

RAPALA VMC CORPORATION'S ANNUAL ACCOUNTS 2012: SALES, CASH FLOW AND GEARING REACHED RECORDS

- Net sales for the fourth quarter increased by 12% to 67.9 (60.8 MEUR) and was up by 4% at 290.7 MEUR (279.5 MEUR) for the year, reaching all time record sales for the fourth quarter and full year. Sales were supported by new ice fishing business, continuing growth in Russia and foreign exchange rates.
- Comparable operating profit, excluding non-recurring items, decreased from last year to 0.5 MEUR (2.4 MEUR) for the fourth quarter and 26.5 MEUR (30.5 MEUR) for the year. Profitability was weaker due to expenses related to start-up of the new manufacturing units, lower gross margin and impact of foreign exchange rates. Comparable operating profit margin was 0.7% (4.0%) for the quarter and 9.1% (10.9%) for the full year.
- Net profit for the quarter reduced to -2.1 MEUR (1.1 MEUR) and was 13.9 MEUR (17.2 MEUR) for the year. Earnings per share were -0.05 EUR (0.02 EUR) and 0.26 EUR (0.36 EUR) for the year.
- Cash flow from operating activities, following an intense focus on working capital, reached historically high level of 6.0 MEUR (-1.6 MEUR) for the fourth quarter. Cash flow from operations for the year was an all time record at 25.2 MEUR (15.2 MEUR). Strengthening of Group's balance sheet continued and gearing reached all time record low level of 65.1% (67.1%).
- Implementation of the Rapala Group's strategy of profitable growth continued throughout the year by taking several actions relating to manufacturing and distribution activities. New ice fishing business started in the latter part of the year.
- The Group's outlook for 2013 is positive. 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 currency derivatives, to be 30 MEUR plus or minus 10%.
- Board proposes to the Annual General Meeting that a dividend of 0.23 EUR per share to be paid. This represents 88% of earnings per share.

The attachment presents the summary of the annual review by the Board of Directors as well as extracts from the financial statements for 2012.

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

The Rapala Group's business developed positively during 2012 breaking sales records despite the impact of divestment of the gift business in December 2011. 2012 sales were supported by introduction of the new ice fishing business, continuing strong growth in Russia and foreign exchange rates, especially USD. Winter 2011/2012 was short and spring early, which had a significant negative impact on winter sports equipment sales in the Nordic countries in the first quarter, but gave good start to summer fishing season in North America and Europe. However, in the latter part of the summer season weather conditions turned unfavorable in some European and Nordic markets. Difficult winter 2011/2012 conditions and continuing economical uncertainties had impact on some customers' financial position, which together with tighter credit control impacted the sales in some countries.

US economy showed clear signs of recovery supporting the sales in North America although general economy was still dragging. Consumer spending was increasing, while US retailers focused increasingly on sports categories other than fishing.

The new ice fishing business started in the latter part of the year and changed the sales mix. Sales of ice fishing products started off well, but due to late winter 2012/2013 in the USA and knock-on effect of previous year's mild winter, the new ice fishing business generated less sales in 2012 than initially expected.

The Group's intense focus on cash flow and working capital management resulted in increasing inventory clearance sales towards the end of the year, which to some extent replaced ordinary sales.

Net sales for the fourth quarter increased by 12% to all-time high of 67.9 (60.8 MEUR) with positive impact of currency exchange rates of 2.2 MEUR. Full year sales were up by 4% at 290.7 MEUR (279.5 MEUR) for the year, also reaching all time record. Changes in foreign exchange rates increased the full year sales by 9.4 MEUR. Establishment of new units and new ice fishing business offset by divestment of gift business, increased quarterly sales by 5.5 MEUR and full year sales by 1.3 MEUR. With comparable exchange rates and organization structure net sales for the quarter and for the full year was at last year's level. New units and new ice business included, net sales increased by 12% in the fourth quarter and 4% compared to last year.

