RAPALA VMC CORP.

FINANCIAL STATEMENTS 2012

RAPALA VMC CORPORATION FINANCIAL STATEMENTS 2012

REVIEW OF THE BOARD OF DIRECTORS

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.

KEY FIGURES

EUR MILLION	**2012**	2011	2010
Net sales	**290.7**	279.5	269.4
EBITDA	**32.6**	37.7	37.4
Operating profit	**25.9**	30.7	31.3
Profit before taxes	**21.0**	25.2	29.5
Net profit for the period	**13.9**	17.2	20.7
Employee benefit expenses	**62.6**	62.4	59.1
Average personnel for the period, persons	**2 127**	2 208	2 317
Research and development expenses	**2.0**	2.1	2.1
as a percentage of net sales	**0.7%**	0.7%	0.8%
Net cash generated from operating activities	**25.2**	15.2	13.0
Total net cash used in investing activities	**13.6**	9.6	13.2
Net interest-bearing debt at the end of the period	**89.9**	91.1	89.9
Equity-to-assets ratio at the end of the period	**42.3%**	43.2%	42.6%
Debt-to-equity ratio (gearing) at the end of the period	**65.1%**	67.1%	69.5%
Return on equity	**10.2%**	13.0%	17.2%

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 increased by 4% to EUR 290.7 million (EUR 279.5 million), reaching an all time record. Changes in foreign exchange rates increased the sales by EUR 9.4 million. Establishment of new units and new ice fishing business offset by divestment of the gift business, increased net sales by EUR 1.3 million. With comparable exchange rates and organization structure net sales were at last year's level. New units and new ice business included, net sales increased by 4% compared to last year.

Sales of Group Products increased 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 7%. 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 9% 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 were supported by new sales of MarCum underwater cameras and sonars in North America.

In North America external sales were 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 sales were up 12% compared to last year.

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

Sales in Rest of Europe increased by 5%. 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 sales were down 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 12%. 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 EUR 26.5 million (EUR 30.5 million) for the year. Comparable operating profit margin was 9.1% (10.9%). Decline of the 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, as well as by foreign exchange rates. Profitability was also burdened by start-up expenses and lower than expected demand for products from the Group's new manufacturing facilities, divestment of the gift business and difficult 2011/2012 winter season.

Reported operating profit decreased to EUR 25.9 million (EUR 30.7 million). Reported operating profit included non-recurring costs of EUR 0.6 million (gain of EUR 0.2 million) related to the divestment of gift business and other non-recurring costs. Reported operating margin for 2012 was 8.9% (11.0%). Return on capital employed was 11.4% (13.8%).

Group Products' reported operating profit was EUR 18.9 million (EUR 22.4 million). Operating profit was negatively impacted by the divestment of the gift business. Excluding the impact of the gift divestment 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 EUR 7.0 million (EUR 8.4 million) impacted by lower margin third party ice fishing business, impact of currency exchange movements on purchases and inventory clearance initiatives.

2012 total financial (net) expenses decreased to EUR 4.9 million (EUR 5.5 million). Net interest and other financial expenses were close to last year's level at EUR 4.0 million (EUR 3.7 million). Financial items were positively impacted by the change in (net) currency exchange expenses of EUR 0.9 million (EUR 1.8 million).

Net profit and earnings per share decreased from last year's levels to EUR 13.9 million (EUR 17.2 million) and EUR 0.26 (EUR 0.36) 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.

MANAGEMENT ANALYSIS

EUR MILLION	2012	2011
Net sales as reported	**290.7**	**279.5**
EBITDA as reported	**32.6**	37.7
Non-recurring items included in EBITDA	**0.6**	-0.6
EBITDA excluding non-recurring items	**33.2**	37.1
Operating profit as reported	**25.9**	**30.7**
Reported operating profit margin	**8.9%**	11.0%
Non-recurring items included in operating profit	**0.6**	-0.2
Operating profit excluding non-recurring items	**26.5**	30.5
Comparable operating profit margin	**9.1%**	10.9%

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 EUR 25.2 million (EUR 15.2 million). Positive cash flow impact came from the net change in working capital, which was EUR 4.2 million (EUR -7.3 million). 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 EUR 4.9 million from last December and EUR 10.0 million from September 2012, amounting to EUR 110.6 million (EUR 115.5 million) in December. Inventories of the new ice fishing business, new business units and impact of currency movements increased year-end inventories by EUR 5.8 million, thus on comparable basis inventories reduced EUR 10.7 million 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 EUR 13.6 million (EUR 9.6 million). Operative capital expenditure was EUR 7.7 million (EUR 8.4 million). Investment activities in 2012 included the acquisition of the assets of Strike Master Corporation and Mora Ice brand with total of EUR 6.7 million and EUR 0.8 million (EUR 0.6 million) of proceeds related to the disposal of the gift business. Investment activities in 2011 include acquisition of UK joint venture of EUR 1.5 million.

In the end of 2012 net interest bearing debt reduced to EUR 89.9 million (EUR 91.1 million). 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.

PERSONNEL AND R&D

Number of personnel increased by 9% compared to last year and was 2 090 (1 921) at year-end, majority of the increase resulting from new manufacturing units on Batam Island. The average number of personnel decreased by 4% to 2 127 (2 208) mainly due to the divestment of the gift business.

Research and development expenses remained at last year's level at EUR 2.0 million (EUR 2.1 million).

ENVIRONMENTAL AND CORPORATE RESPONSIBILITY

The Group's operations are continuously developed into an even more sustainable direction to promote clean environment. Products, manufacturing processes and operating methods are developed to reduce the environmental impact throughout the products' lifecycle. The Group continuously seeks to replace current raw materials with more environmentally friendly substances – yet maintaining the products' desirability. The Group continuously develops the reporting and follow-up on environmental matters.

Environmental, economical and social responsibility issues are described in more detail in the Corporate Responsibility section of the corporate website (www.rapalavmc.com).

RISK MANAGEMENT

The objective of the Group's risk management is to support the implementation of the Group's strategy and execution of business targets. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by the Group management. The principles of the Group's risk management are described in detail in the section Risk Management included in the consolidated financial statements.

GOVERNANCE AND SHARE INFORMATION

The Board updated and approved the Corporate Governance Statement that is available on corporate website.

For information on shares, shareholders, share-based payment programs and Board's authorizations, see the section Shares and Shareholders. Related party transactions and top management remuneration are disclosed in the note 27.

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.

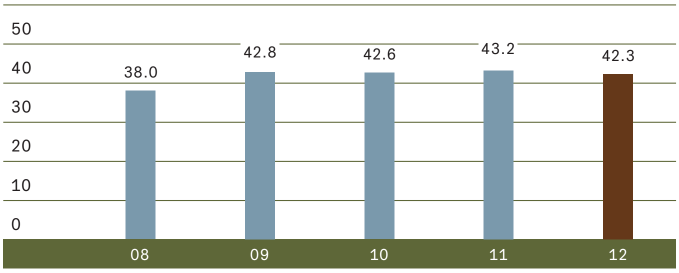
The Group's sales are expected to increase from last year and comparable operating profit, excluding non-recurring items and mark-to-market valuations of currency derivatives, to be EUR 30 million plus or minus 10%.

PROPOSAL FOR PROFIT DISTRIBUTION

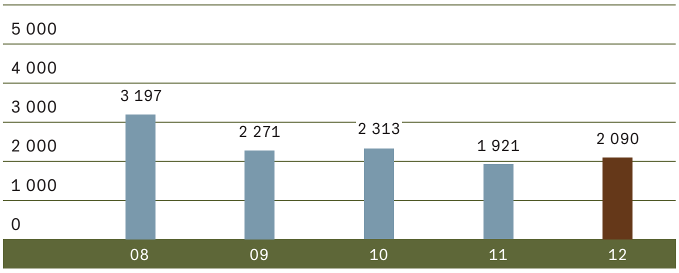
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 for 2012 (2011: EUR 0.23) per share be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2012 the distributable equity totaled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

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.

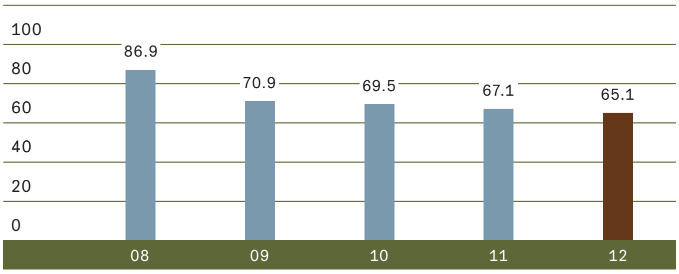
EQUITY-TO-ASSETS RATIO %



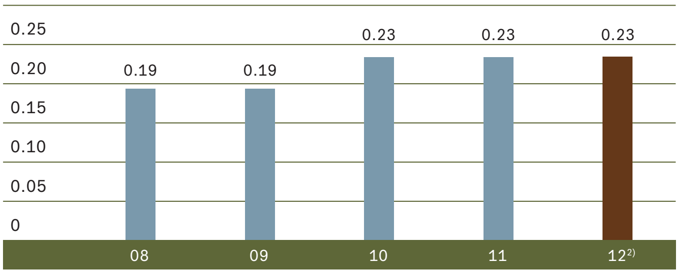
PERSONNEL AT THE END OF THE PERIOD



DEBT-TO-EQUITY RATIO (GEARING) %

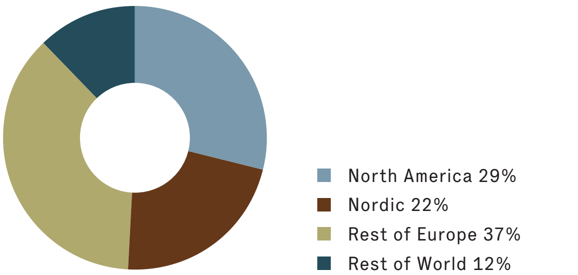


DIVIDEND 1)/SHARE, EUR

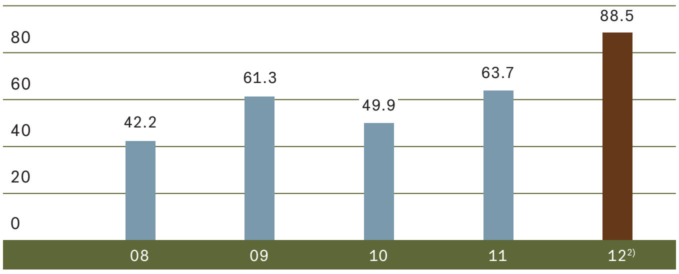


1) For the financial years
2) Board proposal

NET SALES BY UNIT LOCATION

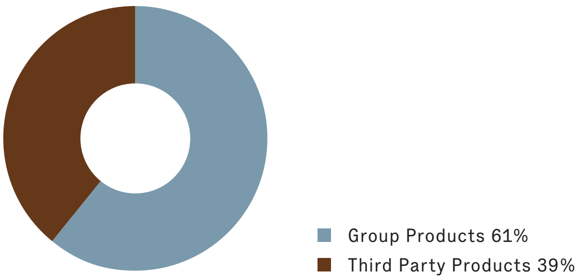


DIVIDEND 1)/EARNINGS RATIO, %

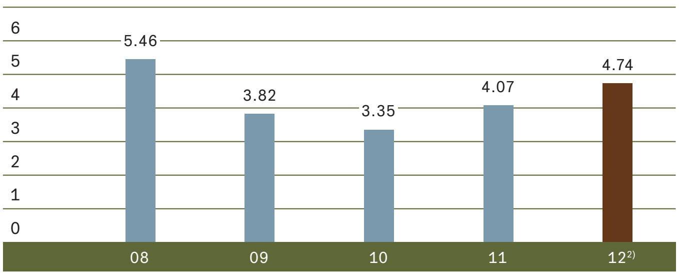


1) For the financial years
2) Board proposal

NET SALES BY OPERATING SEGMENTS



EFFECTIVE DIVIDEND YIELD, % 3)



2) Board proposal
3) Share price Dec. 31

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF RAPALA VMC CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rapala VMC Corporation for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 20 February 2013

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Ernst & Young Oy, Elielinaukio 5 B, 00100 Helsinki

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR MILLION	2012	2011	NOTE
Net sales	**290.7**	**279.5**	2
Other operating income	**1.3**	2.9	4
Change in inventory of finished products and work in progress	**-6.8**	4.0	
Production for own use	**0.2**	0.2	
Materials and services	**-134.1**	-133.2	6
Employee benefit expenses	**-62.6**	-62.4	7
Other operating expenses	**-55.8**	-53.3	5
Share of results in associates and joint ventures	**-0.3**	-0.1	13
Operating profit before depreciation and impairments	**32.6**	**37.7**	
Depreciation and impairments	**-6.8**	-7.0	11, 12
Operating profit	**25.9**	**30.7**	
Financial income and expenses	**-4.9**	-5.5	9
Profit before taxes	**21.0**	25.2	
Income taxes	**-7.1**	-8.0	10
NET PROFIT FOR THE PERIOD	**13.9**	**17.2**	
Attributable to			
Equity holders of the Company	**10.1**	14.0	
Non-controlling interests	**3.8**	3.2	
Earnings per share			29
Earnings per share, EUR	**0.26**	0.36	
Diluted earnings per share, EUR	**0.26**	0.36	
Weighted average number of shares, 1 000 shares	**38 885**	38 928	
Diluted weighted average number of shares, 1 000 shares	**38 885**	38 928	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	2012	2011
Net profit for the period	**13.9**	**17.2**
Other comprehensive income (net of tax) *		
Change in translation differences	**-0.3**	2.0
Gains and losses on cash flow hedges		
Gains and losses arising during the period	**-0.9**	-0.9
Reclassification adjustment for gains included in profit or loss	**0.3**	0.8
Gains and losses on cash flow hedges total	**-0.6**	**-0.1**
Gains and losses on hedges of net investment		
Gains and losses arising during the period	**0.2**	-0.4
Gains and losses on hedges of net investment	**0.2**	**-0.4**
Other comprehensive income for the period, net of tax *	**-0.8**	**1.5**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**13.2**	**18.7**
Attributable to		
Equity holders of the Company	**9.4**	15.8
Non-controlling interests	**3.7**	2.9

