 489 shares (3 138 597) were traded at a high of 6.86 EUR and a low of 4.80 EUR. The closing share price at the end of the period was 6.86 EUR.

Short term risks and uncertainties

The objective of Rapala'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 when Rapala has continued to expand its operations. Accordingly, Group management also continued to develop risk management practices and internal controls during 2010. Detailed description of the Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2009 and will be updated in the Annual Report 2010.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, business has traditionally been seasonally stronger in the first half of the financial year compared to the second half. In 2010, 55% of net sales and 77% of operating profit was generated in the first half of the year. The biggest deliveries for both summer and winter seasons are concentrated into relatively short time-periods, which require proper functioning of the supply chain. The Group's sales are also to some extent affected by weather. In Nordic countries good winter weathers have boosted the sales of winter sports equipment, but simultaneously may delay the beginning of next summer fishing season and put time pressure on manufacturing of next winter season’s equipment.

A major supply chain and logistics initiative to improve Group’s inventory turns and shorten the factory lead-times continues in 2011. Before fully implemented, this initiative may temporarily have negative impact on the Group’s inventory levels. In 2009 and 2010 the Group has paid close attention to improving cash flow and reducing inventory levels. Increasing focus has now also been given to securing the service levels to customers, which may also require additional inventories.

The increased sales and accordingly increased working capital levels have put pressure on the cash flow covenant of the Group‘s financing facilities. Covenants are monitored closely on a monthly basis. In the end of 2010 the Group negotiated with its banks commitments to waive the cash flow covenant for the first quarter of 2011.

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

The truly global nature of the Group's sales and operations is spreading the market risks caused by the still ongoing uncertainties concerning the recovery of the global economy. Even though development trends seem to have slowly turned positive, the Group is still cautiously monitoring the development in the various markets. Due to these uncertainties in future demand and the length of the Group’s internal supply chain, the supply chain management is balancing between risk of shortages and risk of excess production and purchasing and consequent excess inventories in the Group. Also the importance of cash collection and credit risk management has increased and this may affect sales to some customers.

The Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar and other currencies connected to it. The Group is actively monitoring the currency position and risks and using e.g. foreign currency nominated loans to manage the natural hedging. In order to fix the exchange rate of some of the future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting to currency hedging agreements in accordance with IAS 39, the change in fair value of these unrealized currency hedging agreements has an impact on the Group's operating profit. The continuing strengthening of Chinese renminbi together with possible future strengthening of US dollar is putting pressure on costs. The Group is closely monitoring the situation and considering possibility and feasibility of price increases and hedging actions.

The market prices of some commodity raw materials have started to increase again and this together with other inflation trends would put pressure on pricing of some products in the future.

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

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