Fourth quarter net sales of Group Products increased 10% and full year sales 1% from last year despite negative impact of the divestment of the gift business. Excluding the impact of gift divestment, Group products' sales were up by 15% for the fourth quarter and 7% for the year. Sales increase was driven by new ice fishing sales and good sales of lures and baits. Sales growth was turned down by slow winter sports equipment sales in the beginning of the year.

Net sales of Third Party Products increased 15% in the fourth quarter and 9% in 2012 compared to last year with increased sales of third party fishing and hunting products, while sales of third party winter sports equipment was down. Third Party Fishing sales was supported by new sales of MarCum underwater cameras and sonars in North America.

In North America fourth quarter external sales were up by 37% and full year sales up by 21% as a result of new ice fishing business, improving US business conditions and strengthening of the US Dollar, which was 8% stronger in 2012 compared to 2011. With comparable exchange rates quarterly sales were up 30% and full year 12% above last year's level.

In Nordic counties, sales were down by 11% for the fourth quarter and 4% for the year. Sales were impacted by structural changes in Norway and challenging 2011/2012 winter conditions, which had knock-on effect also for the fourth quarter especially in Finland.

Fourth quarter sales in Rest of Europe were 14% above last year's level and increased by 5% for the year. 2012 sales developed positively in East Europe, especially in Russia, and France, while change in distribution structure and bad weathers reduced sales in the UK. Spain, Hungary and Switzerland suffered from the impacts of the on-going uncertainties of the European economy.

In Rest of World fourth quarter sales were down by 5% and full year by 15% compared to last year impacted by the divestment of the gift business. Excluding the gift business divestment, net sales of Rest of the World were up by 17% in the quarter and 12% during the full year. Full year sales grew in all distribution markets, especially in Japan where fishing line sales were growing heavily.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, decreased from last year to 0.5 MEUR (2.4 MEUR) for the fourth quarter and was down to 26.5 MEUR (30.5 MEUR) for the full year. Comparable operating profit margin was 0.7% (4.0%) for the fourth quarter and 9.1% (10.9%) for the full year. Decline of the fourth quarter and full year comparable operating profit was driven by reduced gross margin, which was largely impacted by the Group's intense focus on cash flow and working capital and consequent inventory clearance initiatives. Fourth quarter profitability was also impacted by slower than expected start of the lower margin ice fishing business as well as foreign exchange rates, which also hurt the full year profits. Full year profitability was also burdened by start-up expenses and lower than expected demand for products from the Group's new manufacturing facilities, divestment of gift business and difficult 2011/2012 winter season.

Reported operating profit for the fourth quarter decreased to 0.2 MEUR (3.5 MEUR) and 25.9 MEUR (30.7 MEUR) for the year 2012. Reported operating profit for the fourth quarter included non-recurring costs of 0.3 MEUR (gain 1.1 MEUR) related to the divestment of the gift business. Non-recurring costs for the full year amounted to 0.6 MEUR (gain 0.2 MEUR) related to divestment of gift business and other non-recurring costs. Reported operating margin for the quarter was 0.3% (5.8%) and for 2012 8.9% (11.0%). Return on capital employed was 0.4% (6.2%) for the quarter and 11.4% (13.8%) for 2012.

Key figures MEUR	IV	IV	I-IV	I-IV
	2012	2011	2012	2011
Net sales	67.9	60.8	290.7	279.5
EBITDA as reported	1.9	5.5	32.6	37.7
EBITDA excl. one-off items	2.2	4.1	33.2	37.1
Operating profit (EBIT)	0.2	3.5	25.9	30.7
EBIT excl. one-off items	0.5	2.4	26.5	30.5

Group Products' reported operating profit for the fourth quarter was 2.0 MEUR (3.7 MEUR). In 2012 reported operating profit of Group Products was 18.9 MEUR (22.4 MEUR). Operating profit was negatively impacted by the divestment of the gift business. Excluding the impact of the gift divestment quarterly operating profit was at last year's level and full year operating profit was 7% behind 2011. Group products' operating profit margin was pushed down by lower margins of the ice fishing business, increased fixed costs, inventory clearance initiatives, establishment of new manufacturing units and difficult 2011/2012 winter season.