* The income tax relating to each of the component of the other comprehensive income is disclosed in the note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR MILLION	2012	2011	NOTE
ASSETS			
Non-current assets			
Goodwill	**46.5**	46.0	11
Trademarks	**21.7**	17.9	11
Customer relations	**2.2**	1.8	11
Other intangible assets	**2.3**	2.3	11
Land	**1.8**	1.8	12
Buildings and structures	**7.9**	7.7	12
Machinery and equipment	**15.0**	13.7	12
Other tangible assets	**4.2**	4.4	12
Advance payments and construction in progress	**0.5**	1.0	12
Investment in associates and joint ventures	**1.3**	1.5	13
Available-for-sale financial assets	**0.3**	0.3	14
Interest-bearing receivables [1)]	**3.7**	5.8	15
Non-interest-bearing receivables	**0.9**	0.2	15
Deferred tax assets	**8.7**	8.9	10
Total non-current assets	**116.9**	**113.2**	
Current assets			
Inventories	**110.6**	115.5	16
Trade and other non-interest-bearing receivables	**55.6**	53.9	15
Income tax receivable	**2.9**	1.5	
Interest-bearing receivables [1)]	**2.5**	1.1	15
Cash and cash equivalents [1)]	**38.2**	28.9	17
Total current assets	**209.7**	**201.0**	
Assets classified as held-for-sale		0.3	12
TOTAL ASSETS	**326.6**	**314.5**	

EUR MILLION	2012	2011	NOTE
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	**3.6**	3.6	
Share premium fund	**16.7**	16.7	
Fair value reserve	**-2.3**	-1.6	
Fund for invested non-restricted equity	**4.9**	4.9	
Own shares	**-3.4**	-2.6	
Retained earnings	**99.0**	93.6	
Net income for the period	**10.1**	14.0	
Equity attributable to equity holders of the Company	**128.6**	**128.6**	18
Non-controlling interests	**9.4**	7.2	
Total equity	**138.0**	**135.8**	
Non-current liabilities			
Interest-bearing liabilities [1)]	**78.7**	10.8	23
Non-interest-bearing liabilities	**4.8**	5.7	24
Employee benefit obligations	**1.4**	1.3	19
Deferred tax liabilities	**8.8**	8.3	10
Provisions	**0.1**	0.1	20
Total non-current liabilities	**93.8**	**26.2**	
Current liabilities			
Interest-bearing liabilities [1)]	**55.5**	116.2	23
Trade and other non-interest-bearing payables	**38.5**	36.2	24
Income tax payable	**0.7**	0.1	
Provisions	**0.0**	0.1	20
Total current liabilities	**94.8**	**152.5**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**326.6**	**314.5**	

1) Included in net interest-bearing debt.

Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities was redefined in 2012. All comparative periods have been restated accordingly.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR MILLION	2012	2011	NOTE
Net profit for the period	**13.9**	**17.2**	
Adjustments			
Income taxes	**7.1**	8.0	10
Financial income and expenses	**4.9**	5.5	9
Reversal of non-cash items			
Depreciation and impairments	**6.8**	7.0	11, 12
Share based payments	**0.3**	-0.3	7, 28
Exchange rate differences	**1.3**	-0.7	9
Share of results in associated companies and joint ventures	**0.2**	0.1	13
Gains/losses on disposals of intangible, tangible assets and subsidiaries	**-0.2**	-2.0	
Other items	**0.3**	0.0	
Total adjustments	**20.6**	**17.6**	
Financial items			
Interest paid	**-3.7**	-3.6	
Interest received	**0.6**	0.2	
Income taxes paid	**-7.7**	-8.2	
Dividends received	**0.0**	0.0	
Other financial items, net	**-2.8**	-0.8	
Total Financial items	**-13.6**	**-12.3**	
Change in working capital			
Change in receivables	**-2.5**	0.3	
Change in inventories	**6.9**	-4.6	
Change in liabilities	**-0.1**	-3.0	
Total change in working capital	**4.2**	**-7.3**	
Net cash generated from operating activities	**25.2**	**15.2**	
Net cash used in investing activities			
Proceeds from disposal of intangible assets		0.1	11
Acquisition of intangible assets	**-0.5**	-0.5	11
Proceeds from sale of tangible assets	**0.8**	0.6	12
Acquisition of tangible assets	**-7.2**	-7.9	12
Mora Ice and Strikemaster acquisitions	**-6.7**		3
Acquisition of Sufix trademark	**-0.8**	-0.7	3
Acquisition of Dynamite Baits, net of cash		-0.1	3
Acquisition of other subsidiaries, net of cash	**0.0**	0.0	3
Acquistion of joint venture Shimano Normark UK Ltd.		-1.5	3
Proceeds from disposal of Willtech Gift, net of cash	**0.8**	0.6	3
Change in interest-bearing receivables	**0.0**	0.0	
Total net cash used in investing activities	**-13.6**	**-9.6**	

EUR MILLION	2012	2011	NOTE
Net cash generated from financing activities			
Dividends paid to parent company shareholders	**-8.9**	-9.0	
Dividends paid to non-controlling interest	**-1.6**	-2.9	
Purchase of own shares	**-0.7**	-0.1	
Investment by non-controlling interest		0.0	
Non-current loan withdrawals	**93.2**		
Current loan withdrawals	**130.4**	111.4	
Non-current loan repayments	**-24.7**	-14.5	
Current loan repayments	**-189.7**	-90.0	
Payment of finance lease liabilities	**-0.1**	-0.1	
Total net cash generated from financing activities	**-2.2**	**-5.2**	
Adjustments	**0.2**	0.4	
Change in cash and cash equivalents	**9.6**	0.8	
Cash and cash equivalents at the beginning of the period	**28.9**	27.9	
Foreign exchange rate effect	**-0.4**	0.2	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**38.2**	**28.9**	17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
EUR MILLION	SHARE CAPITAL	SHARE PREMIUM FUND	FAIR VALUE RESERVE	FUND FOR INVESTED NON-RESTRICTED EQUITY	OWN SHARES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity on Jan. 1, 2011	**3.6**	**16.7**	**-1.5**	**4.9**	**-2.5**	**-6.0**	**106.7**	**7.4**	**129.2**
Net profit for the period							14.0	3.2	17.2
Other comprehensive income *									
Change in translation differences						2.3		-0.3	2.0
Gains and losses on cash flow hedges			-0.1						-0.1
Gains and losses on hedges of net investment						-0.4			-0.4
Total comprehensive income			**-0.1**			**1.9**	**14.0**	**2.9**	**18.7**
Purchase of own shares					-0.1				-0.1
Dividends paid							-9.0	-3.2	-12.1
Other changes								0.0	0.0
EQUITY ON DEC. 31, 2011	**3.6**	**16.7**	**-1.6**	**4.9**	**-2.6**	**-4.1**	**111.8**	**7.2**	**135.8**
Net profit for the period							**10.1**	**3.8**	**13.9**
Other comprehensive income *									
Change in translation differences						**-0.2**		**-0.1**	**-0.3**
Gains and losses on cash flow hedges			**-0.6**						**-0.6**
Gains and losses on hedges of net investment						**0.2**			**0.2**
Total comprehensive income			**-0.6**			**0.0**	**10.1**	**3.7**	**13.2**
Purchase of own shares					**-0.7**				**-0.7**
Dividends paid							**-8.9**	**-1.5**	**-10.4**
Share based payment							**0.3**		**0.3**
Other changes								**0.0**	**0.0**
EQUITY ON DEC. 31, 2012	**3.6**	**16.7**	**-2.3**	**4.9**	**-3.4**	**-4.1**	**113.2**	**9.4**	**138.0**

* Net of tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

Rapala VMC Oyj ("company") is a Finnish public limited liability company organized under the laws of Finland, domiciled in Asikkala and listed on the NASDAQ OMX Helsinki stock exchange since 1998. The parent company Rapala VMC Oyj and its subsidiaries ("the Group") operate in some 40 countries and the company is one of the leading fishing tackle companies in the world.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2012. The Board of Directors of the company has approved these financial statements for publication at its meeting on February 5, 2013. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

A copy of the consolidated financial statements is available at the Group's website www.rapalavmc.com or from Arabiankatu 12, 00560 Helsinki, Finland.

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2012. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation. The Group has not early adopted any new, revised or amended standards or interpretations.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated.

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted in 2012 the following revised or amended standards.

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (amendment). The amendment adds disclosure requirements related to transfers of financial assets and derecognition of financial assets. The amendment did not have a material impact on the Group's consolidated financial statements.
- IAS 12 Income Taxes (amendment). The amendment added an exception that the measurement of deferred tax assets or liabilities arising on investment property measured at fair value according to IAS 40 is based on a rebuttable presumption that investment property is recovered entirely by sale. The amendment did not have a material impact on the Group's consolidated financial statements.

Additionally, the IFRS standards' annual improvement project's amendments which have been approved for application in the EU have been taken into account in the consolidated financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN 2013–2016

In 2013, the Group will adopt the following new, revised or amended standards.

- IFRS 7 Disclosures (amendment) and IAS 32 Presentation - Offsetting Financial Assets and Liabilities. The amendments to the standards will affect on the requirement to offset financial assets and liabilities and related disclosure requirements. The changes will not have a material impact on the Group's consolidated financial statements.
- IAS 1 Presentation of Items of Other Comprehensive Income (amendment). The amendment changes the grouping of items presented in other comprehensive income. Items that would be reclassified to profit or loss at future point of time would be presented separately from items that will never be reclassified.
- IAS 19 Employee Benefits (revised). The revised standard includes a number of amendments to recognitions of defined benefit plans, for example removal of the corridor approach. The change will impact the amount of net liability presented in the statement of financial position and items in comprehensive income statement. According to the Group's estimates, the revision will not have a significant impact on the Group's consolidated accounts.
- IFRS 13 Fair Value Measurement. The new standard describes how to measure fair value where fair value is required or permitted by IFRS. The change will not have a material impact on the Group's consolidated financial statements.

In 2014 or later, the Group will adopt the following new, revised or amended standards and interpretations:

- IFRS 10 Consolidated Financial Statements and IAS 27 (revised; effective for annual periods beginning on or after January 1, 2014). The new IFRS 10 standard replaces the portion of current IAS 27 that addresses to the accounting for consolidated financial statements. The new standard changes the definition of control and may in some cases change whether an entity is consolidated. The change will not have a material impact on the Group's consolidated financial statements.
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (revised; effective for annual periods beginning on or after January 1, 2014). The IFRS 11 replaces the current IAS 31 Interest in Joint Ventures. IAS 28 was also amended to include the application of the equity method to investments in joint ventures and associates. The changes are not expected to have a material impact on the Group's consolidated financial statements.
- IFRS 12 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after January 1, 2014). The new standard gathers all disclosure requirements related to interest in other entities, and also adds several new disclosure requirements mainly regarding subsidiaries with a material non-controlling interest. The Group investigates the new standard's impact on the Group's consolidated financial statements.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015; earlier adoption possible). This new standard will gradually replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The Group investigates this new standard's impact on the Group's consolidated financial statements. This new standard has not yet been approved for application in the EU.

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the company and its subsidiaries in which it holds, directly or indirectly, over 50% of the voting rights or other governing power. The financial statements of the subsidiaries are prepared for the same accounting period as the company, using consistent accounting policies.

Acquired subsidiaries are accounted for using the acquisition cost method, according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. The excess of the consideration over the fair value of net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through income statement. Goodwill on consolidation is not amortized but tested for impairment annually. Consideration includes the fair value of any contingent consideration arrangement. Also, cost directly related to acquisition were included in the cost of acquisition up to 1 January 2010. The consolidated financial statements include the results of acquired companies for the period from the completion of the acquisition. Conversely, divestments are included up to their date of sale.

Associated companies are companies where the Group holds voting rights of 20–50% and in which the Group has significant influence, but not control. Joint ventures are companies, over which the Group has contractually agreed to share control with another venturer. Associated companies and joint ventures are included in the consolidated financial statements using the equity method. Under the equity method, the Group's share of the profit or loss of an associate or a joint venture is recognized in the consolidated income statement before operating profit.

The Group's interest in an associated company or a joint venture is carried in the balance sheet at an amount that reflects the Group's share of the net assets of the associate or joint venture together with goodwill on acquisition, as amortized, less any impairment. Unrealized gains, if any, between the Group and the associated companies or joint ventures are eliminated to the extent of the Group's ownership. Associated companies' and joint ventures' financial statements have been converted to correspond with the accounting principles in use in the Group. If the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group has incurred obligations in respect of the associated companies or joint venture.

The investments in subsidiaries have been eliminated using the acquisition cost method. All transactions between Group companies as well as assets and liabilities, dividends and unrealized internal margins in inventories and tangible assets have been eliminated in the consolidated financial statements. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity in accordance with the share of the non-controlling interest. All transactions with non-controlling interests are recorded in equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is recognized at fair value through the income statement.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items denominated in foreign currency, measured at fair value, are translated using the exchange rates at the date when the fair value was determined. Other non-monetary items have been translated into the functional currency using the exchange rate on the date of the transaction. Foreign exchange gains and losses for operating business items are recorded in the appropriate income statement account before operating profit. Foreign exchange gains and losses from the translation of monetary interest-bearing assets and liabilities denominated in foreign currencies are recognized in financial income and expenses. Exchange differences arising on a monetary item that forms a part of a net investment in a foreign operation are recognized in the statement of other comprehensive income and recognized in profit or loss on disposal of the foreign operation.

