ANNUAL ACCOUNTS 2008 – RECORD PERFORMANCE IN A CHALLENGING YEAR

- Net sales for the fourth quarter were 50.9 MEUR (IV/07: 53.7 MEUR). Net sales for the full year were slightly above last year at 243.0 MEUR (I-IV/07: 242.5 MEUR). With comparable exchange rates, the full year net sales were up 4%.
- Operating profit for the fourth quarter improved 33% from last year mainly as a result of performance improvement initiatives and totaled 3.2 MEUR (2.4 MEUR). Operating profit for the full year was up 11% to an all-time record of 31.3 MEUR (28.3 MEUR). Comparable operating profit improved to 33.7 MEUR (26.8 MEUR) and comparable operating margin to 13.3% (11.0%).
- Net profit decreased to 1.0 MEUR (2.0 MEUR) for the fourth quarter but increased to 19.2 MEUR (17.5 MEUR) for the full year. Earnings per share was 0.05 EUR (0.05 EUR) for the quarter and 0.45 EUR (0.45 EUR) for the full year.
- Cash flow from operating activities was 1.6 MEUR (-0.3 MEUR) for the fourth quarter and 5.4 MEUR (18.2 MEUR) for the full year. Working capital was up as a result of increased inventories. A major initiative was started to reduce inventory levels markedly in 2009.
- In the fourth quarter, the Group continued to implement its strategy for profitable growth. Integration of the acquired Sufix fishing line business proceeded on plan. Development of the manufacturing operations in China started to materialize with clear efficiency improvements and a new sales office was established in Russia.
- It is expected that the net sales for 2009 will be at previous year levels or somewhat above. Excluding non-recurring items, the target is to maintain the operating margin close to the good levels reached in 2008. The uncertainties are though now clearly higher than before.
- Board proposes to the Annual General Meeting that a dividend of EUR 0.19 per share to be paid. This represents 42% 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 2008.

A conference call on the 2008 result will be arranged today at 11 am Finnish time (10 am CET). Please dial +44 (0)20 7111 1258 or +1 347 366 9564 (pin code: 793047#) five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 14 days following the teleconference. The number (pin code: 793047#) to dial is +44 (0)20 7806 1970. Teleconference replay facility, financial information and annual summary of the stock exchange releases and announcements published in 2008 are available at www.rapala.com.

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Market Situation and Sales

Year 2008 was a start for a challenging period in the fishing tackle business, although this industry is typically quite non-cyclical during recessions. Market situation remained quite good for the first nine months of the year in Scandinavia, and very good in East Europe, whereas the last quarter was clearly affected by overall caution and uncertainty. Some markets in West Europe, and especially North America, suffered more than others from the downturn in the general economy. In the USA, the high petrol prices affected the peak season of fishing tackle but this effect softened with the decreasing fuel prices toward the end of the year. The general market conditions in Asia and Australia tightened during the second half of the year. Strong weakening of several currencies and the fluctuation of US dollar increased the uncertainty in the business environment.

Reported net sales for 2008 were just slightly above last year levels and amounted to 243.0 MEUR (2007: 242.5 MEUR). With comparable exchange rates net sales were up 4 %. Weakening of the US dollar, South African rand, Russian ruble and some other currencies decreased the net sales for the full year by 9.1 MEUR.

In the Nordic countries, net sales increased 10%. Boosted by continuous growth and strong performance in East Europe, net sales in Rest of Europe were also up 10%. Net sales in Rest of the world were 14% below last year mainly because of the weakening of US dollar and local currencies as well as the decline in general market conditions. As a result of the weak general economics, high fuel prices during the peak season and the weakening of the US dollar, net sales in North America decreased 14%. With comparable exchange rates, North American sales were down 8%.

The decrease of sales in North America affected strongly the net sales of Lures, which was down 11%. Net sales of Fishing Hooks decreased 9% and Fishing Lines 17%. Net sales of Fishing Accessories decreased 5%. Net sales of Third Party Fishing Products, boosted by increased sales of Shimano products in East Europe, were up 18%. Net sales of Other Products were up 3% mainly as a result of increased sales of hunting products in the Nordic countries.

