INTERIM REPORT JANUARY TO MARCH 2009 – STRONG START FOR THE YEAR

- Net sales for the first quarter reached last year levels at 65.0 MEUR (I/08: 65.1 MEUR).
- First quarter operating profit, excluding non-recurring items, was supported by the results of the performance improvement initiatives and the positive effects of foreign exchange movements and reached 10.1 MEUR (9.6 MEUR). Reported operating profit was 10.0 MEUR (10.6 MEUR).
- Net profit for the first quarter was 6.2 MEUR (6.8 MEUR). Earnings per share were 0.15 EUR (0.16 EUR).
- Cash flow from operating activities was -19.8 MEUR (-16.3 MEUR) for the first quarter as a result of seasonal increase in trade receivables and inventories.
- The major working capital initiative started last November progressed on plan and the results should start to materialize gradually from the second quarter onwards. The general financial situation and simultaneous working capital actions of several customers make the initiative a bit more challenging but clear improvement is expected by the end of the year with additional improvement continuing in 2010.
- In the first 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. Several new performance improvement initiatives were started during the quarter targeting at cost savings and increase of productivity. Manufacturing volumes have also been adjusted to support the ongoing working capital initiative.
- It is expected that the net sales for 2009 will be at previous year levels. Excluding non-recurring items, the target is to maintain the operating margin quite close to the good levels reached in 2008.

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

A conference call on the first quarter result will be arranged today at 11 am Finnish time (10 am CET). Please dial +44 (0)20 7784 1038 or +1 347 366 9564 (pin code: 122932#) 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: 122932#) to dial is +44 (0)20 7806 1970. Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

Despite the continued uncertainties and bad news regarding the world economy, a good winter helped the first quarter market situation in the Nordic countries. Consequently, winter sports and winter fishing sales were up compared to last year. On the other hand, cold winter and late spring affected negatively the net sales of fishing tackle. Additional price increases were introduced in many countries to compensate for the strong weakening of local currencies. In North America, the sales were on last year levels but the strengthening of the US dollar increased the net sales. The general market conditions in Asia and Australia continued tight during the first quarter but many of the Asian distribution units improved their sales from last year.

Net sales for January to March, which traditionally is the second best quarter due to seasonality, were on last year levels at 65.0 MEUR (2008: 65.1 MEUR). The net effect of the strengthening of the US dollar (USD) and weakening of Russian ruble and many other currencies increased the net sales for the first quarter by 0.4 MEUR.

Due to the changes in International Financial Reporting Standards (IFRS 8), the Group has redefined its operating segments, which now consist of Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products include the following product lines: Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories. Other Group Products include Group manufactured and/or branded 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.

Net sales of Group Fishing Products, supported by the sales of new Sufix fishing lines and strengthening of USD, were up 11% from last year and amounted to 37.4 MEUR (33.7 MEUR). Net sales of Other Group Products decreased 21% to 3.8 MEUR (4.8 MEUR) as a result of reduced sales of gift products and subcontracting services while sales of winter sports equipment was strong. Net sales of Third Party Products decreased 11% to 24.0 MEUR (26.9 MEUR) because of weakening of many East European and Scandinavian currencies.

Net sales in North America increased 12% as a result of strengthening of the USD while the sales in local currencies were at last year levels. In the Nordic countries, net sales increased 17% due to good winter sports and winter fishing sales. Weakening of many East European currencies resulted in the fall of net sales in Rest of Europe by 14%. Net sales in Rest of the World were 21% above last year as a result of the new sales of Sufix products, good performance in many Asian distribution units and strengthening of USD.

Financial Results and Profitability

First quarter operating profit, excluding non-recurring items, was supported by the results of the performance improvement initiatives and the positive effects of foreign exchange movements, and reached 10.1 MEUR (9.6 MEUR). Operating margin, excluding non-recurring items, was 15.5% (14.7%). Due to the increased inventory levels, the foreign exchange effect on purchases hits the cost of goods sold on average almost one year after the actual change in the currencies.