The consolidated financial statements are presented in euros, which is the company's functional and reporting currency. Income statements of subsidiaries, whose functional and reporting currencies is not euro, are translated into the Group reporting currency using the average exchange rate for the year. Their balance sheets are translated using the exchange rate of balance sheet date. All exchange differences arising on the translation are entered in the statement of other comprehensive income and presented in equity. The translation differences arising from the use of the purchase method of accounting and after the date of acquisition as well as fair value changes of loans which are hedges of such investments are recognized in statement of other comprehensive income and presented in equity. On the disposal of a subsidiary, whose functional and reporting currency is not euro, the cumulative translation difference for that entity is recognized in the income statement as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated using the exchange rate of balance sheet date. Goodwill and fair value adjustments arising from the acquisition prior to January 1, 2004 have been treated as assets and liabilities of the Group, i.e. in euros.

REVENUE RECOGNITION

Net sales comprise of consideration received less indirect sales taxes, discounts and exchange rate differences arising from sales denominated in foreign currency. Sales of goods are recognized after the significant risks and rewards of ownership of the goods have passed to the buyer and no significant uncertainties remain regarding the consideration, associated costs and possible return of goods. The costs of shipping and distributing products are included in other operating expenses. Revenues from services are recorded when the service has been performed.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Royalty income is recorded according to the contents of the agreement. Interest income is recognized by the effective yield method. Dividend income is recognized when the company has acquired a right to receive the dividends.

INCOME TAXES

The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in other comprehensive income are similarly recognized. The current tax expense for the financial year is calculated from the taxable profit based on the valid tax rate of each country. The tax is adjusted with possible taxes related to previous periods. The share of results in associated companies is reported in the income statement as calculated from net profit and thus including the income tax charge.

Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit pension plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as they are incurred, unless they relate to a clearly defined project that meets certain criteria. Development costs for such projects are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the aggregate deferred and future development costs and related production, selling and administrative expenses, and if adequate resources exist or will be available to complete the project. Capitalized development costs include all directly attributable material, employee benefit and testing costs necessary to prepare the asset to be capable of operating in the manner intended. Research and development costs that were initially recognized as an expense are not to be capitalized at a later date.

Amortization of such a product is commenced when it is available for use. Unfinished products are tested annually for impairment. Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after January 1, 2004. Until 31.12.2009, any costs directly attributable to the business combination, such as professional fees, were included to the cost of an acquisition. From 1.1.2010 onwards, costs related to acquisitions are recognized directly to income statement. Goodwill from the combination of operations acquired prior to January 1, 2004 corresponds to the carrying amount according to the previous financial statement standards, which has been used as the assumed acquisition cost according to IFRS.

Goodwill is tested annually for impairment. For this purpose, goodwill has been allocated to cash generating units. Goodwill is measured at cost less any accumulated impairment loss, and is not amortized.

INTANGIBLE ASSETS

Intangible assets include customer relations, trademarks, capitalized development expenses, patents, copyrights, licenses and software. An intangible asset is recognized in the balance sheet only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets are stated at cost, amortized on a straight-line basis over the expected useful lives which vary from 3 to 15 years and adjusted for any impairment charges.

Trademarks and other intangible assets whose useful life is estimated to be indefinite are estimated to affect cash flow accumulation for an undefined period of time. The expected useful life for most trademarks is indefinite and therefore they are not amortized. These intangibles are measured at cost less any accumulated impairment loss and not amortized. Intangible assets with indefinite useful lives are tested for impairment annually. The valuation of intangible assets acquired in a business combination is based on fair value as at the date of acquisition.

Expected useful lives and indefinite lives of intangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, amortization periods are changed accordingly.

TANGIBLE ASSETS

Tangible assets are stated at historical cost, amortized on a straight-line basis over the expected useful life and adjusted for any impairment charges. The valuation of tangible assets acquired in a business combination is based on fair value as at the date of acquisition. Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is based on the following expected useful lives:

Buildings and structures	10–25 years
Machinery and equipment	5–10 years
Other tangible assets	3–10 years

Expected useful lives of tangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary maintenance and repair costs are expensed as incurred. The cost of significant renewals and improvements are capitalized and depreciated over the remaining useful lives of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in the income statement in other operating income and expenses.

Depreciation of a tangible asset is discontinued when the tangible asset is classified as being held-for-sale in accordance with IFRS 5 standard Non-Current Assets Held-for-sale and Discontinued Operations.

BORROWING COSTS

Borrowing costs, that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of that asset. Other borrowing costs are expensed when incurred.

GOVERNMENT GRANTS

Government or other grants are recognized in the income statement as other operating income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Government grants relating to purchase of tangible assets are recognized as revenue on a systematic basis over the useful life of the asset when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. In the balance sheet, grants are deducted from the value of the asset they relate to. The grants are recognized to decrease depreciations over the useful life of the asset. Currently, all grants of the Group have been recognized in the income statement as other operating income.

IMPAIRMENTS OF TANGIBLE AND INTANGIBLE ASSETS

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Indications of potential need for impairment may be for example changes in market conditions and sales prices, decisions on significant restructurings or change in profitability. Goodwill, intangible assets with indefinite useful lives and unfinished intangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows.

An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. Discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss is immediately recognized in the income statement. Impairment losses attributable to a cash-generating unit are used to deducting first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit on an equal basis. The useful life of the asset to be depreciated is reassessed in connection with the recognition of the impairment loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

ASSETS HELD-FOR-SALE

Non-current assets (or a disposal group) are classified as held-for-sale, if their carrying amount will be recovered principally through the disposal of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary, the management must be committed to selling and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held-for-sale (or assets included in the disposal group) are measured at the lower of carrying amount and fair value less estimated selling expenditure. After an asset has been classified as held-for-sale, it is not depreciated. If the classification criterion is not met, the classification is reversed and the asset is measured at the lower of carrying amount prior to the classification less depreciation and impairment, and recoverable amount. A non-current asset held-for-sale and assets included in the disposal group classified as held-for-sale are disclosed separately from the other asset items.

ACCOUNTING FOR LEASES

Group as a lessee

Leases of tangible assets, where the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the estimated present value of the underlying lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being recognized in the income statement over the lease period. Tangible assets acquired under finance lease contracts are depreciated over the shorter of the estimated useful life of the asset or lease period.

Leases of tangible assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases. Payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods. Received incentives are deducted from the paid leases based on the time elapse of benefit.

Currently the Group does not have other arrangements that contain a lease.

Group as a lessor

Those leases under which the Group is a lessor are classified as operating leases. Leased assets are presented in the lessor's balance sheet under tangible assets according to the nature of the asset. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognized in the income statement on a straight-line basis over the lease term.

FINANCIAL ASSETS

Financial assets are classified as financial assets at fair value through profit or loss, financial assets held-to-maturity, loans and receivables, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year-end. Financial assets include current and non-current assets and they can be interest-bearing or non-interest-bearing.

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. The Group has not applied the fair value option. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. All of the Group's currency derivatives, which do not qualify for hedge accounting, are classified as financial assets held-for-trading. Financial assets classified as held-for-trading are measured at fair value. Unrealized and realized changes in fair value are recognized in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest rate method less any allowance for impairment. Initially recognized amount includes directly attributable transaction costs. Gains and losses are recognized in the income statement when loans and receivables are derecognized, impaired, and through the amortization process.

Financial assets that are not classified in the preceding categories are classified as available-for-sale. When available-for-sale financial assets are recognized initially, they are measured at fair value by using quoted market rates and market prices, discounted cash flow analyses and other appropriate valuation models. Certain unlisted shares for which fair values cannot be measured reliably are reported at cost less impairment. The fair value changes of available-for-sale financial assets, net of tax, are recognized as other comprehensive income. Changes in fair value are transferred from the statement of other comprehensive income to the income statement when the instrument is sold or its value has fallen so that an impairment loss has to be recognized for the instrument. Purchases and sales of available-for-sale financial assets are recognized on the trade date.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group is exposed to financial risks related especially to changes in foreign currency exchange rates and interest rates for loans and borrowings. Derivative financial instruments are used, from time to time, to hedge financial risk. All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models. The fair values of these instruments are either computed by Bloomberg market data tool by the company or received from the respective bank. Currently, the Group does not have embedded derivatives.

Derivatives may be designated as hedging instruments, in which case hedge accounting is applied. At the inception of a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

In the case hedge accounting is applied, the accounting for hedging instruments is dependent on the particular nature of the hedging relationship.

In cash flow hedges, changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized as other comprehensive income and the ineffective portion is recognized immediately in the income statement. Accumulated fair value changes recognized in the statement of other comprehensive income are reclassified into income statement in the period when the hedged cash flow affects income. Changes in fair value of derivative instruments are recognized in the income statement based on their nature either in the operative costs if the hedged item is an operative foreign currency transaction or as financial income or expenses, if the hedged item is a monetary transaction.

Changes of the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The changes in the fair values of derivatives that are designated as hedging instruments but are not accounted for according to the principles of hedge accounting are recognized in the income statement based on their nature either in the operative costs, if the hedged item is an operative transaction, or as financial income or expenses, if the hedged item is a monetary transaction.

In principal, the fair values of derivative instruments are presented in the statement of financial position under short-term or long-term non-interest bearing assets or liabilities based on their maturity. Derivative instruments that are designated and qualify as fair value hedges of monetary assets or liabilities, are presented in the same group of interest-bearing assets or liabilities as the hedged instrument.

Effective portion of changes in the fair values of foreign currency hedges used against the translation differences arising from the consolidation of net investments in foreign subsidiaries are recognized in translation differences in the statement of other comprehensive income. The ineffective portion is recognized in financial income and expenses. Accumulated fair value changes recognized in the items of other comprehensive income are reclassified into income statement if the hedged subsidiary is disposed of partially or in its entity.

FINANCIAL LIABILITIES

Financial liabilities are classified into the following categories: derivatives designated as hedging instruments in an effective hedge, financial liabilities at fair value through profit or loss (including other derivatives) and financial liabilities measured at amortized cost. Financial liabilities, except derivatives, are initially recognized at the fair value of the consideration received plus directly attributable transactions costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. Also commercial paper programs are measured at amortized cost. Gains and losses are recognized in the income statement when the liabilities are derecognized, impaired and through the amortization process.

Financial liabilities include current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Contingent considerations of business combinations are classified as non-interest-bearing financial liabilities.

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities, except for derivatives and available-for-sale financial assets, are recognized at the settlement date. A financial asset or a financial liability is recognized on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized when, and only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset, so that all the risks and rewards of ownership of the financial asset are substantially transferred. A financial liability or a part of a financial liability is removed from the balance sheet when, and only when, it is extinguished, that the obligation specified in the contract is discharged or cancelled or expires.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether a financial asset or group of financial asset is impaired. An impairment loss in respect of loans and receivables is measured as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is measured as a difference between its acquisition costs and its current fair value, less any impairment loss on that financial asset previously recognized in the income statement. An impairment loss in respect of an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in the items of other comprehensive income is reclassified into income statement when the asset is sold or when the impairment is permanent.

A previously recognized impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets amortized at cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized in the statement of other comprehensive income. An impairment loss in respect of an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, cannot be reversed.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method or, alternatively, weighted average cost where it approximates FIFO. The cost of finished goods and work in progress comprises raw materials, direct labor, depreciation, other direct costs and related production overheads, but excludes borrowing costs.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

TRADE RECEIVABLES

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance. A credit loss allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for credit loss allowances is done locally in each business unit on case-by-case –basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current interest-bearing loans.

OWN SHARES

Own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity on the day of trading in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view of the time value of the money and the risk relating to the obligation at the time of examination.

A warranty provision is recognized when a product containing a warranty clause is sold. The size of the sum involved is determined on the basis of what is known about past warranty costs. A restructuring provision is recognized when the Group has compiled a detailed restructuring plan, launched its implementation or has informed the parties concerned.

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

The Group is a distributor of electrical equipment that falls under the EU Directive on Waste Electrical and Electronic Equipment. Expected costs are recognized as part of other operating expenses and as a current non-interest-bearing payable.

Pension obligations

Throughout the Group operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

For defined benefit plans, pension costs are assessed using the projected unit credit actuarial valuation method, in which the costs of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan. The pension obligation is measured as the present value of estimated future cash outflows. Defined benefit liability comprises of the present value of the defined benefit obligation less past service and actuarial gains and losses not yet recognized and less the fair value of plan assets. All actuarial gains and losses are recognized in the income statement over the average remaining service lives of employees, to the extent that they exceed 10% of pension obligations or the fair value of plan assets. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or change to, a pension plan, past service cost is recognized immediately. See section 'Adoption of new and amended standards and interpretations in 2013–2016' for details on the changes to accounting treatment in 2013.

Share-based payments

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. In the cash settled option program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payments programs is recognized in employee benefit expenses.

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. 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. The options are valued at fair value using Black-Scholes option-pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement with a corresponding adjustment to the equity or liability.

When the share options are exercised, the proceeds received, net of any transaction costs, are credited in the fund for invested non-restricted equity.

DIVIDEND

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to the shareholders of the company by the weighted average number of shares in issue during the year, excluding shares purchased by the Group and held as treasury shares, if any.