Financial Results

MEUR	**IV 2008**	IV 2007	**I-IV 2008**	I-IV 2007
Net sales	**50.9**	53.7	**243.0**	242.5
EBITDA	**4.8**	4.3	**37.5**	33.8
Operating profit (EBIT)	**3.2**	2.4	**31.3**	28.3
Profit before taxes	**1.9**	1.1	**26.5**	23.3
Net profit for the period	**1.0**	2.0	**19.2**	17.5

Operating profit for 2008 increased 11% to 31.3 MEUR (28.3 MEUR). Also operating margin continued on the positive trend started in 2007 and increased to 12.9% (11.7%). Return on capital employed improved to 16.9% (15.9%). Operating profit was positively affected mainly by performance improvement actions and cost cuttings done in several manufacturing and distribution companies. The result also included a capital gain of 1.4 MEUR from the sale of the real estates in France and 0.6 MEUR of non-recurring costs related to the performance improvement and ongoing restructuring projects. The result also benefitted from decreased IFRS based option expenses. In 2007, operating profit included non-recurring gains of +1.6 MEUR (net).

Weakening of several currencies especially in the fourth quarter reduced the operating profit by 3.1 MEUR. The largest negative currency effects on operating profit in 2008 came from South African rand, Russian ruble and Canadian dollar. While the Group's net sales continue to be most sensitive to US dollar movements, its effect on operating profit has continuously decreased as a result of increased purchases in US dollar. The result of currency hedging related to operating profit (+0.6 MEUR) is booked in financial items.

Comparable full year operating margin, excluding non-recurring items and foreign exchange effects, improved clearly from 2007 and reached 13.3% (11.0%).

Management analysis MEUR	**I-IV/ 2008**	I-IV/ 2007		**I-IV/ 2008**	I-IV/ 2007
Net sales as reported	**243.0**	242.5	Operating profit as reported	**31.3**	28.3
Foreign exchange effects	**9.1**		Non-recurring items (net)	**-0.8**	-1.6
Comparable net sales	**252.1**	242.5	Foreign exchange effects	**3.1**	
			Comparable operating profit	**33.7**	26.8
Operating margin as reported	**12.9%**	11.7%	Comparable operating margin	**13.3%**	11.0%

Operating profit increased in Nordic countries and Rest of Europe. Comparable profitability of Nordic countries improved in line with improved sales and as a result of performance improvement actions. Improvement in operating profit in Rest of Europe was boosted by increased sales in East Europe and the French capital gains on real estate sales. Profitability in Rest of the world suffered mainly from the weakened South African rand and Australian dollar, strengthening of yuan as well as decreased sales in few Asian countries. Operating profit in North America suffered from the reduced sales.

Financial income and expenses were 4.8 MEUR (5.0 MEUR). Net interest expenses were 5.1 MEUR (5.7 MEUR) and currency exchange gains 0.4 MEUR (0.9 MEUR).

Net profit for the year increased to 19.2 MEUR (17.5 MEUR). Minority interest increased to 1.6 MEUR (0.3 MEUR) as a result of the distribution joint venture with Shimano in the East Europe. Accordingly, earnings per share were on last year level at 0.45 EUR (0.45 EUR).

Cash Flow and Financial Position

Cash flow from operating activities decreased from last year as a result of increased working capital. Increase in working capital came mainly from inventories, which increased 16.7 MEUR from previous year mainly as a result of decline in sales in the USA and few other countries as well as the new inventories built for the acquired Sufix fishing line business. A major working capital initiative was started in November to reduce inventories markedly in 2009.

Cash used in investing activities amounted to 6.8 MEUR (3.7 MEUR). In addition to normal capital expenditure (7.1 MEUR), it included the first installment (1.5 MEUR) of the consideration for the acquired Sufix fishing line brand, increase of ownership in three Group companies and payments relating to old acquisitions (0.5 MEUR) and proceeds from sale of assets (2.2 MEUR).

Net interest-bearing debt increased to 89.5 MEUR (Dec 2007: 80.2 MEUR). The Group cash management was improved in 2008 by introducing international cash pooling. The first repayment (9.7 MEUR) of the term-loan raised in 2006 was made in October. The liquidity of the Group remained good throughout the year and was further improved by raising a 5 MEUR pension loan in December. The commercial paper market collapsed during the second quarter of the year but started to recover gradually during the second half of the year. At the end of 2008, the Group had unused revolving credit facilities of 23.5 MEUR.