Third party products' operating profit was -1.8 MEUR (-0.1 MEUR) for the quarter and 7.0 MEUR (8.4 MEUR) for the full year impacted by lower margin third party ice fishing business, impact of currency exchange movements on purchases and inventory clearance initiatives.

Total financial (net) expenses for the quarter increased to 2.0 MEUR (1.0 MEUR) primarily due to negative change in (net) currency expenses. 2012 total financial (net) expenses decreased to 4.9 MEUR (5.5 MEUR). 2012 net interest and other financial expenses were close to last year's level at 4.0 MEUR (3.7 MEUR). Financial items were positively impacted by the change in (net) currency exchange expenses of 0.9 MEUR (1.8 MEUR).

Net profit for the year and earnings per share decreased from last year's levels to 13.9 MEUR (17.2 MEUR) and 0.26 EUR (0.36 EUR) respectively, impacted by increased profitability of joint venture companies with non-controlling shareholders. Net profit was also impacted by start-up losses of the new units increasing the effective tax rate.

Cash Flow and Financial Position

Following the Group's intense focus on cash flow and working capital, cash flow from operating activities reached all time annual record of 25.2 MEUR (15.2 MEUR) and improved significantly also during the fourth quarter being 6.0 MEUR (-1.6 MEUR) despite receivables tied up into the new ice fishing business. Positive cash flow impact for the fourth quarter and whole year came from the net change in working capital, which was 5.7 MEUR (-1.6 MEUR) and 4.2 MEUR (-7.3 MEUR) respectively. Main driver for the positive working capital change were the inventories, where the actions to reduce the tied up capital created results.

The Group's inventories decreased by 4.9 MEUR from last December and 10.0 MEUR from September 2012, amounting to 110.6 MEUR (115.5 MEUR) in December. Inventories of the new ice fishing business, new business units and impact of currency movements increased year-end inventories by 5.8 MEUR, thus on comparable basis inventories reduced 10.7 MEUR from last year. On comparable basis, excluding the impacts of the divested gift business and the new ice fishing business, the inventory-to-sales ratio dropped more than five percentage points from last year.

Net cash used in investing activities was 1.2 MEUR (1.4 MEUR) for the quarter and 13.6 MEUR (9.6 MEUR) for the full year. Fourth quarter investing activities included 0.8 MEUR (0.6 MEUR) of proceeds related to disposal of the gift business. Operative capital expenditure was 2.1 MEUR (2.7 MEUR) for the fourth quarter and 7.7 MEUR (8.4 MEUR) for the full year. 2012 investment activities included the acquisition of the assets of Strike Master Corporation and Mora Ice brand with total of 6.7 MEUR and 2011 investment activities include acquisition of UK joint venture of 1.5 MEUR.

In the end of 2012 net interest bearing debt reduced to 89.9 MEUR (91.1 MEUR). Strengthening of the Group's balance sheet continued and gearing reached all time record low level of 65.1% (67.1%). Equity-to-assets ratio decreased slightly and was 42.3% (43.2%).

Strategy Implementation

Implementation of the Rapala Group's strategy of profitable growth continued throughout the year 2012 by taking several actions relating to manufacturing and distribution activities.

In February the Group entered seriously into ice drill business and closed the deals to acquire assets of Strike Master Corporation as well as the brand and intellectual property rights relating to Mora Ice products. These deals together with the US distribution agreements concluded for MarCum underwater cameras and sonars and Otter Outdoors sleds and shelters, latter one starting in 2013, will give the Rapala Group the global leadership position in the ice fishing category. Strong expansion into ice fishing business will increase the sales in the seasonally slower second half of the year in all main northern markets. Deliveries of the new ice fishing products started as planned in autumn 2012 and concentrated on the fourth quarter of the year, although suffering from unfavorable winter conditions in the USA.