Diluted earnings per share amounts have been calculated by applying the “treasury stock” method, as if the options were exercised at the beginning of the period, or on the issuance of options, if that occurs later during the period, and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the options. The assumption of exercise is not reflected in earnings per share when the exercise price of the options exceeds the average market price of the shares during the period. The share options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the options.

OPERATING PROFIT

The IAS 1 (Presentation of Financial Statements) standard does not define operating profit. The Group has defined it as follows: Operating profit is the net amount arising from adding other operating income and share of results in associates and joint ventures to net sales, deducting cost of sales corrected for changes in inventories and cost of production for own use, deducting costs related to employee benefits, depreciation and possible impairments as well as other operating expenses. Foreign exchange differences and changes in the fair value of derivative financial instruments are included in operating profit in case they originate from operating business items; otherwise they are booked in financial income and expenses.

CASH FLOW STATEMENT

Cash and cash equivalents presented in the cash flow statement comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash generated from operating activities has been reported using the indirect method. All income taxes paid during the financial year are presented in net cash generated from operating activities, unless they can be particularly allocated to net cash from (used in) investing or financing activities. Unrealized exchange gains and losses from cash and cash equivalents denominated in foreign currencies and from transactions between Group companies are presented on a separate row before change in cash and cash equivalents, separate from cash generated from (used in) operating, investing and financing activities.

NON-RECURRING ITEMS

In order to improve comparability between reporting periods, the Group classifies certain items as non-recurring in its financial reporting. Non-recurring items include mainly income and expenses related to restructurings of Group's business operations, non-recurring impairments of assets, external costs related to mergers and acquisitions and other exceptional non-recurring items which materially distort the comparability of the Group's underlying profitability.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain estimates and assumptions that affect the amounts recognized in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates. In addition, judgment has to be exercised in applying the accounting principles of the financial statements. Management's estimates and assumptions are based on historical experience and plausible future scenarios, which are continually evaluated. Possible changes in estimates and assumptions are recognized in the accounting period during which estimates and assumptions were fixed and in all subsequent accounting periods.

The key assumptions concerning the future and other key sources of uncertainty related to estimations at the balance sheet date, that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next accounting period, are discussed below.

Determining fair value of acquisitions

The fair values of acquired working capital and tangible assets were evaluated by the Group and external appraisal personnel before the acquisition. The fair value of intellectual property rights (trademarks, patents and technology) and customer relations are established with discounting the related cash flows.

Impairment testing

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill, intangible assets with indefinite useful lives and unfinished tangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. These calculations require the use of estimates.

Income taxes

The Group reviews at each balance sheet date especially the carrying amount of deferred tax assets. Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit pension plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance. At each balance sheet date the Group reviews whether distribution of earnings in subsidiaries is in its control and probable, and books a deferred tax accordingly.

Pension obligations

Pension costs for defined benefit plans are assessed using the projected unit credit actuarial valuation method. Several statistical and other actuarial assumptions are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, future salary increase and annual inflation rate. Statistical information used may differ from actual results. Changes in actuarial assumptions are charged or credited to income over the expected remaining service lives of the employees which could have a slight impact on the Group's income statement.

Share-based payments

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. Options are valued at fair value using Black-Scholes option-pricing model. Several assumptions are used in calculating the fair value of the option. These factors include dividend yield, risk free interest rate, expected life of option and personnel forfeit ratio. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement.

Provisions

The timing of the recognition of a provision is based on management's estimate of the moment when the Group has a present legal or constructive obligation, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Hyperinflation

The Group may have operations in hyperinflatory economies. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated in accordance of IAS 29 (Financial Reporting in Hyperinflatory Economies) in case the adjustments are material in relation to the Group Financial Statements.

ROUNDING OF FIGURES

The consolidated financial statements are presented in millions of euros. 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.

In the financial statements, EUR 0.0 million means the figure is less than EUR 50 000. If the amount is EUR 0, the cell is left empty.

2 SEGMENT INFORMATION

The Rapala Group is led as a whole, as an integrated chain of units engaged in sourcing, manufacturing and distributing fishing tackle equipment. The base unit of Group's management is a single subsidiary engaged in one or several activities within the integrated supply chain. The Group does not have any division structure, but nearly all of the Group's subsidiaries report directly to the Group's CEO, who together with the Board is the ultimate decision maker.

Despite the integrated nature of Group's operations, the type and source of products being processed by the units creates difference in Group's management approach. There is a distinction in the strategic and operative role of the products depending on whether the product sold is being manufactured by the Group itself; whether the product is sourced by the Group externally, but sold under one of Group's own brands; whether the product is a third party product represented and distributed by the Group; or whether the product is part of Group's core fishing tackle business or some supporting product category outside of fishing. This distinction between the type and source of products is the basis for Group's operating segments.

Group's operating segments are Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products and Other Group Products have been combined to reportable segment Group Products. Group Fishing Products are fishing tackle products manufactured or sourced by the Group itself and sold under Group's brands. Group Fishing Products include Group Lures and Baits, Fishing Hooks, Fishing Lines and Fishing Accessories. Other Group Products include Group manufactured and/or branded products for winter sports and some other non-fishing businesses as well as gift products. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports, which are distributed by the Group utilizing the same supply channel as Group Fishing Products and Other Group Products.

The Group measures segment performance based on operating profit. Reported figures are consistent with IFRS accounting principles. Pricing of inter-segment transactions is based on market prices.

OPERATING SEGMENTS

2012

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	GROUP TOTAL
Net Sales	176.4	114.3	290.7
Depreciation, amortization and impairment losses	-5.9	-0.9	-6.8
Share of results in associates and joint ventures (included in OP)	-0.3	0.0	-0.3
Operating Profit	**18.9**	**7.0**	**25.9**
Financial income and expenses			-4.9
Net Profit before taxes			**21.0**
Non-interest-bearing assets	212.7	68.3	281.0
Investment in associates and joint ventures	1.1	0.2	1.3
Unallocated interest-bearing assets			44.3
Total Assets			**326.6**
Investments	13.4	1.0	14.4

2011

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	GROUP TOTAL
Net Sales	174.5	105.0	279.5
Depreciation, amortization and impairment losses	-5.9	-1.1	-7.0
Share of results in associates and joint ventures (included in OP)	-0.1	0.0	-0.1
Operating Profit	**22.4**	**8.4**	**30.7**
Financial income and expenses			-5.5
Net Profit before taxes			**25.2**
Non-interest-bearing assets	208.6	68.6	277.2
Investment in associates and joint ventures	1.3	0.2	1.5
Unallocated interest-bearing assets			35.9
Total Assets			**314.5**
Investments	9.0	1.1	10.0

GEOGRAPHICAL AND GROUP-WIDE INFORMATION

The Group operates in four geographical areas which are North America, Nordic Countries, Rest of Europe and Rest of the World. External net sales and non-current assets are presented separately in the countries which proportion is significant.

The non-current assets exclude non-current financial assets and deferred tax assets.

The Group's customer base consists of a large number of customers in several market areas and no single customer represent by itself a significant part of the Group's net sales.

External net sales by unit location

EUR MILLION	2012	2011
Finland	**26.1**	29.0
Other Nordic Countries	**36.6**	36.3
Nordic Total	**62.7**	**65.3**
Russia	**36.6**	28.8
France	**35.2**	34.2
Other European Countries	**36.4**	39.7
Rest of Europe Total	**108.2**	**102.7**
USA	**68.2**	55.6
Other North America	**15.4**	13.5
North America Total	**83.6**	**69.1**
Rest of the World Total	**36.2**	**42.4**
TOTAL	**290.7**	**279.5**

Non-current assets by unit location

EUR MILLION	2012	2011
Finland	**14.1**	13.9
Other Nordic Countries	**6.1**	2.8
Nordic Total	**20.1**	**16.6**
Rest of Europe Total	**18.3**	**18.9**
USA	**28.4**	26.2
Other North America	**4.1**	4.2
North America Total	**32.5**	**30.5**
China	**26.7**	26.9
Other countries	**5.7**	5.2
Rest of the World Total	**32.3**	**32.0**
TOTAL	**103.2**	**98.1**

3 ACQUISITIONS AND DISPOSALS

CORPORATE ACQUISITIONS IN 2012

In February, 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.

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 acquisition, EUR 5.1 million, 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.

In September, 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.

Total considerations for the acquisitions during 2012 amounted to EUR 6.8 million.

Also, in 2012 EUR 0.8 million (EUR 0.7 million) was paid related to Sufix trademark acquisition closed in 2008.

CORPORATE ACQUISITIONS IN 2011

In July the Group acquired 100% of the shares and voting rights of a UK based company Advanced Carp Equipment Ltd ("ACE"), engaged in design and sales of equipment and accessories for carp fishing. ACE formed the platform for the Group's fast entry into these product categories in UK and in Europe. The consideration GBP 0.0 million (EUR 0.0 million) was paid to the sellers in cash at closing.

The acquisition of ACE contributed EUR 0.1 million to the 2011 sales and EUR -0.1 million to the net profit. If the acquisition had taken place at the beginning of the year, it would have contributed some EUR 0.2 million and some EUR -0.1 million to the net profit for the year.

OTHER ACQUISITIONS IN 2011

In September, the Group acquired 50% of the share capital and voting rights of Shimano UK Ltd, forming a true 50/50 joint venture company, Shimano Normark UK Ltd, to distribute both Group and Shimano products in the UK on an exclusive basis. The total consideration was based on the net assets upon closing and totaled to GBP 1.4 million. The acquisition did not create any goodwill. For more details on the joint venture, see note 13.

ACQUISITIONS

EUR MILLION	2012	2011
Cash and cash equivalents and interest-bearing assets		0.0
Inventories	**1.8**	0.2
Trade and other non-interest-bearing receivables	**0.3**	0.0
Intangible assets	**4.4**	0.4
Tangible assets	**0.1**	0.1
Trade and other non-interest-bearing payables	**0.0**	-0.6
Interest-bearing liabilities		-0.1
Deferred tax liability (net)	**-0.6**	-0.1
Non-controlling interest	**0.0**	
FAIR VALUE OF ACQUIRED NET ASSETS	**6.0**	**0.0**

EUR MILLION	2012	2011
Cash paid during financial year	**6.8**	0.0
TOTAL PURCHASE CONSIDERATION	**6.8**	**0.0**
Goodwill	**0.7**	0.1
NET GOODWILL	**0.7**	**0.1**
Cash paid for the acquisitions [1]	**6.8**	0.2
Cash and cash equivalents acquired		0.0
NET CASH FLOW	**6.8**	**0.2**

1) Cash paid in 2011 includes EUR 0.1 million payment of the contingent consideration related to 2010 acquisition of Dynamite Baits Ltd. The contingent consideration required the acquired company Dynamite to receive a tax benefit of EUR 0.2 million based on preliminary tax calculations. Rest of the contingent consideration, EUR 0.1 million, is expected to be paid in near future. The discounted value of the contingent consideration was estimated by applying the income approach assuming a discount rate of 1%.

The transaction costs of EUR 0.0 million 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 for acquisitions in 2012 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 ACE acquisition in 2011 created EUR 0.1 million of goodwill, which is justified by a fast entry into new product markets. The goodwill was 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.

DISPOSALS

In line with the existing joint venture agreements with Shimano, the distribution company in Belarus was transferred to the Rapala Shimano East Europe structure in June 2012. The Group's ownership was reduced to 50% (controlled by the Rapala Group). The disposal had no significant impact on the Group's consolidated financial statements.

In December 2011 a deal to sell 100% of the shares of Willtech Gift (HK) Ltd ("Willtech Gift") was closed. The Group's gift item manufacturing and distribution activities were transferred under Willtech Gift before the transaction. The transaction resulted into a gain of EUR 1.9 million that was booked in other operating income. The value of assets disposed totaled to EUR 4.8 million, including EUR 1.0 million of goodwill. Part of the consideration was received in cash, and the rest was settled by a guaranteed interest bearing promissory note that matures at the latest in 2016.

The first installment of EUR 1.1 million of the promissory note 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 EUR 0.3 million was paid during the fourth quarter. Net effect to the Group cash flow in 2012 was EUR 0.8 million.

DISPOSALS

EUR MILLION	2012	2011
Working capital		1.9
Tangible assets		1.0
Cash		0.9
Goodwill		1.0
Disposed assets total		**4.9**
Cash received at closing	**0.0**	1.4
Cash received later		5.3
Price adjustment	**-0.3**	
Total Consideration	**-0.3**	**6.7**
Gain/loss on sale	**-0.3**	**1.9**
Cash flow from disposals	**0.8**	**0.6**

4 OTHER OPERATING INCOME

EUR MILLION	2012	2011
Sale of gift manufacturing unit in China		1.9
Other gains from sale of intangible and tangible assets	**0.3**	0.2
Royalty income	**0.3**	0.3
Rental income	**0.2**	0.1
Scrap sales	**0.3**	0.0
Other income	**0.3**	0.4
TOTAL	**1.3**	**2.9**

5 OTHER OPERATING EXPENSES

EUR MILLION	2012	2011
Selling and marketing expenses	**-12.5**	-12.2
Rents paid	**-7.8**	-7.4
Freight	**-5.5**	-5.7
Maintenance and utility expenses	**-5.6**	-5.2
Traveling expenses	**-5.1**	-4.6
Sales commissions	**-4.1**	-3.6
Consulting expenses	**-2.5**	-2.2
IT and telecommunication	**-2.1**	-1.9
Auditors' fees and services	**-0.8**	-0.8
Other expenses	**-9.8**	-9.7
TOTAL	**-55.8**	**-53.3**

AUDITORS' FEES AND SERVICES

EUR MILLION	2012	2011
Audit fees	**-0.7**	-0.7
Fees for tax services	**0.0**	0.0
Other fees	**0.0**	0.0
TOTAL	**-0.8**	**-0.8**

NON-RECURRING INCOME AND EXPENSES INCLUDED IN OPERATING PROFIT

EUR MILLION	2012	2011
Costs related to business acquisitions	**0.0**	-0.3
Restructuring of Hungarian operations		0.1
Relocation of Finnish operations		-0.3
Sale of gift manufacturing unit in China [1)]	**-0.7**	1.5
Other restructuring costs		-0.4
Gain on disposal of real estate in Finland	**0.1**	
Other non-recurring items	**0.0**	
Total included in EBITDA	**-0.6**	**0.6**
Impairment of non-current assets relating to relocation of Finnish operations		
Other non-recurring impairments		0.0
TOTAL INCLUDED IN OPERATING PROFIT	**-0.6**	**0.2**

1) 2012: Including an adjustment to sales price and costs related to the disposed business.
2011: Including a gain of EUR 1.9 million and costs related to divestment.