Equity-to-assets ratio remained at last year levels at 38.0% (Dec 2007: 38.2%) and gearing increased to 86.4% (Dec 2007: 82.8%).

Strategy Implementation - Growth

During the year, the management continued discussions and negotiations regarding acquisitions and business combinations to further implement the Group’s strategy for profitable growth. Development of organic growth also in terms of new product lines, extensions of current product categories as well as special marketing, sales and brand initiatives continued.

In July, Rapala and Yao I Co Ltd (“Yao I”), one of the leading manufacturers of fishing line in the world having its operations in Taiwan and China, concluded an exclusive supply agreement for the supply of fishing lines. In connection to this arrangement, Yao I sold its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related) to Rapala.

According to the terms of this exclusive supply agreement, after an interim period and under certain conditions, Rapala alone will be selling fishing lines manufactured by Yao I and Yao I will be manufacturing fishing lines for Rapala only, including subcontracted fishing lines for third party customers (OEM).

Sufix brand is very well known around the world already for more than 20 years. The largest market for Sufix is currently in the USA but the brand is well represented also in Europe, Asia and Oceania. As part of the deal, Rapala acquired the Sufix branded fishing line inventory from Sufix North America. Transfer and integration of Sufix business to Group companies around the world is proceeding on plan and the shipments of 2009 products have started through the Group distribution network.

Rapala aims to expand its fishing line sales in the next 2-3 years to above 20 MEUR. The strategic long-term target is increase the fishing line sales to 30-40 MEUR and gain a significant market share of the global fishing line business. In 2008, the sales of Group-branded fishing lines were some 5 MEUR. In addition, Rapala sold some third party fishing lines.

The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line businesses, was 10 MUSD. The consideration will be settled over a period of seven years, starting from 2008.

Strategic distribution alliance with Shimano continued to strengthen the Group's position in the fastest growing fishing tackle markets in Eastern Europe. In January 2008, Rapala started to distribute Shimano fishing tackle through its joint venture distribution company in Russia and Ukraine and, in September, in Czech Republic as well as through its sales office in Slovakia. Another new step in this cooperation took place in September when Shimano started to distribute Rapala's products in the UK.

During the year, the Group opened two new sales offices in Russia, in Khabarovsk and Ekaterinburg. These offices are expected to contribute positively in the development of Russian fishing tackle market and distribution. After these, the Group has eight regional sales offices in Russia.

During 2008, the Group increased its shareholding in its distribution company in Thailand from 80% to 100% and in Lithuania from 82% to 100%. In Finland, the Group's ownership in the cross-country ski manufacturer Peltonen Ski was increased from 80% to 90%.

Strategy Implementation - Profitability

Strong emphasis on performance improvement initiatives continued during 2008.

After closing the lure manufacturing unit in Ireland in April and completing the ramp-up of the lure assembly factory in Russia, the Group's European lure manufacturing operations started to contribute to the financial performance of the Group. After the restructuring, the full year savings are estimated to be 0.7 MEUR. The next step is to increase production volumes in the lure factories in line with the market demand.

The consolidation of France operations proceeded on plan and the moves of distribution unit Waterqueen and fishing line supplier Tortue to Morvillars were completed during the third quarter. Results of this initiative started to capitalize gradually during the fourth quarter. The consolidation will be finalized when the hook distributor VMC Europe completes its move into joint premises during next summer. After all relocations have been made and the new organisation is fully operational, the annual savings in France are expected to be 1-2 MEUR.

The performance improvement initiatives at the Group's manufacturing facilities in China proceeded with major operational changes. The physical separation of fishing tackle and gift businesses into separate premises and organizations made it possible to strongly and quickly develop processes separately for these two business lines. As a result of streamlining the operations, increasing subcontracting and cutting the capacity to more quickly adjust to and, more accurately meet the market requirements, the Group has reduced the headcount in China by some 1000 persons since June.

Also several smaller performance improvement initiatives were implemented in 2008 and their positive effects started to improve the Group's financial performance already during the year.