The Group's new lure and hook manufacturing units on Batam Island in Indonesia started their operations during the first quarter and employed some 250 people in the end of the year. Production volumes of lure production were ramped up during the year as production was gradually transferred from China to Batam. Operational efficiencies are in line with expectation. The first phase of lure production transfer to Batam will be finalized during first quarter of 2013. Construction and installation work for tripling the lure manufacturing operations are proceeding and certain new production phases were already started in the fourth quarter. New products and production phases will be added gradually during the next 12-18 months. Hook manufacturing will be technically fully ramped up by March 2013. In 2012, due to lack of demand, total production volumes of the new Batam manufacturing operations were behind initial expectations and thereby negatively impacting the expected profitability.

The Group's new distribution company in Chile started its operations in October and will strengthen the Group's presence in Latin America. In September the Group acquired 20% share in the Indonesian distribution company from its non-controlling shareholder, increasing ownership to 100%. In the end of 2012 the Group has wholly or partly owned distribution operations in 35 countries around the world.

In 2012 special initiatives to improve the performance were carried out in distribution companies in Norway and in Switzerland, where the program will continue in 2013.

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.

In 2012 the Group introduced again a range of new innovative products to the market and was honored with the Best New Hard Lure and Best New Metal Lure awards at EFTTEX 2012, the Europe's largest and most important international fishing tackle trade show. In February 2013 the Group will also launch a new Scatter Rap lure family, which will be available in the USA for retailers and consumers already for season 2013.

Discussions and negotiations regarding acquisitions and business combinations continued during the year 2012.

Short-term Outlook

The Group's outlook for 2013 is positive.

Sales are expected to grow in most markets, especially in East Europe and USA. In the biggest market USA growth is supported with early introduction of the new Scatter Rap lure family and beginning of distribution of Otter winter fishing products. In Finland first quarter winter sports equipment sales should benefit from more favourable weathers than last year, while in USA and Central Europe it is questionable whether summer season can start as early as last year and how the foreign exchange rates will develop.

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

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 currency derivatives, to be 30 MEUR plus or minus 10%.

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 for 2012 (2011: EUR 0.23) per share be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2012 the distributable equity totaled to 26.2 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year 2012. The Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

Financial Statements and Annual General Meeting

Financial Statements for 2012 and Corporate Governance Statement will be published in week 12. Annual General Meeting is planned to be held on April 11, 2013.

Helsinki, February 6, 2013

Board of Directors of Rapala VMC Corporation

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A conference call on the 2012 result will be arranged today at 4.00 p.m. Finnish time (3.00 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 492802#) 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: 492802#). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME	IV	IV	I-IV	I-IV
MEUR	2012	2011	2012	2011
Net sales	67.9	60.8	290.7	279.5
Other operating income	0.6	2.3	1.3	2.9
Materials and services	35.8	28.6	140.7	129.0
Personnel expenses	15.8	16.3	62.6	62.4
Other costs and expenses	14.8	12.7	55.8	53.3
Share of results in associates and joint ventures	-0.2	-0.1	-0.3	-0.1
EBITDA	1.9	5.5	32.6	37.7
Depreciation, amortization and impairments	1.7	1.9	6.8	7.0
Operating profit (EBIT)	0.2	3.5	25.9	30.7
Financial income and expenses	2.0	1.0	4.9	5.5
Profit before taxes	-1.8	2.5	21.0	25.2
Income taxes	0.3	1.5	7.1	8.0
Net profit for the period	-2.1	1.1	13.9	17.2
Attributable to:				
Equity holders of the Company	-2.1	0.9	10.1	14.0
Non-controlling interests	0.0	0.2	3.8	3.2
Earnings per share for profit attributable to the equity holders of the company:				
Earnings per share, EUR (diluted = non-diluted)	-0.05	0.02	0.26	0.36
STATEMENT OF COMPREHENSIVE INCOME	IV	IV	I-IV	I-IV
MEUR	2012	2011	2012	2011
Net profit for the period	-2.1	1.1	13.9	17.2
Other comprehensive income, net of tax				
Change in translation differences	-1.9	4.9	-0.3	2.0
Gains and losses on cash flow hedges	0.1	0.0	-0.6	-0.1
Gains and losses on hedges of net investments	0.1	-0.4	0.2	-0.4
Total other comprehensive income, net of tax	-1.7	4.5	-0.8	1.5
Total comprehensive income for the period	-3.8	5.6	13.2	18.7
Total comprehensive income attributable to:				
Equity holders of the company	-3.8	5.2	9.4	15.8
Non-controlling interests	0.0	0.4	3.7	2.9