Non-recurring income is included in other operating income in the consolidated income statement. Non-recurring expenses are included in other operating expenses, employee benefit expenses and depreciation and impairments.

6 MATERIALS AND SERVICES

EUR MILLION	2012	2011
Materials, goods and supplies		
Purchases during the period	**-128.7**	-125.6
Change in inventory	**-0.1**	0.6
External services	**-5.3**	-8.2
TOTAL	**-134.1**	**-133.2**

7 EMPLOYEE BENEFIT EXPENSES

EUR MILLION	2012	2011
Wages and salaries	**-49.6**	-50.4
Pension costs - defined contribution plans	**-4.0**	-3.8
Pension costs - defined benefit plans	**-0.1**	-0.2
Other long-term employee benefits	**0.0**	0.0
Option programs to be settled in shares	**-0.3**	
Option programs to be settled in cash		0.1
Other personnel expenses	**-8.5**	-7.9
TOTAL	**-62.6**	**-62.4**

The employee benefit expenses in 2011 included EUR 0.8 million employee related restructuring expenses. For more details on employee benefits for top management and option programs, see notes 27 and 28.

AVERAGE PERSONNEL

PERSONS	2012	2011
North America	**130**	116
Nordic	**384**	444
Rest of Europe	**868**	835
Rest of the World	**745**	813
TOTAL	**2 127**	**2 208**

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 2.0 million recognized as an expense in 2012 (2011: EUR 2.1 million). Group has not capitalized research and development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR MILLION	2012	2011
Foreign exchange gains		
From loans and receivables	**6.1**	7.2
From financial liabilities measured at amortized cost	**4.9**	2.6
Foreign exchange losses		
From loans and receivables	**-6.7**	-7.3
From financial liabilities measured at amortized cost	**-4.9**	-4.3
Interest and other financial income		
Interest income from loans and receivables	**0.4**	0.2
Other financial income	**0.0**	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	**-3.7**	-3.6
Change in fair value of interest rate derivatives - non-hedge accounted	**-0.3**	
Change in fair value of currency derivatives - non-hedge accounted	**-0.2**	
Other financial expenses	**-0.5**	-0.3
TOTAL	**-4.9**	**-5.5**

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2012	2011
Change in fair value of interest rate derivatives - hedge accounted, net of tax	**-0.6**	-0.1
Gains and losses on hedges of net investments, net of tax	**0.2**	-0.4
TOTAL	**-0.4**	**-0.5**

EXCHANGE GAINS AND LOSSES IN THE INCOME STATEMENT

EUR MILLION	2012	2011
In net sales	**0.2**	0.4
In purchases	**-0.2**	-0.1
In other operating expenses		
Change in fair value of currency derivatives, non-hedge accounted	**-0.4**	-0.1
In financial income and expenses		
Foreign exchange gains and losses, net	**-0.6**	-1.8
Change in fair value of interest-rate derivatives, non-hedge accounted	**-0.5**	
TOTAL	**-1.4**	**-1.6**

Changes in fair value of derivatives in hedge accounting are presented together with the hedged instrument, if hedge accounting is applied.

In 2012 and 2011, hedges of net investments and interest rate derivatives, which fulfill IAS 39 effectiveness requirements, had no income statement effect.

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR MILLION	2012	2011
Income taxes	**-6.9**	-7.9
Deferred taxes	**-0.2**	-0.1
TOTAL	**-7.1**	**-8.0**

INCOME TAX RECONCILIATION

EUR MILLION	2012	2011
Income taxes at Finnish corporate tax rate (26%)	**-5.2**	-6.6
Effect of different tax rates in foreign subsidiaries	**-0.6**	-1.2
Non-deductible expenses and tax exempt income	**-0.4**	0.4
Foreign withholding taxes	**-0.3**	-0.3
Losses for which no deferred tax benefit is recognized	**-1.1**	-0.4
Taxes for prior years	**0.1**	-0.5
Changes in the carrying amounts of deferred tax assets and liabilities from prior years	**0.0**	0.5
Other items	**0.3**	0.0
INCOME TAXES IN THE INCOME STATEMENT	**-7.1**	**-8.0**

TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

2012

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	**-0.3**		**-0.3**
Gains and losses on cash flow hedges	**-0.9**	**0.2**	**-0.6**
Gains and losses on hedges of net investment	**0.3**	**-0.1**	**0.2**
TOTAL	**-0.9**	**0.1**	**-0.8**

2011

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	2.0		2.0
Gains and losses on cash flow hedges	-0.1	0.0	-0.1
Gains and losses on hedges of net investment	-0.5	0.1	-0.4
TOTAL	**1.4**	**0.1**	**1.5**

MOVEMENT OF DEFERRED TAXES

2012

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	ACQUISITIONS (SEE NOTE 3)	DEC. 31
Tax losses and credits carried forward	**2.7**	**-0.6**		**0.0**		**2.2**
Provisions	**0.2**	**0.1**		**0.0**		**0.3**
Pension obligations	**0.3**	**0.0**		**0.0**		**0.4**
Depreciation difference	**0.2**	**-0.1**		**0.0**		**0.1**
Effect of consolidation and eliminations	**4.7**	**0.2**		**-0.1**		**4.9**
Other temporary differences	**1.6**	**0.3**	**0.2**	**0.0**		**2.1**
TOTAL DEFERRED TAX ASSETS	**9.8**	**-0.1**	**0.2**	**0.0**		**9.9**
Depreciation difference and other untaxed reserves	**2.7**	**0.1**		**0.0**		**2.8**
Inventory	**2.4**	**0.0**		**0.0**		**2.3**
Fair value adjustments for acquired net assets	**3.3**	**0.0**		**0.0**	**0.6**	**4.0**
Other temporary differences	**0.8**	**0.0**		**0.0**		**0.8**
TOTAL DEFERRED TAX LIABILITIES	**9.2**	**0.1**		**0.0**	**0.6**	**9.9**
NET DEFERRED TAX ASSET	**0.6**	**-0.2**	**0.2**	**0.0**	**-0.6**	**0.0**

2011

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	ACQUISITIONS	DEC. 31
Tax losses and credits carried forward	2.3	0.4		0.0		2.7
Provisions	0.1	0.1		0.0		0.2
Pension obligations	0.3	0.0		0.0		0.3
Depreciation difference	0.1	0.1		0.0		0.2
Effect of consolidation and eliminations	5.0	-0.4		0.1		4.7
Other temporary differences	1.8	-0.2	0.0	0.0		1.6
TOTAL DEFERRED TAX ASSETS	**9.7**	**0.0**	**0.0**	**0.1**		**9.8**
Depreciation difference and other untaxed reserves	2.6	0.1		0.1		2.7
Inventory	2.4	-0.1		0.1		2.4
Fair value adjustments for acquired net assets	3.2	0.0		0.0	0.1	3.3
Other temporary differences	0.6	0.2		0.0		0.8
DEFERRED TAX LIABILITIES	**8.8**	**0.2**		**0.2**	**0.1**	**9.2**
NET DEFERRED TAX ASSET	**0.9**	**-0.1**	**0.0**	**-0.1**	**-0.1**	**0.6**

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2012, the Group had tax losses carried forward of EUR 9.7 million (2011: EUR 7.1 million), for which deferred tax assets have not been recognized in the consolidated financial statements because the realization of the tax benefit is not probable. EUR 5.2 million of these tax losses will expire during the next five years (2011: EUR 3.7 million).

Deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is in the control of the Group and such distribution is not probable within the foreseeable future.

The consolidated balance sheet includes deferred tax assets of EUR 1.2 million (2011: EUR 0.9 million) in subsidiaries, which have generated losses in financial year 2012 or 2011. The recognition of these assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

11 INTANGIBLE ASSETS

2012

EUR MILLION	TRADEMARKS	CUSTOMER RELATIONS	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	**18.5**	**3.4**	**46.0**	**6.4**	**74.3**
Additions	**0.1**			**0.4**	**0.5**
Acquisitions (see note 3)	**3.7**	**0.7**	**0.7**		**5.2**
Disposals				**-0.1**	**-0.1**
Translation differences	**-0.1**	**0.0**	**-0.2**	**0.0**	**-0.3**
ACQUISITION COST DEC. 31	**22.2**	**4.1**	**46.5**	**6.8**	**79.6**
Accumulated amortization Jan. 1	**-0.6**	**-1.6**		**-4.2**	**-6.4**
Disposals				**0.0**	**0.0**
Amortization during the period		**-0.4**		**-0.3**	**-0.7**
Translation differences	**0.1**	**0.0**		**0.0**	**0.1**
ACCUMULATED AMORTIZATION DEC. 31	**-0.6**	**-2.0**		**-4.5**	**-7.0**
CARRYING VALUE JAN. 1	**17.9**	**1.8**	**46.0**	**2.3**	**67.9**
CARRYING VALUE DEC. 31	**21.7**	**2.2**	**46.5**	**2.3**	**72.6**

2011

EUR MILLION	TRADEMARKS	CUSTOMER RELATIONS	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	17.7	3.5	46.5	5.8	73.5
Additions				0.4	0.4
Acquisitions (see note 3)	0.4		0.1	0.0	0.5
Disposals			-1.1	-0.1	-1.2
Reclassifications				0.2	0.2
Translation differences	0.4	0.0	0.5	0.0	0.9
ACQUISITION COST DEC. 31	**18.5**	**3.4**	**46.0**	**6.4**	**74.3**
Accumulated amortization Jan. 1	-0.6	-1.3		-3.8	-5.7
Acquisitions (see note 3)				0.0	0.0
Disposals				0.0	0.0
Reclassifications				-0.2	-0.2
Amortization during the period		-0.3		-0.3	-0.7
Translation differences	0.0	0.0		0.0	0.0
ACCUMULATED AMORTIZATION DEC. 31	**-0.6**	**-1.6**		**-4.2**	**-6.4**
CARRYING VALUE JAN. 1	**17.1**	**2.2**	**46.5**	**2.0**	**67.8**
CARRYING VALUE DEC. 31	**17.9**	**1.8**	**46.0**	**2.3**	**67.9**

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR MILLION	GROUP FISHING PRODUCTS	OTHER GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL
2012				
Goodwill	**44.2**	**0.0**	**2.3**	**46.5**
Trademarks with indefinite lives	**21.0**	**0.1**	**0.5**	**21.7**
Discount rate, %	**8.2**	**8.2**	**10.6**	
2011				
Goodwill	43.7	0.0	2.3	46.0
Trademarks with indefinite lives	17.2	0.1	0.5	17.9
Discount rate, %	5.4	5.4	5.4	

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

The Group is led as a whole and not organized nor managed in segments. Most of the units are also strongly interlinked i.e. some units do not have a sales or a production organization or some other functions or operations needed to operate on a stand-alone basis. However, according to IFRS, the lowest cash-generating unit (CGU) cannot be larger than an operating segment in the Group's segment reporting. As a consequence, goodwill and trademarks with indefinite lives are tested on the operating segment level.

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections, which were used in these calculations, were based on most recent 5-year financial forecasts prepared by the management and approved by the Board. The estimated sales and production volumes are derived from the utilization of existing property, plant and equipment. The most important assumptions on which management has based its cash flow projections are the sales and gross margins. Discount rate is the weighted average pre-tax cost of capital (WACC). Discount rate for 2012 was calculated separately for each operating segment using the same methodology as in 2011. The 2012 discount rate's risk component reflects the uncertainty related to cash flow projections, which previously was taken into account in the length of the terminal period. In the impairment tests prepared in 2012 and 2011, the growth rate used to extrapolate the cash flow beyond the five-year period is 0%. As a result of the performed impairment tests, no impairment losses have been recognized in 2012 or 2011.

Key assumptions

Sales – The Group's estimated sales are based on present and future product assortment and utilization of distribution and manufacturing capacity. In addition, estimated sales are based on long-term growth of industry and further implementation of Group's strategic objectives.

EBITDA margin – The Group's estimated EBITDA margin, operating profit before depreciation and impairments compared to net sales, is based on past years actual margins and management's view on sales and gross margin development. The increase in general cost level has also been taken into account in the development of EBITDA margin.

Discount rate – Discount rate is the weighted average pre-tax cost of capital (WACC). Weighted average cost of capital represents the total cost of Group's equity and debt taken into account specific risks related to assets.

Growth rate – Compared to actual growth rates during past 5 years, management has been conservative in determining the growth rate for impairment purposes.

Sensitivity analysis

The key sensitivity factors for the impairment test are the estimated EBITDA margin and the discount rate. It is the management's opinion that no probable change in any of the key sensitivity factors would lead to a situation where the carrying amount would exceed the recoverable amount. Even if the discount rate would be 40 percentage points higher or EBITDA margin 9 percentage points lower than used in the management's estimates, it would not lead to an impairment loss in any of the cash generating units.