Personnel and R&D

Number of personnel decreased 27% mainly during the second half of the year and was 3 197 (4 356) at the year end. This change is mainly due to the performance improvement initiatives and increased use of subcontracting in the Group's manufacturing unit in China. At the same time, the Group has further strengthened its organizations in the fastest growing markets. The average number of personnel decreased to 4 143 (4 577).

Research and development expenses increased 13% to 1.8 MEUR (1.6 MEUR) in 2008.

Risk Management and Environmental Affairs

The Group's emphasis and work on risk management and environmental affairs continued to increase in 2008. The work to further develop and implement environmental measurements progressed during the year. The principles for Group's risk management and environmental affairs as well as the work done and progress made in these areas are described in more detail in the Annual Report for 2008.

Short-term Outlook

Market outlook for 2009 looks challenging. The slowdown and uncertainty in the US and European economies as well as in many Asian countries is expected to continue in the coming months. Fishing tackle business has typically been quite non-cyclical during recessions, which together with the Group's strong brands and distribution power raises cautious optimism even in the current market situation. In the history, fishermen and fisherwomen have continued their activity even in uncertain economic times and, therefore, the healthy demand for the Group products is expected to continue also in 2009.

In this business environment, it is expected that the net sales for 2009 will be at previous year levels or somewhat above. Excluding non-recurring items, the target is to maintain the operating margin close to the good levels reached in 2008. The uncertainties are though now clearly higher than before.

While the Group continues to implement its strategy for profitable growth, the Group management will increase its emphasis on working capital management with a target to reduce the inventory levels markedly in 2009 by developing the Group supply chains and changing ways of working in production planning and internal order management. Increasing cash flow from operating activities will be one of the key themes in 2009 together with the finalization of the ongoing performance improvement initiatives and integration of the new fishing line business.

At the year end, the Group order backlog was at last year levels at 34.5 MEUR (35.2 MEUR).

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 for 2008 (2007: EUR 0.18) per share be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2008, the parent company's distributable equity totaled 50.1 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year 2008. Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

Helsinki, February 6, 2009

Board of Directors of Rapala VMC Corporation

INTERIM CONDENCED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	**IV**	IV	**I-IV**	I-IV
MEUR	**2008**	2007	**2008**	2007
Net sales	**50.9**	53.7	**243.0**	242.5
Other operating income	**0.8**	5.5	**3.1**	6.7
Cost of sales	**29.7**	31.1	**135.3**	135.8
Other costs and expenses	**17.2**	23.7	**73.2**	79.6
EBITDA	**4.8**	4.3	**37.5**	33.8
Depreciation	**1.6**	1.8	**6.2**	5.4
Operating profit (EBIT)	**3.2**	2.4	**31.3**	28.3
Financial income and expenses	**1.4**	1.3	**4.8**	5.0
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0
Profit before taxes	**1.9**	1.1	**26.5**	23.3
Income taxes	**0.9**	-0.9	**7.3**	5.8
Net profit for the period	**1.0**	2.0	**19.2**	17.5
Attributable to:				
Equity holders of the Company	**1.9**	2.0	**17.7**	17.3
Minority interest	**-0.9**	0.1	**1.6**	0.3
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, EUR (diluted = non-diluted)	**0.05**	0.05	**0.45**	0.45