Key Figures	**I**	I	I-IV
MEUR	**2009**	2008	2008
Net sales	**65.0**	65.1	243.0
EBITDA as reported	**11.6**	12.2	37.5
EBITDA excl. one-off items	**11.7**	11.2	36.7
Operating profit as reported	**10.0**	10.6	31.3
Operating profit excl. one-offs	**10.1**	9.6	30.5

Reported operating profit was 6% behind last year at 10.0 MEUR (10.6 MEUR) and operating margin decreased to 15.5% (16.3%) due to the non-recurring (net) gain in 2008 result. Return on capital employed was 19.3% (22.8%).

Operating profit of Group Fishing Products increased 42% from last year as a result of increased sales and positive effect from currency movements and reached 7.8 MEUR (5.5 MEUR). Operating profit of Other Group Products dropped to 0.1 MEUR (1.6 MEUR) as a result of reduced subcontracting sales and the 1.3 MEUR non-recurring gain recorded in 2008. Operating profit of Third Party Products decreased to 2.2 MEUR (3.5 MEUR) due to negative currency movements and reduced sales.

Financial (net) expenses were 1.6 MEUR (1.3 MEUR). Net interest expenses were 0.9 MEUR (1.4 MEUR) and (net) currency exchange losses 0.6 MEUR (0.1 MEUR gain).

Net profit for the first quarter decreased to 6.2 MEUR (6.8 MEUR). Minority interest decreased to 0.2 MEUR (0.5 MEUR). Earnings per share were 0.15 EUR (0.16 EUR).

Cash Flow and Financial Position

Cash flow from operating activities decreased from last year as a result of increased working capital and amounted to -19.8 MEUR (-16.3 MEUR). The growth in working capital came from trade receivables and inventories that increased seasonally but were also up from last March.

The major working capital initiative started last November progressed during the first quarter on plan and the results should start to materialize gradually from the second quarter onwards. The general economic situation and simultaneous working capital actions of several customers make the initiative a bit more challenging but clear improvement is expected by the end of the year with additional improvement continuing in 2010. This initiative includes a wide variety of actions to develop the Group supply chains, change ways of working in production planning and internal order management and to implement IT systems to support the new processes.

Cash used in investing activities amounted to 0.5 MEUR (2.0 MEUR). In addition to normal capital expenditure of 1.5 MEUR (1.7 MEUR), it included 1.0 MEUR proceeds from sale of assets (0.1 MEUR).

Net interest-bearing debt increased seasonally but was also up from last March at 112.3 MEUR (Dec 2008: 89.5 MEUR) due to higher level of working capital. The liquidity of the Group remained good throughout the quarter. Equity-to-assets ratio was 35.3% (Dec 2008: 38.0%) and gearing 101.7% (Dec 2008: 86.4%). Both ratios weakened slightly from March 2008.

Strategy Implementation - Growth

During the first quarter, 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 extensions of current product categories as well as special marketing, sales, and brand initiatives continued.

Integration of the new Sufix business acquired in 2008 progressed on plan and sales of Sufix fishing lines have had a strong start. Rapala aims to expand its fishing line sales in the next 2-3 years to above 20 MEUR. The strategic long-term target is to 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 sales of the new Trigger X products with fish pheromones have started well with selected distribution channels. These new products will be offered later on to a wider distribution in line with the ongoing increase of production capacity.

Strategy Implementation - Profitability

Strong emphasis on performance improvement initiatives continued in the first quarter of 2009. Several new performance improvement initiatives were started targeting at cost savings and increase of productivity.

The performance improvement initiatives at the Group's manufacturing facilities in China proceeded with major operational changes. 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 2 100 persons since March 2008. Further development and fine-tuning of the new operating model in the Chinese manufacturing operations will continue during the second and third quarter of 2009.