12 TANGIBLE ASSETS

2012

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	**1.8**	**21.7**	**51.8**	**10.1**	**1.0**	**86.4**
Additions		**0.8**	**3.4**	**1.6**	**1.3**	**7.0**
Acquisitions (see note 3)			**0.1**			**0.1**
Disposals	**0.0**	**-0.8**	**-1.7**	**-0.9**	**-0.1**	**-3.4**
Reclassifications		**0.1**	**1.5**	**0.0**	**-1.7**	**-0.1**
Transfer from assets held-for-sale	**0.1**	**0.9**				**1.0**
Translation differences	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**-0.2**
ACQUISITION COST DEC. 31	**1.8**	**22.8**	**55.1**	**10.8**	**0.5**	**90.9**
Accumulated depreciation Jan. 1		**-14.0**	**-38.2**	**-5.7**		**-57.9**
Disposals		**0.7**	**1.5**	**0.6**		**2.8**
Reclassifications		**0.0**	**0.1**	**0.0**		**0.1**
Transfer from assets held-for-sale		**-0.7**				**-0.7**
Depreciation during the period		**-0.9**	**-3.6**	**-1.5**		**-6.0**
Translation differences		**0.0**	**0.1**	**0.0**		**0.1**
ACCUMULATED DEPRECIATION DEC. 31		**-14.9**	**-40.1**	**-6.5**		**-61.5**
CARRYING VALUE JAN. 1	**1.8**	**7.7**	**13.7**	**4.4**	**1.0**	**28.5**
CARRYING VALUE DEC. 31	**1.8**	**7.9**	**15.0**	**4.2**	**0.5**	**29.3**

2011

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	1.8	21.4	49.8	10.9	0.7	84.6
Additions	0.0	1.1	3.5	2.0	1.4	8.1
Acquisitions (see note 3)			0.1	0.0		0.2
Disposals			-2.5	-3.1	0.0	-5.6
Reclassifications		0.1	0.7	0.1	-1.1	-0.2
Transfer to assets held-for-sale	-0.1	-0.9				-1.0
Translation differences	0.0	0.1	0.2	0.1	0.0	0.5
ACQUISITION COST DEC. 31	**1.8**	**21.7**	**51.8**	**10.1**	**1.0**	**86.4**
Accumulated depreciation Jan. 1		-13.4	-36.6	-5.9		-55.9
Acquisitions (see note 3)			0.0	0.0		-0.1
Disposals			2.0	1.9		3.9
Reclassifications			0.1	0.1		0.2
Transfer to assets held-for-sale		0.7				0.7
Depreciation during the period		-0.8	-3.4	-1.7		-6.0
Impairment		-0.4		0.1		-0.3
Translation differences		-0.1	-0.2	-0.1		-0.4
ACCUMULATED DEPRECIATION DEC. 31		**-14.0**	**-38.2**	**-5.7**		**-57.9**
CARRYING VALUE JAN. 1	**1.8**	**8.0**	**13.2**	**5.0**	**0.7**	**28.7**
CARRYING VALUE DEC. 31	**1.8**	**7.7**	**13.7**	**4.4**	**1.0**	**28.5**

Assets leased by finance lease agreements

EUR MILLION	2012 MACHINERY AND EQUIPMENT	2012 OTHER TANGIBLE ASSETS	2011 MACHINERY AND EQUIPMENT	2011 OTHER TANGIBLE ASSETS
Carrying value Jan. 1	**0.2**	**0.1**	0.4	0.1
Additions	**0.0**	**0.0**	0.0	0.1
Disposals		**0.0**	0.0	-0.1
Reclassifications	**0.0**	**0.0**	-0.1	0.1
Depreciation during the period	**-0.1**	**0.0**	-0.1	-0.1
Translation differences	**0.0**	**0.0**	0.0	0.0
CARRYING VALUE DEC. 31	**0.1**	**0.1**	**0.2**	**0.1**
Accumulated depreciation Dec. 31	**-0.2**	**-0.1**	-0.2	-0.1
ACQUISITION COST DEC. 31	**0.3**	**0.2**	**0.4**	**0.2**

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 2011. In 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.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has a 50% interest in unlisted joint venture, Shimano Normark UK Ltd. to distribute Rapala Group and Shimano products in the UK on an exclusive basis. The carrying amount does not include goodwill or impairments.

The Group has a 33.3% interest in unlisted Lanimo Oü. Its main activity is producing leather-haberdashery. The carrying amount does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the period ending on September 30, due to differences in reporting time schedule. Information for the financial period ending on December 31, 2011 is the following: assets EUR 0.1 million, liabilities EUR 0.1 million, sales EUR 0.2 million and loss EUR 0.0 million.

EUR MILLION	2012	2011
Acquisition cost Jan. 1	**1.5**	0.0
Acquisitions		1.5
Share of profit/loss	**-0.3**	-0.2
Translation differences	**0.1**	0.1
ACQUISITION COST DEC. 31	**1.3**	**1.5**

INFORMATION ON ASSOCIATES AND JOINT VENTURES

2012

EUR MILLION	OWNERSHIP, %	DOMICILE	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	SALES	PROFIT/LOSS
Shimano Normark UK Ltd.	**50.0**	**United Kingdom**	**0.1**	**3.1**	**0.0**	**0.7**	**11.4**	**-0.6**
Lanimo OÜ	**33.3**	**Estonia**	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**

2011

EUR MILLION	OWNERSHIP, %	DOMICILE	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	SALES	PROFIT/LOSS
Shimano Normark UK Ltd.	50.0	United Kingdom	0.2	4.0	0.0	1.1	8.5	0.0
Lanimo OÜ	33.3	Estonia	0.1	0.1	0.0	0.0	0.1	0.0

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR MILLION	2012	2011
Carrying value Jan. 1	**0.3**	0.3
Translation differences	**0.0**	0.0
CARRYING VALUE DEC. 31	**0.3**	**0.3**

Available-for-sale financial assets comprise of unlisted shares. The most significant is As Oy Tahkon Eagle.

15 RECEIVABLES

EUR MILLION	2012	2011
Non-current receivables		
Interest-bearing		
Loan receivables	**3.4**	4.5
Derivatives	**0.3**	
Escrow deposit		1.3
Other interest-bearing receivables	**0.0**	
Non-interest-bearing		
Trade receivables	**0.7**	
Other receivables	**0.2**	0.2
Current receivables		
Interest-bearing		
Loan receivables	**1.1**	1.1
Escrow deposit	**1.3**	
Non-interest-bearing		
Trade receivables	**48.9**	48.3
Derivatives	**0.3**	0.2
VAT receivable	**2.2**	1.4
Other prepaid expenses and accrued income	**3.1**	2.2
Other receivables	**1.0**	1.8
TOTAL	**62.7**	**61.1**

Fair values of financial assets are presented in the note 22.

The weighted average interest rate of non-current loan receivables was 2.22% (2011: 3.96%). The weighted average interest rate of current loan receivables at December 31, 2012 was 2.14% (2011: 4.04%).

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR MILLION	2012	2011
Allowance for trade receivables Jan. 1	**2.8**	2.3
Additions	**1.1**	1.2
Deductions	**-0.5**	-0.3
Recovery	**-0.2**	-0.3
Translation differences	**0.0**	0.0
ALLOWANCE FOR TRADE RECEIVABLES DEC. 31	**3.3**	**2.8**

In most cases allowances are determined individually, when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. Allowances have not been made on other receivables.

16 INVENTORIES

EUR MILLION	2012	2011
Raw material	**7.8**	8.4
Work in progress	**8.6**	9.4
Finished products	**98.6**	100.9
Net realizable value provisions	**-4.4**	-3.2
TOTAL	**110.6**	**115.5**

17 CASH AND CASH EQUIVALENTS

EUR MILLION	2012	2011
Cash at bank and in hand	**37.4**	27.8
Short-term deposits	**0.8**	1.1
TOTAL	**38.2**	**28.9**

18 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

EUR MILLION	2012	2011
Share capital Jan. 1	**3.6**	3.6
SHARE CAPITAL DEC. 31	**3.6**	**3.6**
Share premium fund Jan. 1	**16.7**	16.7
SHARE PREMIUM FUND DEC. 31	**16.7**	**16.7**
Fair value reserve Jan. 1	**-1.6**	-1.5
Gains and losses on cash flow hedges, net of tax	**-0.6**	-0.1
FAIR VALUE RESERVE DEC. 31	**-2.3**	**-1.6**
Fund for invested non-restricted equity Jan. 1	**4.9**	4.9
FUND FOR INVESTED NON-RESTRICTED EQUITY DEC. 31	**4.9**	**4.9**
Own shares Jan. 1	**-2.6**	-2.5
Purchase of own shares	**-0.7**	-0.1
OWN SHARES DEC. 31	**-3.4**	**-2.6**
Retained earnings Jan. 1	**107.7**	100.7
Translation differences	**-0.2**	2.3
Gains and losses on hedges of net investments, net of tax	**0.2**	-0.4
Dividends paid	**-8.9**	-9.0
Share-based payments	**0.3**	
Net income for the period	**10.1**	14.0
RETAINED EARNINGS DEC. 31	**109.1**	**107.7**

In those cases where option rights were granted during the period when the old Finnish Companies Act (September 29, 1978/734) was in force, the proceeds received for option-based share subscriptions, net of any transaction costs, have been credited to share capital (nominal value) and share premium fund. The fund for invested non-restricted equity includes other investments of equity nature and subscription prices for shares to the extent that it is specifically not to be credited to share capital. The payments received for share subscriptions based on the options granted after the entry into force (September 1, 2006) of the new Finnish Companies Act (21 July 2006/624) are fully recognized in the fund for invested non-restricted equity.

Translation differences contain exchange differences arising from the currency translation of foreign subsidiaries' financial statements and exchange differences arising from a monetary item that forms part of a net investment in a foreign company. Translation differences also contain fair value changes from hedging the net investment in foreign companies where this meets the conditions for hedge accounting. Fair value reserve includes movements in the fair values of available-for-sale financial assets and derivative instruments used for cash flow hedging. Own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity in the consolidated financial statements.

DIVIDENDS

The dividend paid for 2011 was EUR 0.23 per share, totaling EUR 8.9 million. A dividend of EUR 0.23 per share, a total of EUR 8.9 million, is proposed for the Annual General Meeting of Shareholders to be held on April 11, 2013. This dividend payable is not reflected in the financial statements for 2012.

SHARES AND SHARE CAPITAL

On December 31, 2012, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 468 449 (2011: 39 468 449). The book value of a share is EUR 0.09. There were no changes in the share capital in 2011 and 2012.

BOARD'S AUTHORIZATIONS

For information on the Board's authorizations and acquisition of own shares, see section Shares and Shareholders.

SHARE BASED PAYMENTS

For more details on share based payments, see note 28.

19 EMPLOYEE BENEFIT OBLIGATIONS

Most of the Group´s pension plans are defined contribution plans. The Group has significant defined benefit pension plans only in France. In France, the retirement benefits are determined based on salary and period of employment. These French obligations are unfunded. In Sweden, the ITP-pension plans operated by Alecta are multi-employer defined benefit pension plans. Because it has not been possible to get sufficient information for the calculation of obligations and assets by employer from plan operations, and because these Swedish plans are not significant for the Group, they have been treated as defined contribution plans in the financial statements. The Group has no other post-employment benefit obligations. The pension security of the personnel of the Group's Finnish companies is arranged under the Finnish statutory employee pension plan (TYEL) through an external pension insurance company. Employee benefit obligations also include a long-term profit-sharing payable to the employees in France.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR MILLION	2012	2011
Current service cost	**-0.1**	-0.1
Interest cost	**0.0**	-0.1
Actuarial gains and losses	**0.0**	0.0
TOTAL	**-0.1**	**-0.2**

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR MILLION	2012	2011
Present value of unfunded obligations	**1.9**	1.4
Unrecognized actuarial gains/losses	**-0.4**	0.0
Unrecognized prior service cost	**-0.1**	-0.1
NET OBLIGATIONS	**1.4**	**1.3**

BALANCE SHEET RECONCILIATION

EUR MILLION	2012	2011
Obligations Jan. 1	**1.3**	1.2
Current service cost	**0.1**	0.1
Interest cost	**0.0**	0.1
Actuarial gains and losses	**0.0**	0.0
Effect of any curtailments or settlements	**-0.1**	-0.1
OBLIGATIONS DEC. 31	**1.4**	**1.3**

ASSUMPTIONS

PERCENT	2012	2011
Discount rate	**2.8**	4.8
Future salary increase	**2.6**	2.6
Annual inflation rate	**2.0**	2.0

AMOUNTS FOR CURRENT AND PREVIOUS FOUR PERIODS

EUR MILLION	2012	2011	2010	2009	2008
Present value of funded obligations					0.1
Fair value of plan assets					-0.1
Present value of unfunded obligations	**1.9**	1.4	1.3	1.0	0.7
Experience adjustment on plan liabilities	**-0.1**	0.0	0.0	0.0	-0.1

The Group expects that threre will be no contributions to its defined benefit pension plans in 2013.