CONSOLIDATED CASH FLOW STATEMENT	**IV**	IV	**I-IV**	I-IV
MEUR	**2008**	2007	**2008**	2007
Net profit for the period	**1.0**	2.0	**19.2**	17.5
Adjustments to net profit for the period *	**2.8**	0.7	**13.0**	14.8
Financial items and taxes paid and received	**-4.7**	-3.1	**-14.0**	-11.1
Change in working capital	**2.5**	0.2	**-12.7**	-3.1
Net cash generated from operating activities	**1.6**	-0.3	**5.4**	18.2
Investments	**-2.3**	-2.4	**-7.1**	-7.2
Proceeds from sales of assets	**0.6**	0.0	**2.2**	0.4
Sufix brand acquisition	**-0.1**	-	**-1.5**	-
Acquisition of subsidiaries, net of cash	**-0.1**	0.0	**-0.5**	-2.7
Proceeds from disposal of subsidiaries, net of cash	**-**	5.4	**-**	5.9
Change in interest-bearing receivables	**0.1**	-0.2	**0.0**	-0.1
Net cash used in investing activities	**-1.9**	2.8	**-6.8**	-3.7
Dividends paid	**-**	-	**-6.9**	-4.6
Net funding	**4.1**	-5.3	**11.9**	-11.5
Purchase of own shares	**-0.3**	-	**-0.9**	-
Proceeds from share subscriptions	**-**	5.0	**-**	5.0
Net cash generated from financing activities	**3.7**	-0.4	**4.1**	-11.1
Adjustments	**0.6**	0.4	**0.9**	0.4
Change in cash and cash equivalents	**4.1**	2.5	**3.6**	3.8
Cash & cash equivalents at the beginning of the period	**27.0**	25.3	**27.3**	24.4
Foreign exchange rate effect	**-0.5**	-0.5	**-0.4**	-0.9
Cash and cash equivalents at the end of the period	**30.6**	27.3	**30.6**	27.3

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

CONSOLIDATED BALANCE SHEET MEUR	**Dec 31 2008**	Dec 31 2007
ASSETS		
Non-current assets		
Intangible assets	**57.6**	51.1
Property, plant and equipment	**28.7**	28.4
Non-current financial assets		
Interest-bearing	**0.5**	0.6
Non-interest-bearing	**7.7**	8.0
	94.6	88.1
Current assets		
Inventories	**98.4**	84.3
Current financial assets		
Interest-bearing	**0.4**	0.1
Non-interest-bearing	**49.5**	52.8
Cash and cash equivalents	**30.6**	27.3
	178.9	164.6
Assets classified as held-for-sale	**-**	0.9
Total assets	**273.4**	253.7
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**101.7**	96.0
Minority interest	**1.9**	0.9
	103.7	96.9
Non-current liabilities		
Interest-bearing	**42.8**	49.8
Non-interest-bearing	**10.5**	6.4
	53.3	56.3
Current liabilities		
Interest-bearing	**78.1**	58.4
Non-interest-bearing	**38.3**	42.0
	116.4	100.5
Total equity and liabilities	**273.4**	253.7

KEY FIGURES	**IV 2008**	IV 2007	**I-IV 2008**	I-IV 2007
EBITDA margin, %	**9.5%**	7.9%	**15.5%**	13.9%
Operating margin, %	**6.4%**	4.5%	**12.9%**	11.7%
Return on capital employed, %	**7.0%**	5.4%	**16.9%**	15.9%
Capital employed at end of period, MEUR	**193.2**	177.1	**193.2**	177.1
Net interest-bearing debt at end of period, MEUR	**89.5**	80.2	**89.5**	80.2
Equity-to-assets ratio at end of period, %	**38.0%**	38.2%	**38.0%**	38.2%
Debt-to-equity ratio at end of period, %	**86.4%**	82.8%	**86.4%**	82.8%
Earnings per share, EUR	**0.05**	0.05	**0.45**	0.45
Fully diluted earnings per share, EUR	**0.05**	0.05	**0.45**	0.45
Equity per share at end of period, EUR	**2.59**	2.43	**2.59**	2.43
Average personnel for the period	**4 259**	4 576	**4 143**	4 577