The consolidation of the French operations will be finalized when the hook distributor VMC Europe completes its move into joint premises during summer 2009 but benefits from the restructuring have already started to materialize. After all relocations have been completed and the new organisation is fully operational, the annual savings in France are expected to reach 1-2 MEUR.

Total headcount in the end of March was at 2 393 (March 2008: 4 692), down almost 50% from the same time last year. This decrease results mainly from the changes in the operating model in the Group Chinese manufacturing unit but consolidation of French operations, restructuring of European lure manufacturing and adjusting manufacturing volumes to support ongoing working capital project have also resulted in a further reduction of almost 200 employees. At the same time, new personnel have been recruited to the new Sufix business and few distribution units.

Short-term Outlook

Since the beginning of the year, there has been no material change in the market situation and outlook for 2009, which remains challenging. The slowdown and uncertainty in North America and European economies as well as in many Asian countries are expected to continue during 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.

Despite this challenging market situation, it is expected that the net sales for 2009 will be at previous year levels. Excluding non-recurring items, the target is to maintain the operating margin quite close to the good levels reached in 2008.

While the Group continues to implement its strategy for profitable growth, reducing working capital and 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.

Second quarter interim report will be published on July 24.

Helsinki, April 28, 2009

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INCOME STATEMENT	I	I	I-IV
MEUR	**2009**	2008	2008
Net sales	**65.0**	65.1	243.0
Other operating income	**0.4**	1.5	3.1
Cost of sales	**35.5**	34.7	135.3
Other costs and expenses	**18.3**	19.8	73.2
EBITDA	**11.6**	12.2	37.5
Depreciation and amortization	**1.5**	1.6	6.2
Operating profit	**10.0**	10.6	31.3
Finance income and expenses	**1.6**	1.3	4.8
Share of results in associates	**0.0**	0.0	0.0
Profit before taxes	**8.5**	9.3	26.5
Income taxes	**2.3**	2.5	7.3
Net profit for the period	**6.2**	6.8	19.2
Attributable to:			
Equity holders of the Company	**6.0**	6.3	17.7
Minority interest	**0.2**	0.5	1.6
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, EUR (diluted = non-diluted)	**0.15**	0.16	0.45

STATEMENT OF COMPREHENSIVE INCOME	I	I	I-IV
MEUR	**2009**	2008	2008
Net profit for the period	**6.2**	6.8	19.2
Other comprehensive income			
Exchange differences on translating foreign operations	**1.6**	-3.6	-1.2
Cash flow hedges	**-0.1**	-0.2	-0.2
Hedges of net investments	**-0.9**	-0.1	-2.8
Available-for-sale financial assets	**-**	-	-0.1
Total other comprehensive income, net of tax	**0.6**	-3.8	-4.3
Total comprehensive income for the period	**6.7**	3.0	14.9
Total comprehensive income attributable to:			
Equity holders of the Company	**6.6**	2.5	13.4
Minority interest	**0.1**	0.5	1.6

STATEMENT OF FINANCIAL POSITION MEUR	**Mar 31 2009**	Mar 31 2008	Dec 31 2008
ASSETS			
Non-current assets			
Intangible assets	**58.9**	49.4	57.6
Property, plant and equipment	**28.7**	27.8	28.7
Non-current financial assets			
Interest-bearing	**0.5**	0.6	0.5
Non-interest-bearing	**8.5**	7.6	7.7
	96.6	85.4	94.6
Current assets			
Inventories	**112.3**	89.0	98.4
Current financial assets			
Interest-bearing	**0.4**	0.1	0.4
Non-interest-bearing	**72.8**	75.1	49.5
Cash and cash equivalents	**30.8**	24.9	30.6
	216.4	189.1	178.9
Assets classified as held-for-sale	**-**	0.5	-
Total assets	**313.0**	275.0	273.4
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**108.3**	98.6	101.7
Minority interest	**2.0**	1.2	1.9
	110.4	99.8	103.7
Non-current liabilities			
Interest-bearing	**44.0**	48.6	42.8
Non-interest-bearing	**11.0**	6.7	10.5
	55.0	55.2	53.3
Current liabilities			
Interest-bearing	**100.1**	73.5	78.1
Non-interest-bearing	**47.5**	46.4	38.3
	147.5	119.9	116.4
Total equity and liabilities	**313.0**	275.0	273.4