20 PROVISIONS

EUR MILLION	2012	2011
Restructuring provisions		
Provisions Jan. 1		0.1
Utilized provisions		-0.1
Translation differences		0.0
PROVISIONS DEC. 31		
Other provisions		
Provisions Jan. 1	**0.2**	0.1
Additions		0.1
Utilized provisions	**-0.1**	-0.1
Reclassification from current non-interest-bearing liabilities		0.1
Translation differences	**0.0**	0.0
PROVISIONS DEC. 31	**0.1**	**0.2**
Non-current	**0.1**	0.1
Current	**0.0**	0.1
TOTAL PROVISIONS	**0.1**	**0.2**

21 FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The main objective of the Group's financial risk management is to reduce the impacts of price fluctuations in financial markets and other factors of uncertainty on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity. The Board has approved the Group's risk management principles and CEO is responsible, together with the Group's finance management, for development and implementation of financial risk management procedures.

In 2012, the Group continued to develop its risk management processes. Group Risk Management, consisting of the Group CFO, Group Funding Manager and Group Risk Manager, review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. Global economy and financial markets were in uncertain conditions in 2012 and Group Risk Management continued monitoring and management of foreign exchange, interest rate, liquidity and counterparties' solvency risks.

Financial risks consist of market risks, credit and default risks and liquidity risks. This note also presents the Group's capital management.

MARKET RISKS

The Group's market risks are mainly caused by changes in foreign exchange and interest rates. These changes may have a significant impact on the Group's earnings, cash flows and balance sheet. The Group is also exposed to market price changes of certain raw materials, mainly metals and plastics, which are priced on commodity markets.

1. Foreign exchange risk

Major part of the Group's sales is in euros and US dollars. Also a significant part of expenses arise in euros, US dollars as well as HK dollars and Chinese yuans (renminbi). Group Risk Management monitors regularly the balance between Group's foreign currency sales and expenses as well as the development of the key currencies. Income and expenses within different currencies net each other out to some extent, creating an effective natural hedge in this respect. The Group's Board of Directors has defined a foreign exchange risk management policy. According to the policy, FX transactions of the following 12 months are systematically hedged.

In order to mitigate adverse impacts of foreign exchange movements on sales and purchases as well as forecasted cash flows and firm commitments, the Group uses derivative instruments. Derivative instruments are in most cases short term and with aim to hedge some proportion of the next season's foreign currency nominated sales or purchases. Instruments used may consist of foreign currency forward contracts, option contracts or combination instruments. Business units do most of their currency hedging against the Group's parent company. Group Risk Management monitors the Group's consolidated risk position and exercises external derivative instruments in line with the policy issued by Board of Directors.

Group does not apply hedge accounting (IAS 39) for the currency derivatives made to fix exchange rates of sales and purchases, but the derivatives are used for the purpose of reducing adverse impacts of market price changes on net earnings and cash flow. All derivatives are revalued at fair value on each balance sheet date. The underlying hedged foreign currency denominated transaction will however take place at a later date. As hedge accounting is not applied, these derivatives cause timing differences between the Group's exchange gains/losses and sales/purchases.

Currency derivatives used by the Group at the end of 2012 were forward contracts and short-term option instruments. The fair values of the derivatives are computed using regular valuation models by the Group. All changes in fair value of currency derivatives are recognized in the income statement. In 2012, currency derivatives had an income statement effect of EUR -0.4 million (2011: EUR -0.1 million). Fair values of currency derivatives are summarized under section 4. Derivatives.

As a result of sales and purchases in foreign currencies as well as operations in several jurisdictions, Group has foreign currency denominated receivables and payables. These are revalued at each balance sheet date and consequently exposed to foreign exchange rate movements. Depending on whether foreign currency monetary receivables and payables relate to sales and purchases or financial items, the foreign exchange gains/losses are booked in the income statement either above or below operating profit.

Group Risk Management regularly monitors the balance between foreign currency denominated monetary receivables and payables and takes actions to increase or decrease the hedge if necessary and financially feasible.

The Group has its external loan payable portfolio in several foreign currencies and it aims to use them to partially hedge loans and accounts receivable as well as net income in these foreign currencies. However, the foreign exchange impact on these does not always meet in the same section of the income statement. The purpose of this hedging is thought to reduce the adverse impact of currency movements on the Group's net income and equity.

The Group has net investments in subsidiaries whose equity is in foreign currency and thus exposed to foreign exchange rate movements when translated into euro. At the end of 2012, the Group hedged partially its net investments in USD currency denominated subsidiaries using equivalent currency loans. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity. The total non-euro-denominated equity of the Group's foreign subsidiaries was EUR 99.8 million on December 31, 2012 (2011: EUR 90.6 million), of which 9.8% was on Dec. 31 subject to equity hedging (2011: 10.7%). If the currencies linked to Euro based on ERM II (DKK, LTL and LVL) are excluded, the hedge ratio was 10.3% (2010: 11.3%).

The most relevant non-euro-denominated equities not subject to equity hedging are in HKD, USD and CAD currencies.

Group Risk Management monitors regularly the amounts of foreign exchange nominated net investments and decides on equity hedging actions accordingly.

Hedging of net investments in foreign subsidiaries

2012

EUR MILLION	TOTAL NET INVESTMENT (CURRENCY MILLION)	LOANS USED FOR HEDGING (CURRENCY MILLION)	TOTAL NET INVESTMENT (EUR MILLION)	LOANS USED FOR HEDGING (EUR MILLION)	HEDGE RATE (%)	BOOKED IN TRANSLATION DIFFERENCE IN EQUITY (EUR MILLION)
USD	**40.4**	**12.9**	**30.6**	**9.8**	**32.0**	**0.1**
JPY	**157.4**		**1.4**			**0.1**
Other			**67.8**			**0.1**
TOTAL			**99.8**	**9.8**	**9.8**	**0.3**

2011

EUR MILLION	TOTAL NET INVESTMENT (CURRENCY MILLION)	LOANS USED FOR HEDGING (CURRENCY MILLION)	TOTAL NET INVESTMENT (EUR MILLION)	LOANS USED FOR HEDGING (EUR MILLION)	HEDGE RATE (%)	BOOKED IN TRANSLATION DIFFERENCE IN EQUITY (EUR MILLION)
USD	37.7	11.7	29.2	9.0	31.0	-0.2
JPY	138.7	65.0	1.4	0.6	46.9	-0.1
Other			60.1			-0.2
TOTAL			**90.6**	**9.7**	**10.7**	**-0.5**

Exposure to foreign exchange risk from transactions

Below is presented the foreign currency exposure in companies whose functional currency is other than the currency under analysis. The connections possibly prevailing between different currencies are not taken into account, e.g. US dollar and Hong Kong dollar are considered as separate currencies in this analysis.

Balance sheet items include both Group's external and internal items. Income statement items do not include internal items to the extent reported currency is foreign currency for both transaction parties and hence does not expose the Group to foreign exchange risk.

The positions of other currencies are smaller.

2012

EUR MILLION	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	**12.4**		**0.2**
Foreign currency trade payables Dec. 31.	**-16.4**	**0.0**	**-2.3**
Foreign currency loans receivable Dec. 31.	**30.1**		**5.5**
Foreign currency loans payable Dec. 31. [1]	**-31.6**		**-6.9**
Foreign currency cash and cash equivalents Dec. 31.	**7.4**	**0.0**	**0.4**
NET EXPOSURE IN BALANCE SHEET DEC. 31.	**1.9**	**0.0**	**-3.1**
Actual foreign currency sales and purchases Jan. 1 – Dec. 31	**35.3**	**-0.2**	**-9.0**
Actual foreign currency expenses Jan. 1 – Dec. 31	**-59.3**	**-6.0**	**-11.1**
NET EXPOSURE IN THE INCOME STATEMENT JAN. 1 – DEC. 31	**-24.0**	**-6.2**	**-20.1**
Currency derivatives Dec. 31. [2]	**10.7**		
NET EXPOSURE	**-11.5**	**-6.2**	**-23.2**

2011

EUR MILLION	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	11.9	0.0	0.1
Foreign currency trade payables Dec. 31.	-18.8	-0.6	-3.3
Foreign currency loans receivable Dec. 31.	10.1	0.4	5.5
Foreign currency loans payable Dec. 31. [1]	-24.2		-10.0
Foreign currency cash and cash equivalents Dec. 31.	5.3	0.2	0.9
NET EXPOSURE IN BALANCE SHEET DEC. 31.	**-15.8**	**0.0**	**-6.8**
Actual foreign currency sales and purchases Jan. 1 – Dec. 31	46.2	0.7	-8.9
Actual foreign currency expenses Jan. 1 – Dec. 31	-61.1	-19.9	-3.6
NET EXPOSURE IN THE INCOME STATEMENT JAN. 1 – DEC. 31	**-14.9**	**-19.2**	**-12.5**
Currency derivatives Dec. 31. [2]	3.4		
NET EXPOSURE	**-27.3**	**-19.2**	**-19.3**

1) Excluding loans used for hedging net investments in foreign subsidiaries.
2) Currency derivatives are used to hedge a portion of purchases in foreign currency.

Sensitivity analysis

The effect of a 10% weakening of USD, HKD, CNY, AUD, NOK, CAD, SEK and RUB (against euro) in euro based on the following assumptions and factors:

- The sensitivity analysis is based on change of value in a single analyzed currency and assumes other variables (including values of other currencies) to remain unchanged. The connections possibly prevailing between some currencies are not taken into account.
- The sensitivity is analyzed against income statement and balance sheet conversion rates prevailing at Dec. 31.
- The analysis includes the effect of income statement transactions made in the analyzed currency between Jan. 1 and Dec. 31 in Group companies, whose functional currency is other than the analyzed currency (so called transaction impact) as well as in Group companies, whose functional currency equals to the analyzed currency (so called translation impact). The analysis takes into account the currency forward contracts in

place at Dec. 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.
- The sensitivity analysis includes the effect of valuation of the most significant financial assets and liabilities included in the balance sheet as per Dec. 31 in companies whose functional currency is other than the analyzed currency. The balance sheet items include both Group's external and internal items. Hedging of net investments as per Dec. 31 is taken into account in the analysis of the balance sheet items.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per Dec. 31 in subsidiaries, whose reporting currency equals to the analyzed currency, taking into account the hedging of the net investment as per Dec. 31.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate. Translation differences in equity do not include any tax effect.
- On average, the effect of other currencies is smaller than the ones analyzed here.

2012

EUR MILLION	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	**3.2**	**0.3**	**0.6**	**-0.5**	**-0.5**	**-1.3**	**-0.4**	**-4.4**
Net income (net of tax)	**1.8**	**0.2**	**0.4**	**-0.4**	**-0.5**	**-0.9**	**-0.3**	**-3.3**
Equity (net of tax) 3)	**-2.4**	**-2.7**	**0.0**	**-0.4**	**-0.5**	**-1.1**	**-0.1**	**-0.1**

2011

EUR MILLION	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	1.5	0.9	2.0	-0.4	-0.5	-1.0	-0.7	-2.4
Net income (net of tax)	1.7	0.7	1.3	-0.4	-0.6	-0.7	-0.6	-1.7
Equity (net of tax) 3)	-2.3	-2.3	0.0	-0.4	-0.1	-1.0	-0.6	-0.1

3) Without the effect of net income.

A 10% strengthening would have a deviant opposite effect due to currency derivatives. The opposite effect on operating profit would be the following: USD: EUR 0.2 million bigger, NOK: EUR 0.1 million smaller, SEK: EUR 0.2 million smaller, and RUB: EUR 0.7 million smaller.

2. Interest rate risk

The Group has interest-bearing borrowings and interest rate swaps, where the interest is variable and connected to market rates. Consequently the Group is exposed to changes in market interest rates.

	2012		2011	
EUR MILLION	**NON-CURRENT**	**CURRENT**	NON-CURRENT	CURRENT
Loans from financial institutions with fixed interest rate	**0.1**	**0.0**	0.0	0.0
Pension loans with fixed interest rate	**0.1**	**2.1**	2.2	4.4
Loans from financial institutions with variable interest rate	**78.4**	**25.3**	8.4	86.6
Commercial paper program with variable interest rate		**28.0**		25.0

The Group's borrowings are mainly in euros and US dollars, which have a substantial contribution to the overall interest rate risk. The Group's borrowings are almost fully flowing through the Group's parent company, which is consequently managing the Group's overall interest rate risk. The Group's interest rate risk is monitored as cash flow and fair value risks. Group Risk Management analyzes regularly the interest rate risk and agree on actions if needed. These actions may include changing the currency split of the external loan portfolio, selection between different sources of loan financing, changing the interest rate periods as well as entering into derivative financial instruments available to manage the interest rate risk. The Group does not have a fixed policy on how interest rates are fixed to different time periods, but this is decided based on prevailing market conditions.

Most of the Group's interest-bearing liabilities have an interest period of less than one year. EUR 2.2 million of the Group's loans payable is connected to fixed interests or interest periods of 12-month or longer (2011: EUR 7.0 million).

The interest rate risk may also be managed by using interest rate swaps, where the Group pays a fixed rate and receives variable rate. As of Dec. 31 the Group had four interest rate swaps, which were designated and effective as cash flow hedges in accordance with IAS 39. The market price based fair values of interest rate derivatives are received from issuer bank. In 2012, interest rate derivatives had an equity effect of EUR -0.6 million (2011: EUR -0.1 million) and income statement effect of EUR 0.0 million (2011: no effect). Fair values of interest rate derivatives are summarized under section 4. Derivatives.

Sensitivity analysis

Below is presented the effect of liabilities with variable interest rate and interest rate swaps on net income and equity if there was a 1% increase in interest rates. The sensitivity analysis is based on following assumptions and factors:
- All other variables, in particular foreign exchange rates, are assumed to remain unchanged.
- The sensitivity is analyzed against interest rates applicable on Dec. 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on Dec. 31.
- The sensitivity analysis of interest rate swaps is based on calculations received from the bank.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate.