STATEMENT OF FINANCIAL POSITION	Dec 31	Dec 31
MEUR	2012	2011
ASSETS		
Non-current assets		
Intangible assets	72.6	68.0
Property, plant and equipment	29.3	28.5
Non-current financial assets		
Interest-bearing	3.7	5.8
Non-interest-bearing	11.2	10.9
	116.9	113.2
Current assets		
Inventories	110.6	115.5
Current financial assets		
Interest-bearing	2.5	1.1
Non-interest-bearing	58.5	55.4
Cash and cash equivalents	38.2	28.9
	209.7	201.0
Assets classified as held-for-sale	-	0.3
Total assets	326.6	314.5
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the company	128.6	128.6
Non-controlling interests	9.4	7.2
	138.0	135.8
Non-current liabilities		
Interest-bearing*	49.7	10.8
Non-interest-bearing	15.1	15.5
	64.8	26.2
Current liabilities		
Interest-bearing*	84.5	116.2
Non-interest-bearing	39.3	36.3
	123.8	152.5
Total equity and liabilities	326.6	314.5

* 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	IV	IV	I-IV	I-IV
	2012	2011	2012	2011
EBITDA margin, %	2.8%	9.0%	11.2%	13.5%
Operating profit margin, %	0.3%	5.8%	8.9%	11.0%
Return on capital employed, %	0.4%	6.2%	11.4%	13.8%
Capital employed at end of period, MEUR	227.9	226.9	227.9	226.9
Net interest-bearing debt at end of period, MEUR	89.9	91.1	89.9	91.1
Equity-to-assets ratio at end of period, %	42.3%	43.2%	42.3%	43.2%
Debt-to-equity ratio at end of period, %	65.1%	67.1%	65.1%	67.1%
Earnings per share, EUR (diluted = non-diluted)	-0.05	0.02	0.26	0.36
Equity per share at end of period, EUR	3.32	3.30	3.32	3.30
Average personnel for the period	1 993	2 223	1 994	2 208

Definitions of key figures are consistent with those in the financial statement 2011 and can be found on corporate website.