KEY FIGURES	**I 2009**	I 2008	I-IV 2008
EBITDA margin, %	**17.8%**	18.8%	15.5%
Operating profit margin, %	**15.5%**	16.3%	12.9%
Return on capital employed, %	**19.3%**	22.8%	16.9%
Capital employed at end of period, MEUR	**222.7**	196.3	193.2
Net interest-bearing debt at end of period, MEUR	**112.3**	96.5	89.5
Equity-to-assets ratio at end of period, %	**35.3%**	36.3%	38.0%
Debt-to-equity ratio at end of period, %	**101.7%**	96.7%	86.4%
Earnings per share, EUR	**0.15**	0.16	0.45
Fully diluted earnings per share, EUR	**0.15**	0.16	0.45
Equity per share at end of period, EUR	**2.76**	2.50	2.59
Average personnel for the period	**2 446**	4 398	4 143

STATEMENT OF CASH FLOWS MEUR	**I 2009**	I 2008	I-IV 2008
Net profit for the period	**6.2**	6.8	19.2
Adjustments to net profit for the period *	**5.2**	5.0	13.0
Financial items and taxes paid and received	**-2.2**	-2.8	-14.0
Change in working capital	**-29.0**	-25.3	-12.7
Net cash generated from operating activities	**-19.8**	-16.3	5.4
Investments	**-1.5**	-1.7	-7.1
Proceeds from sales of assets	**1.0**	0.1	2.2
Sufix brand acquisition	**-**	-	-1.5
Acquisition of subsidiaries, net of cash	**-**	-0.3	-0.5
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-0.5**	-2.0	-6.8
Dividends paid	**-**	-	-6.9
Net funding	**20.1**	16.7	11.9
Purchase of own shares	**0.0**	-	-0.9
Net cash generated from financing activities	**20.1**	16.7	4.1
Adjustments	**0.2**	-0.2	0.9
Change in cash and cash equivalents	**0.0**	-1.8	3.6
Cash & cash equivalents at the beginning of the period	**30.6**	27.3	27.3
Foreign exchange rate effect	**0.3**	-0.7	-0.4
Cash and cash equivalents at the end of the period	**30.8**	24.9	30.6

* 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								
	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Minority interest	**Total equity**
Equity on Jan 1, 2008	**3.6**	**16.7**	**0.0**	**-9.8**	**4.9**	**-**	**80.6**	**0.9**	**96.9**
Comprehensive income*	-	-	-0.2	-3.6	-	-	6.3	0.5	**3.0**
Share based payment	-	-	-	-	-	-	0.1	-	**0.1**
Other changes	-	-	-	-	-	-	0.0	-0.2	**-0.2**
Equity on Mar 31, 2008	**3.6**	**16.7**	**-0.2**	**-13.4**	**4.9**	**-**	**87.1**	**1.2**	**99.8**
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	0.7	-	-	6.0	0.1	**6.7**
Purchase of own shares	-	-	-	-	-	-0.0	-	-	**-0.0**
Equity on Mar 31, 2009	**3.6**	**16.7**	**-0.3**	**-13.0**	**4.9**	**-0.9**	**97.5**	**2.0**	**110.4**

* For the period (net of tax)

SEGMENT INFORMATION*	I	I	I-IV
MEUR	**2009**	2008	2008
Net Sales by Operating Segment			
Group Fishing Products	**37.4**	33.7	120.4
Other Group Products	**3.8**	4.8	22.7
Third Party Products	**24.0**	26.9	100.7
Intra-Group	**-0.1**	-0.3	-0.9
Total	**65.0**	65.1	243.0
Operating Profit by Operating Segment			
Group Fishing Products	**7.8**	5.5	19.1
Other Group Products	**0.1**	1.6	2.2
Third Party Products	**2.2**	3.5	10.0
Total	**10.0**	10.6	31.3