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Minority interest	Total equity
Equity on Jan 1, 2007	**3.5**	**16.7**	**0.1**	**-7.1**	**-**	**-**	**67.6**	**0.6**	**81.3**
Change in translation differences	-	-	-	-3.4	-	-	-	-	**-3.4**
Gains and losses on cash flow hedges *	-	-	0.0	-	-	-	-	-	**0.0**
Gains and losses on hedges of net investments *	-	-	-	0.7	-	-	-	-	**0.7**
Fair value changes on available-for-sale investments *	-	-	0.0	-	-	-	-	-	**0.0**
Net income recognized directly in equity	-	-	-0.1	-2.7	-	-	-	-	**-2.7**
Net profit for the period	-	-	-	-	-	-	17.3	0.3	**17.5**
Total recognized income and expenses	-	-	-0.1	-2.7	-	-	17.3	0.3	**14.8**
Private offering	0.1	-	-	-	4.9	-	-	-	**5.0**
Dividends paid	-	-	-	-	-	-	-4.6	-	**-4.6**
Shares subscribed with options	0.0	0.0	-	-	-	-	-	-	**0.0**
Share option program	-	-	-	-	-	-	0.4	-	**0.4**
Other changes	-	-	-	-	-	-	0.0	0.1	**0.1**
Equity on Dec 31, 2007	**3.6**	**16.7**	**0.0**	**-9.8**	**4.9**	**-**	**80.6**	**0.9**	**96.9**
Equity on Jan 1, 2008	**3.6**	**16.7**	**0.0**	**-9.8**	**4.9**	**-**	**80.6**	**0.9**	**96.9**
Change in translation differences	-	-	-	-1.2	-	-	-	-	**-1.2**
Gains and losses on cash flow hedges *	-	-	-0.2	-	-	-	-	-	**-0.2**
Gains and losses on hedges of net investments *	-	-	-	-2.8	-	-	-	-	**-2.8**
Fair value gains on available-for-sale investments *	-	-	-0.1	-	-	-	-	-	**-0.1**
Net income recognized directly in equity	-	-	-0.3	-4.0	-	-	-	-	**-4.3**
Net profit for the period	-	-	-	-	-	-	17.7	1.6	**19.2**
Total recognized income and expenses	-	-	-0.3	-4.0	-	-	17.7	1.6	**14.9**
Purchase of own shares	-	-	-	-	-	-0.9	-	-	**-0.9**
Dividends paid	-	-	-	-	-	-	-6.9	-	**-6.9**
Share option program	-	-	-	-	-	-	0.1	-	**0.1**
Other changes	-	-	-	-	-	-	0.0	-0.5	**-0.5**
Equity on Dec 31, 2008	**3.6**	**16.7**	**-0.3**	**-13.8**	**4.9**	**-0.9**	**91.5**	**1.9**	**103.7**

* Net of tax

SEGMENT INFORMATION**	**IV**	IV	**I-IV**	I-IV
MEUR	**2008**	2007	**2008**	2007
Net Sales by Area**				
North America	**14.8**	13.4	**57.5**	66.7
Nordic	**18.5**	21.0	**105.9**	96.0
Rest of Europe	**18.0**	19.3	**101.3**	92.1
Rest of the world	**14.6**	16.3	**54.3**	62.9
Intra-Group	**-15.1**	-16.2	**-76.0**	-75.2
Total	**50.9**	53.7	**243.0**	242.5
Operating Profit by Area**				
North America	**1.6**	1.0	**4.3**	7.5
Nordic	**-0.6**	5.2	**8.2**	12.5
Rest of Europe	**0.0**	-5.3	**14.1**	3.4
Rest of the world	**1.2**	2.7	**3.7**	5.4
Intra-Group	**1.1**	-1.1	**1.0**	-0.3
Total	**3.2**	2.4	**31.3**	28.3
Net Sales by Product Line***				
Lures	**13.7**	11.1	**65.8**	73.9
Fishing Hooks	**3.2**	3.7	**15.4**	16.9
Fishing Lines	**1.4**	1.4	**5.0**	6.0
Fishing Accessories	**8.4**	12.3	**35.8**	37.5
Third Party Fishing Products	**13.0**	11.4	**74.5**	63.4
Other Products	**11.6**	14.2	**49.0**	47.8
Intra-Group	**-0.3**	-0.5	**-2.5**	-3.2
Total	**50.9**	53.7	**243.0**	242.5

** Note: This primary segment information is by geographical areas and it has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales/profit 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.

*** Note: This secondary segment information is by product lines. Lures, Fishing Hooks, Fishing Lines and Fishing Accessories include Group branded fishing tackle products. Third Party Fishing Products include non-Group branded fishing products, mostly rods and reels. Other Products include non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses. As a result of the strategically important acquisition of Sufix trademark and the additional emphasis on fishing lines, Rapala has added Fishing Lines to the product line based business segments.