STATEMENT OF CASH FLOWS MEUR	IV 2012	IV 2011	I-IV 2012	I-IV 2011
Net profit for the period	-2.1	1.1	13.9	17.2
Adjustments to net profit for the period *	5.2	2.2	20.6	17.6
Financial items and taxes paid and received	-2.9	-3.3	-13.6	-12.3
Change in working capital	5.7	-1.6	4.2	-7.3
Net cash generated from operating activities	6.0	-1.6	25.2	15.2
Investments	-2.1	-2.7	-7.7	-8.4
Proceeds from sales of assets	0.1	0.3	0.8	0.7
Acquisition of joint venture Shimano Normark UK	-	0.5	-	-1.5
Dynamite Baits acquisition, net of cash	-	-0.1	-	-0.1
Sufix brand acquisition	-	-	-0.8	-0.7
Strikemaster and Mora Ice acquisitions	-	-	-6.7	-
Acquisition of other subsidiaries, net of cash	-	0.0	0.0	0.0
Proceeds from disposal of subsidiaries, net of cash	0.8	0.6	0.8	0.6
Change in interest-bearing receivables	0.0	0.0	0.0	0.0
Net cash used in investing activities	-1.2	-1.4	-13.6	-9.6
Dividends paid to parent company's shareholders	-	-	-8.9	-9.0
Dividends paid to non-controlling interest	-0.1	-0.1	-1.6	-2.9
Net funding	2.1	-0.8	9.1	6.7
Purchase of own shares	-0.5	-0.1	-0.7	-0.1
Net cash generated from financing activities	1.4	-1.0	-2.2	-5.2
Adjustments	0.2	1.1	0.2	0.4
Change in cash and cash equivalents	6.3	-2.9	9.6	0.8
Cash & cash equivalents at the beginning of the period	32.0	31.5	28.9	27.9
Foreign exchange rate effect	-0.1	0.3	-0.4	0.2
Cash and cash equivalents at the end of the period	38.2	28.9	38.2	28.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Attributable to equity holders of the company								Total equity
	Share capital	Share pre- mium fund	Fair value re- serve	Cumul. trans- lation diffe- rences	Fund for invested non-rest- ricted equity	Own sha- res	Re- tain- ed earn- ings	Non- contr- olling inte- rests	
Equity on Jan 1, 2011	3.6	16.7	-1.5	-6.0	4.9	-2.5	106.7	7.4	129.2
Comprehensive income *	-	-	-0.1	1.9	-	-	14.0	2.9	18.7
Purchase of own shares	-	-	-	-	-	-0.1	-	-	-0.1
Dividends	-	-	-	-	-	-	-9.0	-3.2	-12.1
Other changes	-	-	-	-	-	-	-	0.0	0.0
Equity on Dec 31, 2011	3.6	16.7	-1.6	-4.1	4.9	-2.6	111.8	7.2	135.8
Equity on Jan 1, 2012	3.6	16.7	-1.6	-4.1	4.9	-2.6	111.8	7.2	135.8
Comprehensive income *	-	-	-0.6	0.0	-	-	10.1	3.7	13.2
Purchase of own shares	-	-	-	-	-	-0.7	-	-	-0.7
Dividends	-	-	-	-	-	-	-8.9	-1.5	-10.4
Share based payments	-	-	-	-	-	-	0.3	-	0.3
Other changes	-	-	-	-	-	-	-	0.0	0.0
Equity on Dec 31, 2012	3.6	16.7	-2.3	-4.1	4.9	-3.4	113.2	9.4	138.0

* For the period, (net of tax)

SEGMENT INFORMATION*

MEUR	IV	IV	I-IV	I-IV
Net Sales by Operating Segment	2012	2011	2012	2011
Group Products	44.2	40.2	176.4	174.5
Third Party Products	23.7	20.6	114.3	105.0
Total	67.9	60.8	290.7	279.5

Operating Profit by Operating Segment				
Group Products	2.0	3.7	18.9	22.4
Third Party Products	-1.8	-0.1	7.0	8.4
Total	0.2	3.5	25.9	30.7

	Dec 31	Dec 31
Assets by Operating Segment	2012	2011
Group Products	213.8	209.9
Third Party Products	68.5	68.8
Non-interest bearing assets total	282.3	278.7
Unallocated interest-bearing assets	44.3	35.9
Total assets	326.6	314.5

MEUR	IV	IV	I-IV	I-IV
Net Sales by Area**	2012	2011	2012	2011
North America	25.6	18.7	83.6	69.1
Nordic	13.4	15.1	62.7	65.3
Rest of Europe	19.1	16.7	108.2	102.7
Rest of the world	9.8	10.3	36.2	42.4
Total	67.9	60.8	290.7	279.5

* As of January 1, 2012 the reportable operating segments include the following product lines: Group Products include Group Fishing Products, such as Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, as well as Other Group Products, mainly Winter Sports and some other non-fishing related business manufactured and/or sourced by the Group and sold under the Group's brands. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports distributed by the Group.