Assets by Operating Segment	**Mar 31 2009**	Mar 31 2008	Dec 31 2008
Group Fishing Products	**184.9**	157.1	167.5
Other Group Products	**10.7**	12.3	9.3
Third Party Products	**85.7**	80.1	65.3
Intra-Group	**-0.1**	-0.1	-0.1
Total non-interest-bearing assets	**281.2**	249.4	242.0
Unallocated interest-bearing assets	**31.8**	25.6	31.4
Total assets	**313.0**	275.0	273.4
Liabilities by Operating Segment			
Group Fishing Products	**33.3**	29.9	30.1
Other Group Products	**2.1**	3.9	2.6
Third Party Products	**23.1**	19.4	16.1
Intra-Group	**-0,1**	-0.1	-0.1
Non-interest-bearing liabilities total	**58.5**	53.1	48.8
Unallocated interest-bearing liabilities	**144.1**	122.1	121.0
Total liabilities	**202.6**	175.2	169.7

	I	I	I-IV
MEUR	**2009**	2008	2008
Net Sales by Area**			
North America	**19.5**	17.4	57.5
Nordic	**35.8**	30.6	105.9
Rest of Europe	**25.5**	29.7	101.3
Rest of the world	**16.2**	13.4	54.3
Intra-Group	**-32.0**	-25.9	-76.0
Total	**65.0**	65.1	243.0

* The new operating segments (IFRS 8) 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 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**
MEUR	2008	2008	2008	2008	2008	**2009**
Net sales	65.1	74.2	52.7	50.9	243.0	**65.0**
EBITDA	12.2	15.4	5.2	4.8	37.5	**11.6**
Operating profit (EBIT)	10.6	13.8	3.6	3.2	31.3	**10.0**
Profit before taxes	9.3	12.8	2.6	1.9	26.5	**8.5**
Net profit for the period	6.8	9.4	2.0	1.0	19.2	**6.2**

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 2008, except for the adoption of the new or amended standards and interpretations. Adoption of the amended standard IAS 1 affected the presentation of Group's consolidated financial statements, especially the consolidated income statement and the statement of changes in equity. Adoption of IFRS 8 changed the presentation of segment information. Adoption of IAS 23, IAS 32, IFRS 2 and IAS 39/IFRS 7 as well as the new interpretation IFRIC 13 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 2008.

Use of estimates and rounding of figures

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

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

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for January-March 2009. 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 March 31, 2009, the book value of inventories differed from its net realizable value by 2.4 MEUR (2.3 MEUR at March 31, 2008 and 2.4 MEUR at December 31, 2008).

Assets held-for-sale and sale of assets in 2008

As part of the consolidation of French operations, Rapala sold few warehouses and office buildings in France in 2008. This resulted in a capital gain of 1.4 MEUR in 2008.

Non-recurring income and expenses included in operating profit	**I**	I	I-IV
MEUR	**2009**	2008	2008
Consolidation of French operations	**-**	-0.1	-0.1
Closure of Irish lure factory	**-0.1**	-	0.0
Sale of French warehouse and office building	**-**	1.3	1.4
Other restructuring costs	**-**	-0.2	-0.3
Other non-recurring items	**-**	-	-0.2
Total	**-0.1**	1.0	0.8

Commitments MEUR	**Mar 31 2009**	Mar 31 2008	Dec 31 2008
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.3**	0.6	0.3
Minimum future lease payments on operating leases	**9.9**	9.2	11.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I 2009					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**0.0**	**0.0**	**0.0**	**-**
Management	**-**	**0.0**	**0.0**	**-**	**-**
I 2008					
Associated company Lanimo Oü	-	-	-	0.0	-
Entity with significant influence over the Group	-	0.1	0.0	0.0	-
Management	0.0	0.0	-	0.0	-
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