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	I	II	III	**IV**	**I-IV**
MEUR	2007	2007	2007	2007	2007	2008	2008	2008	**2008**	**2008**
Net sales	63.4	73.4	52.0	53.7	242.5	65.1	74.2	52.7	**50.9**	**243.0**
EBITDA	12.3	12.6	4.6	4.3	33.8	12.2	15.4	5.2	**4.8**	**37.5**
Operating profit (EBIT)	12.0	11.0	2.9	2.4	28.3	10.6	13.8	3.6	**3.2**	**31.3**
Profit before taxes	11.0	9.8	1.4	1.1	23.3	9.3	12.8	2.6	**1.9**	**26.5**
Net profit for the period	7.7	6.7	1.1	2.0	17.5	6.8	9.4	2.0	**1.0**	**19.2**

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

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 2007, except for the adoption of new interpretations: IFRIC 11, IFRIC 12 and IFRIC 14. Adoption of these interpretations did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Definition of key figures

Definitions of key figures used in the interim report are consistent with those used in the Annual Report 2007.

Use of estimates

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.

Rounding of figures

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

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 2008. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

At December 31, 2008, the book value of inventories differed from its net realizable value by 2.4 MEUR (2.4 MEUR at December 31, 2007).

Assets held-for-sale and sale of assets

As part of the consolidation of French operations, Rapala sold the warehouse and office building in Saint Marcel in January 2008. This resulted in a capital gain of 1.2 MEUR. In September 2008, Rapala also sold the building in Loudeac. This resulted in a capital gain of 0.2 MEUR.

Acquisition of Sufix brand

In July 2008, Rapala and Yao I Co ltd (“Yao I”), one of the leading manufacturers of fishing line in the world having its offices in Changhua, Taiwan, and fishing line factories in Taiwan and China, concluded an exclusive supply agreement for the supply of fishing lines. In connection with this arrangement, Yao I sold its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), to Rapala. The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business, is 10 MUSD and will be paid over a seven-year period. In addition, Rapala paid 1.7 MUSD for Sufix fishing line inventories in the USA.

Impact of acquisitions on the consolidated financial statements

Rapala increased its ownership in the Finnish cross-country ski manufacturer Peltonen Ski Oy from 80% to 90% in January 2008, ownership in the Lithuanian distribution company from 82% to 100% in March 2008 and ownership in the distribution company in Thailand from 80% to 100% in September 2008. These acquisitions do not have a material impact on the Group’s financial statements for January-December 2008. Rapala also made the final payment of the Terminator acquisition (0.2 MEUR) closed in 2007, the final payment of the Freetime acquisition (0.1 MEUR) closed in 2005 and a payment of the minority acquisition of Normark Innovation Inc. (0.1 MEUR) closed last year.

Commitments MEUR	**Dec 31** **2008**	Dec 31 2007
On own behalf		
Business mortgages	**16.1**	16.1
Guarantees	**0.3**	0.3
Minimum future lease payments on operating leases	**11.3**	9.5

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-IV 2008					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**0.2**	**0.1**	**0.0**	**0.0**
Management	**-**	**0.2**	**0.0**	**0.0**	**0.0**
I-IV 2007					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.1	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, 2008				
Foreign currency forwards	**7.2**	**0.3**	**-**	**0.3**
Interest rate swaps	**14.1**	**0.0**	**0.4**	**-0.4**
Total	**21.3**	**0.3**	**0.4**	**-0.1**
Dec 31, 2007				
Foreign currency forwards	7.9	-	0.1	-0.1
Interest rate swaps	12.9	-	0.0	0.0
Total	20.8	-	0.2	-0.2

Group’s financial risks and hedging principles are described in detail in the Annual Report 2007.