** Geographical information has been prepared on source basis i.e. based on the location of the business unit. As of January 1, 2012 the net sales is presented excluding intra-Group transactions, i.e. including only Group's external sales

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	I	II	III	IV	I-IV
MEUR	2011	2011	2011	2011	2011	2012	2012	2012	2012	2012
Net sales	74.7	80.9	63.0	60.8	279.5	73.5	83.7	65.6	67.9	290.7
EBITDA	13.7	14.4	4.1	5.5	37.7	12.0	13.3	5.4	1.9	32.6
Operating profit	12.1	12.8	2.3	3.5	30.7	10.4	11.6	3.7	0.2	25.9
Profit before taxes	11.1	11.3	0.3	2.5	25.2	10.4	10.5	1.9	-1.8	21.0
Net profit for the period	7.9	8.0	0.2	1.1	17.2	7.5	7.2	1.3	-2.1	13.9

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 2011, except for the adoption of the new or amended standards and interpretations. Adoption of amendment of IFRS 7 and IAS 12 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

The Group changed its reportable operating segments from January 1, 2012. Reportable operating segments are Group Products consisting of Group Fishing Products and Other Group Products, and Third Party Products.

Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities were redefined. The change in presentation led into changes in calculation of some non-IFRS based key figures. All comparative periods have been restated accordingly.

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 2012. 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, 2012, the book value of inventories included a provision for net realizable value of 4.4 MEUR (3.2 MEUR at December 31, 2011).

Assets held for sale

As a part of the relocation of Finnish distribution operations, a real estate in Korpilahti, Finland, was classified as held for sale during the fourth quarter of 2011. During the last quarter of 2012 a decision was made to restore the real estate to manufacturing use. The classification as held for sale was ceased and the carrying amount was adjusted by depreciation for the full year 2012.

Impact of business acquisitions and disposals on the consolidated financial statements

In September 2012, the Group purchased a 20% share of the Indonesian distribution company. This acquisition raised the Group's ownership to 100%. Acquisition has no significant impact on the Group's consolidated financial statements.

During the first quarter the Group acquired the assets, including Mora trademark in North America, of Minnesota based Strike Master Corporation (“Strike Master”), the leading supplier of ice augers in the US. The Group also acquired 100% of the share capital of Swedish Mora Ice Ab including the Mora Ice brand, together with all intellectual property rights relating to the Mora Ice products. Mora Ice is Europe’s leading and premium brand of ice augers and auger cutting blades. Both of the acquisitions were completed in February. The closing accounts were finalized during the third quarter and the final payment of 0.4 MEUR was made to the sellers in August. Total considerations for the acquisitions during 2012 amounted to 6.8 MEUR.

These strategic initiatives will give the Rapala Group global leadership position in the ice fishing category. The Group is well equipped to exploit this position as it is having strong distribution companies in all main arctic markets: US, Canada, Russia, East European and Nordic countries, Japan and China.

Net sales after the acquisitions, 5.1 MEUR, are included in the consolidated income statement. The acquisitions did not have material impact on the profit of the Group. Due to the structure of the acquisitions it is not possible to reliably determine pre-transaction sales and profit prior in 2012.

The transaction costs of 0.0 MEUR have been expensed and are included in the other operating expenses in the income statement and treated as a non-recurring item.

The goodwill of 0.7 MEUR is justified by expansion of product assortment and market coverage as well as utilization of economies of scale in sourcing and distribution. None of the goodwill is expected to be deductible for income tax purposes. The goodwill was be tested for impairment.

The business combinations are accounted for by applying the acquisition method. The fair value of intellectual property rights is established using the relief from royalty method. The fair value of customer relationships is established with the income approach based on the future economic returns from the customers over their useful lives.

The first installment of 1.1 MEUR of the promissory note related to the disposal of the Gift manufacturing unit in China in 2011 was received in December 2012 according to the terms of the agreement. The sales price was adjusted as a result of the finalization of the closing accounts. Price adjustment of 0.3 MEUR was paid during the fourth quarter. Net effect to the Group cash flow in 2012 was 0.8 MEUR.