* 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**
March 31, 2009				
Foreign currency forwards	**4.9**	**0.4**	**-**	**0.4**
Interest rate swaps	**124.5**	**0.1**	**0.5**	**-0.5**
Total	**129.4**	**0.5**	**0.5**	**0.0**
March 31, 2008				
Foreign currency forwards	9.5	-	0.5	-0.5
Interest rate swaps	14.4	0.0	0.4	-0.4
Total	23.9	0.0	0.9	-0.9
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

Group’s financial risks and hedging principles are described in detail in the Annual Report 2008.

Share-based payments

The Group had two separate share-based payment programs in place on March 31, 2009: 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 2008. 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 1.4 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. Regarding the option programs in place, 454 750 share options (2004B) were granted on June 8, 2004, 46 250 share options (2004B) on February 14, 2006 and 978 500 synthetic options (2006A and 2006B) on December 14, 2006. On March 31, 2009, the exercise period for the 2004A stock option program expired. 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 increased operating profit with 0.3 MEUR in January-December 2008, reduced operating profit by 0.2 MEUR in Jan-Mar 2008 and reduced operating profit 0.1 MEUR in Jan-Mar 2009 mainly due to change in fair value of synthetic option program.

In March 2009, Rapala announced that its Board had approved a new share-based incentive plan (Plan) for the Group's key personnel. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares. The Plan includes one earning period, which commenced on January 1, 2009 and will end on December 31, 2010. The potential reward from the Plan will be based on the Rapala's earnings per share (EPS) in 2010. The potential reward from the Plan will be paid as the Company's shares in 2011. The target group of the Plan consists of some 20-40 key employees. The gross rewards to be paid on the basis of the Plan will correspond to the value of a maximum total of 200 000 Rapala shares. The grant date for the Plan was not before the end of March 2009 and, accordingly, it has not had any impact on operating profit.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2008, 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.

On March 31, 2009, 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-March 2009 was 39 468 449. On February 6, 2009 the Board decided to continue 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 March 30, 2009. At March 31, 2009 Rapala held 221 936 of its own shares, representing 0.6% of the total number of Rapala shares and the total voting rights. The average price for the repurchased own shares in January-March 2009 was EUR 3.82.

As a result of the share subscriptions with the 2004B stock option program, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 39 780 EUR and the number of shares by a maximum of 442 000 shares. The shares that can be subscribed with these stock options correspond to 1.1% of the Company's shares and voting rights.

During the first quarter of 2009, 1 133 539 shares (1 141 649 shares) were traded. The shares traded at a high of 4.11 EUR and a low of 3.50 EUR during the period. The closing share price at the end of the period was 3.95 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 has continued to develop risk management practices and this work continues also in 2009. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2008, 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. In 2008 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. In 2009, deliveries to customers have started 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. In several areas, the current winter season has turned out to be longer than last year, which has supported the sales of winter sports equipment but simultaneously delayed the beginning of summer season sales. Consequently, the inventory levels of summer fishing products are in the end March to some extent higher than anticipated. Accordingly, the importance of reducing inventory levels and working capital in general is very high in order not to breach the bank covenant on cash flow to debt service. This covenant is measured on a quarterly basis and its minimum requirement increases from the end of March to the end of June 2009. Due to the ongoing working capital initiatives, the Company considers it reasonable to meet this ambitious target.

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 when retailers reduce their inventory levels and face financial challenges. 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 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 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. Especially, the importance of cash collection and credit risk management has increased and this may affect sales to some customers.

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 some of the 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. In some countries, the local currency weakened dramatically during the second half of last year. This weakening has been taken into account in price setting but it is still uncertain how this will impact consumer behavior.

The integration of the new Sufix-fishing line business to the Group's distribution network in 27 countries has progressed well but will still require special attention of the management.

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