Non-recurring income and expenses in operating profit MEUR	**IV** **2008**	IV 2007	**I-IV** **2008**	I-IV 2007
Sale of 50% of Rapala Shimano East Europe Oy	**-**	4.9	**-**	4.9
Consolidation of French operations	**0.1**	-2.7	**-0.1**	-2.8
Closure of Irish lure factory	**-**	-1.1	**0.0**	-1.1
Sale of French warehouse and office building	**-**	-	**1.4**	-
Other disposals of assets	**-**	0.0	**0.0**	0.4
Excess of Group’s interest in the net fair values of acquired net assets over costs (negative goodwill)	**-**	-0.2	**0.0**	1.0
Other restructuring costs	**-0.1**	-0.1	**-0.3**	-1.0
Other non-recurring items	**-**	-	**-0.2**	0.1
Total	**0.0**	0.7	**0.8**	1.6

Share-based payments

The Group had two separate share-based payment programs in place on December 31, 2008: one stock option program and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Report 2007. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the programs in place is 2.4 MEUR. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share options were granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. On March 31, 2008, the exercise period for the 2003B stock option program expired. The 2004A stock option program is exercisable between March 31, 2007 to March 31, 2009 at an exercise price of 5.96 EUR per share, the 2004B stock option program is exercisable between March 31, 2008 and March 31, 2010 at an exercise price of 6.09 EUR, the 2006A synthetic option program is exercisable between March 31, 2009 and March 31, 2011 at an exercise price of 6.14 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.14 EUR. The exercise prices have been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period. Applying of IFRS 2 reduced operating profit with 0.8 MEUR in 2007 and increased operating profit with 0.3 MEUR in 2008 mainly due to change in fair value of synthetic option program.

Shares and share capital

Based on authorization given by the Annual General Meeting 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 Annual General Meeting. 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 Annual General Meeting.

Until October 24, 2008 Rapala's shares were divided to two classes: 38 578 769 old shares (trading code RAP1V) and 889 680 new restricted shares (RAP1VN0107). The new class of shares was combined to the old class of shares on October 24, 2008 when the difference regarding the right to dividend between the classes ended. The new restricted shares did not give right to dividend paid from the financial year 2007 and they had a lock-up period of 12-months.

On December 31, 2008, 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 January-December 2008 was 39 468 449. On April 23, 2008 the Board decided to start buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. The repurchasing of shares ended on December 31, 2008. At December 31, 2008 Rapala held 212 665 of its own shares, representing 0.5% of the total number of Rapala shares and the total voting rights. The average price for the repurchased own shares was EUR 4.01.

As a result of the share subscriptions with the 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 80 955 EUR and the number of shares by a maximum of 899 500 shares. The shares that can be subscribed with these stock options correspond to 2.3% of the Company's shares and voting rights.

Rapala VMC Corporation

During the year 4 144 626 shares (8 684 433 shares) were traded. The shares traded at a high of 5.65 EUR and a low of 2.95 EUR during the period. The closing share price at the end of the period was 3.48 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 fast. Accordingly, Group management continued to develop risk management practices during 2008. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2007 and will be updated in the Annual Report 2008 (published on week 12), see www.rapala.com.

Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's deliveries and sales as well as operating profit have traditionally been seasonally stronger in the first half of the financial year compared to the second half. The seasonality of the fishing tackle business has been reduced during the last few years by expanding the Group’s operations in the southern hemisphere and closer to equator by acquisitions, start-ups and expanding existing operations. Even if more than 40% of the net sales were generated during the second half of the year, almost 80% of the operating profit was still generated in the first six months of 2008. In 2008, deliveries to customers realized mostly according to plan, without any material operative problems in the supply chain. Group's sales are also to some extent affected by the weather. Mild winters in the past two years have had some negative knock-on impacts on this season's winter sports equipment sales.

Even if 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 if retailers reduce their inventory levels. While continuing, these uncertainties may also affect the amount retailers invest in advertising and promotions, which may affect consumer spending at least temporarily. Also quick and strong increases in living expenses, like interest rates on mortgages and price of fuels, may temporarily affect consumer spending also in fishing tackle, as was seen especially in North America during 2008.

The truly global nature of Group's sales and operations is spreading the market risks caused by the current uncertainties in the global economy. Already in 2007, the Group started initiatives to improve the performance of its own operations and actively monitors the performance of its customers and other counterparties.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar. 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 future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance to IAS 39, also the change in fair value of these unrealized currency hedging agreements have an impact on the Group's operating profit.

Increase of prices of certain raw materials and salaries, especially in China, have impacted Group's profitability. Group has successfully introduced price increases targeted to offset at least part of these effects.

The integration of the new Sufix-fishing line business to the Group's 28 distribution companies will require special attention of the management also in 2009.

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