MEUR	2012
Inventories	1.8
Trade and other non-interest-bearing receivables	0.3
Intangible assets	4.4
Tangible assets	0.1
Trade and other non-interest-bearing payables	0.0
Deferred tax liability (net)	-0.6
Non-controlling interests	0.0
Fair value of acquired net assets	6.0

MEUR	2012
Cash paid upon closing	6.4
Cash paid later	0.4
Total purchase consideration	6.8
Goodwill	0.7
Cash paid for the acquisitions	6.8
Cash and cash equivalents acquired	-
Net cash flow	6.8

Non-recurring income and expenses included in operating profit	IV	IV	I-IV	I-IV
MEUR	2012	2011	2012	2011
Costs related to business acquisitions	0.0	-0.2	0.0	-0.3
Restructuring of Hungarian operations	-	0.1	-	0.1
Relocation of Finnish operations	-	-0.1	-	-0.3
Net gain from sale of gift manufacturing unit in China*	-0.3	1.7	-0.7	1.5
Other restructuring costs	-	-0.2	-	-0.4
Gain on disposal of real estate in Finland	-	-	0.1	-
Other non-recurring items	0.0	-	0.0	-
Total included in EBITDA	-0.3	1.3	-0.6	0.6
Impairment of non-current assets relating to relocation of Finnish operations	-	-0.2	-	-0.4
Other non-recurring impairments	-	0.0	-	0.0
Total included in operating profit	-0.3	1.1	-0.6	0.2

* I-IV 2011: Including a gain of 1.9 MEUR and costs related to divestment. I-IV 2012: including an adjustment to sales price and costs related to the disposed business.

Commitments	Dec 31	Dec 31
MEUR	2012	2011
On own behalf		
Business mortgage*	-	16.1
Guarantees	0.1	0.1
Minimum future lease payments on operating leases	16.6	15.2

* 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	Sales and other income	Purchases	Rents paid	Other expenses	Receivables	Payables
MEUR						
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
I-IV 2011						
Joint venture Shimano Normark UK Ltd	1.6	-	-	-	0.1	-
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	0.0
Management	-	-	0.3	-	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
Dec 31, 2012				
Foreign currency options and forwards	62.3	0.3	0.7	-0.4
Interest rate swaps	85.0	0.3	3.3	-3.0
Total	147.3	0.6	4.0	-3.4
Dec 31, 2011				
Foreign currency options	3.4	0.2	-	0.2
Interest rate swaps	67.9	-	2.1	-2.1
Total	71.3	0.2	2.1	-1.9

Financial risks and hedging principles are described in detail in the financial statement 2011 and will be updated in financial statements 2012.

Share based incentive plan

In June 2012, the Board approved a new 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, 2012 The Annual General Meeting updated Board's authorization on issuance and repurchase of shares.

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 149 343 own shares. At the end of the reporting period the company held 701 400 own shares, representing 1.8% 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, 5 679 621 shares (6 479 735) were traded at a high of 6.50 EUR and a low of 4.52 EUR. The closing share price at the end of the period was 4.85 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 continued to develop risk management practices and internal controls during 2012. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles will be 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. In 2012, 54% of net sales and 85% 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, 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. The summer fishing season in the USA and Europe started early in 2012 and the summer season 2013 may start later impacting the sales. 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.

A major supply chain and logistics initiative to improve the Group's inventory turnovers and shorten the factory lead-times continued in 2012, including planning and implementation of new initiatives. 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, may increase certain production and supply chain risks temporarily.

The Group successfully refinanced its credit facilities in April, 2012. This has decreased the Group's liquidity and refinancing risks. The new credit facilities include some financial covenants, which are actively monitored.

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 risks and hedges risks in several currencies by following the risk policy set by the Board of Directors. 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.