	2012		2011	
EUR MILLION	**NET INCOME (NET OF TAX)**	**EQUITY (NET OF TAX) 4)**	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) 4)
Loans from financial institutions with variable interest rate	**-0.7**	**1.8**	-0.6	0.6
Commercial paper program with variable interest rate	**-0.2**		-0.2	

4) Without the effect of net income.

3. Other market price risks

The Group purchases some raw-materials, which are priced on global financial markets. These include commodity metals such as copper, zinc and lead, and some plastics. The value of these purchases is still relatively low and market price risk management actions are done in each manufacturing unit locally. Group Risk Management also monitors the development of these raw-material prices. No commodity hedging is currently carried out.

The Group does not own any such publicly traded shares or securities which would be subject to market price risks. The Group's investments in available-for-sale financial instruments are insignificant and consist of real estate investments and other unlisted shares for which no clear market price exists.

4. Derivatives

EUR MILLION	FOREIGN CURRENCY DERIVATIVES 2012	INTEREST RATE SWAPS 2012	TOTAL 2012	FOREIGN CURRENCY DERIVATIVES 2011	INTEREST RATE SWAPS 2011	TOTAL 2011
Nominal amount	**62.3**	**85.0**	**147.3**	3.4	67.9	71.3
Positive fair values	**0.3**	**0.3**	**0.6**	0.2		0.2
Negative fair values	**0.7**	**3.3**	**4.0**		2.1	2.1
NET FAIR VALUES	**-0.4**	**-3.0**	**-3.4**	**0.2**	**-2.1**	**-1.9**

All foreign currency derivatives mature within the next 12 months. Interest rate swaps, which are effective and mature between 2013 and 2017, generate following non-discounted cash flows, calculated based on interest rates and foreign exchange rates prevailing as per Dec. 31: EUR -1.1 million during year 2013, EUR -1.0 million during year 2014, EUR -0.9 million during year 2015, EUR -0.9 million during year 2016 and EUR -0.3 million during year 2017.

LIQUIDITY RISK

Generally, the seasonality of the Group's cash flow is fairly predictable and Group's finance management monitors Group's liquidity position using the cash pooling system as well as monthly cash flow and liquidity reporting.

Group's finance management raises most of the Group's interest-bearing debt centrally. The Group seeks to reduce liquidity and refinancing risks with balanced maturity profile of loans as well as by keeping sufficient amount of credit lines available. The Group has a EUR 40 million domestic commercial paper program, which together with Group's credit limits is utilized to balance the seasonality of the Group's cash flow. The size and maturity of issued commercial papers is decided by the CFO and Group Funding Manager, based on forecasted cash flows, status of commercial paper markets and applicable interest rates. The renewal of commercial papers upon maturity creates certain liquidity risk, which is managed by maintaining sufficient other liquidity reserves available at the maturity dates. The commercial paper program was used actively as part of Group funding and competitively priced debt was acquired through this market.

Group's loan facilities, which were renewed in 2012, include ordinary gearing ratios and net debt to EBITDA ratio covenants. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group does not foresee that the bank covenants would create exposures to its liquidity.

The Group's credit limits not drawn at December 31, 2012 were EUR 73.0 million (2011: EUR 6.4 million). Major part of the Group's credit limits is part of the Group's loan facilities renewed in 2012 and maturing in 2017. Group's domestic commercial paper program not sold at December 31, 2012 was EUR 12.0 million (2011 EUR 0.0 million).

Maturity of the group's financial liabilities

The following are the contractual maturities of financial liabilities, including interest payments.

2012

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES [1]	CONTRACTUAL CASH FLOWS	2013	2014	2015	2016	2017	TOTAL
Interest-bearing liabilities									
Loans from financial institutions	**103.8**	**103.8**	**109.1**	**26.7**	**11.2**	**11.0**	**0.7**	**59.5**	**109.1**
Pension loans	**2.2**	**2.2**	**2.2**	**2.1**	**0.1**				**2.2**
Commercial paper program	**28.0**	**28.0**	**28.0**	**28.0**					**28.0**
Finance lease	**0.2**	**0.2**	**0.2**	**0.1**	**0.1**	**0.0**			**0.2**
Other interest-bearing liabilities	**0.0**	**0.0**	**0.0**	**0.0**					**0.0**
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	**39.4**	**28.2**	**28.2**	**26.7**	**0.9**	**0.7**			**28.2**
Derivatives, net settled [2]									
Interest rate and currency derivatives, hedge accounted	**2.7**	**2.7**	**4.2**	**1.1**	**1.0**	**0.9**	**0.9**	**0.3**	**4.2**
Interest rate derivatives, non-hedge accounted	**0.3**	**0.3**	**0.7**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.7**
Currency derivatives, non-hedge accounted	**0.4**	**0.4**	**0.4**	**0.4**					**0.4**
TOTAL	**176.9**	**165.8**	**173.1**	**85.3**	**13.4**	**12.7**	**1.8**	**59.8**	**173.1**

2011

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES 1)	CONTRACTUAL CASH FLOWS	2012	2013	2014	2015	2016	TOTAL
Interest-bearing liabilities									
Loans from financial institutions	95.1	95.1	95.8	87.3	8.4	0.0	0.0		**95.8**
Pension loans	6.6	6.6	6.8	4.5	2.1	0.1			**6.8**
Commercial paper program	25.0	25.0	25.0	25.0					**25.0**
Finance lease	0.2	0.2	0.3	0.1	0.1	0.1	0.0		**0.3**
Other interest-bearing liabilities	0.0	0.0	0.0	0.0					**0.0**
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	39.7	29.7	29.7	26.1	2.3	0.7	0.7		**29.7**
Derivatives, net settled 2)									
Interest rate derivatives, hedge accounted	2.1	2.1	2.0	1.1	0.9				**2.0**
Currency derivatives, non-hedge accounted	-0.2	-0.2	-0.2	-0.2					**-0.2**
TOTAL	**168.4**	**158.4**	**159.1**	**143.8**	**13.8**	**0.9**	**0.7**		**159.1**

1) The proportion of the carrying values which are classified as financial liabilities according to IAS 39.

2) Cash flows of interest rate and currency derivatives are calculated based on interest and foreign exchange rates as per Dec. 31.

CREDIT AND DEFAULT RISK

The Group followed actively credit and default risks associated with customers and other counterparties in 2012. The Group's credit and default risk portfolio did not significantly change during the course of the year. The proportional amount of Group's trade receivables, which are past due date, increased slightly from 2011. Credit loss net allowances for trade receivables increased moderately from 2011 to 2012.

The Group's accounts receivables are generated by a large number of customers worldwide. Consequently, the credit risk is spread against multiple counterparties. The credit risk management is allocated to each operative business unit. Before providing credit to any new customer, background checks are carried out. Cash, advance payments and letters of credit are also applied with new and existing customers. Customer specific credit limits and financial situation of the existing credit customers are monitored and set locally in each business unit. Customers' payment behavior is monitored regularly and delays in payments may trigger payment reminders, stopping the shipments, requirements for advance payments for future shipments and eventually legal collection procedures. In significant cases, business units consult with the CFO before final decisions. In exceptional cases, payment terms may be renegotiated.

Group Risk Management manages most of the credit and default risk related to financial instruments. It seeks to reduce these risks by limiting the counterparties to banks, which have a good credit standing. Majority of the Group's bank deposits and forward contracts have been made with the Group's leading banks (Nordea Bank Finland Plc, Pohjola Bank Plc and Skandinaviska Enskilda Banken AB (pub)). Nordea Bank Finland Plc has credit ratings of Aa3 (Moody's) and AA- (Standard&Poor's), Pohjola Bank Plc has credit ratings of Aa2 (Moody's) and AA- (Standard&Poor's) and Skandinaviska Enskilda Banken (pub) has credit ratings of A1 (Moody's) and A+ (Standard&Poor's). Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance, commercial paper investments are not made.

The Group's maximum credit and default risk is the carrying amount of all financial assets which are disclosed in note 22.

For information on allowance for trade receivables, see note 15. An allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for allowances is done locally in each business unit on case-by-case basis.

No allowance is made on overdue trade receivables from customers, whose solvency is considered solid.

Analysis of trade receivables that where due but not impaired

EUR MILLION	2012	2011
Neither past due or impaired	**36.2**	36.1
Past due but not impaired		
Less than 1 month	**6.4**	4.7
1–3 months	**3.4**	3.4
3–6 months	**1.6**	2.0
Over 6 months	**2.0**	2.0
TOTAL	**49.6**	**48.3**

CAPITAL MANAGEMENT

Rapala Group's strategic objective is profitable growth. The objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and to maximize shareholder value. The Group updated its objectives for capital management in 2012 to align with the financial covenants associated with the new loan arrangement.

The Group manages its capital structure and makes adjustments to it taking into account changes in economic conditions and requirements of strategy implementation. To maintain or develop the capital structure, the Group may adjust the dividend payments and repayments of capital to shareholders by buying back shares, issue new shares and/or increase/decrease the amount of borrowings.

Group's objective for capital management is to keep:

1. Gearing ratio below 150% and
2. Net interest-bearing debt to EBITDA (rolling 12 months) below 3.8.

The Group capital structure is reviewed by the Board regularly. The Group is not subject to externally imposed capital requirements other than the financial covenants set by the banks, which are derived from the above mentioned key figures. For more information on financial covenants set by the banks, see section on liquidity risks.

The Group met its objectives for capital management as presented in the table below.

For definitions of key figures, see page 48.

EUR MILLION	TARGET	2012	2011
Gearing	below 150%	**65.1**	67.1
Net interest-bearing debt to EBITDA	below 3.8	**2.8**	2.4

22 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR MILLION	2012 CARRYING VALUE	2012 FINANCIAL ASSETS AND LIABILITIES *	2012 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES *	2011 CARRYING VALUE	2011 FINANCIAL ASSETS AND LIABILITIES *	2011 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES *	NOTE
FINANCIAL ASSETS							
Loans and receivables							
Non-current financial assets							
Loan receivables	**3.4**	**3.4**	**3.4**	4.5	4.5	4.5	15
Other interest-bearing receivables	**0.0**	**0.0**	**0.0**	1.3	1.3	1.3	15
Non-interest-bearing receivables	**0.9**	**0.9**	**0.9**	0.2	0.2	0.2	15
Current financial assets							
Cash and cash equivalents	**38.2**	**38.2**	**38.2**	28.9	28.9	28.9	17
Loan receivables	**1.1**	**1.1**	**1.1**	1.1	1.1	1.1	15
Other interest-bearing receivables	**1.3**	**1.3**	**1.3**				15
Trade and other non-interest-bearing receivables	**55.3**	**52.2**	**52.2**	53.7	52.0	52.0	15
Available-for-sale financial assets							
Available-for-sale investments	**0.3**	**0.3**	**0.3**	0.3	0.3	0.3	14
Financial assets at fair value through income statement - held-for-trading							
Currency derivatives - non-hedge accounted	**0.3**	**0.3**	**0.3**	0.2	0.2	0.2	15, 21
Hedge accounted derivatives							
Interest rate and currency derivatives - fair value hedges	**0.3**	**0.3**	**0.3**				15, 21
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement - held-for-trading							
Interest rate and currency derivatives - non-hedge accounted	**1.0**	**1.0**	**1.0**				21, 24
Hedge accounted derivatives							
Interest rate derivatives - cash flow hedges	**3.0**	**3.0**	**3.0**	2.1	2.1	2.1	21, 24
Financial liabilities measured at amortized cost							
Non-current financial liabilities							
Loans from financial institutions	**78.5**	**78.5**	**79.2**	8.4	8.4	8.4	23
Pension loans	**0.1**	**0.1**	**0.1**	2.2	2.2	2.2	23
Finance lease	**0.1**	**0.1**	**0.1**	0.1	0.1	0.1	23
Other non-interest-bearing liabilities	**1.5**	**1.5**	**1.5**	3.7	3.7	3.7	24
Current financial liabilities							
Loans from financial institutions	**25.3**	**25.3**	**25.3**	86.7	86.7	86.7	23
Commercial paper program	**28.0**	**28.0**	**28.0**	25.0	25.0	25.0	23
Pension loans	**2.1**	**2.1**	**2.1**	4.4	4.4	4.4	23
Finance lease	**0.1**	**0.1**	**0.1**	0.1	0.1	0.1	23
Other interest-bearing liabilities	**0.0**	**0.0**	**0.0**	0.2	0.2	0.2	23
Trade and other non-interest-bearing payables	**37.8**	**26.7**	**26.7**	36.0	26.0	26.0	24

* The proportion of the carrying value which is classified as financial assets and liabilities according to IAS 39.

FAIR VALUE HIERARCHY OF THE FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

				2012				2011
EUR MILLION	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS AT FAIR VALUE								
Available-for-sale financial assets								
Available-for-sale investments	**0.3**			**0.3**	0.3			0.3
Financial assets at fair value through income statement - held-for-trading								
Currency derivatives - non-hedge accounted	**0.3**		**0.3**		0.2		0.2	
Hedge accounted derivatives								
Currency and interest derivatives - fair value hedges	**0.3**		**0.3**					
TOTAL	**0.9**		**0.6**	**0.3**	**0.5**		**0.2**	**0.3**
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement - held-for-trading								
Currency and interest derivatives - non-hedge accounted	**1.0**		**1.0**					
Hedge accounted derivatives								
Interest rate derivatives - cash flow hedges	**3.0**		**3.0**		2.1		2.1	
TOTAL	**4.0**		**4.0**		**2.1**		**2.1**	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy levels

The fair values of the financial assets and liabilities on the hierarchy level 1 are based on quoted market prices of similar financial instruments traded in an active market. Currently there are no financial instruments on level 1.

The fair values of the financial assets and liabilities on the hierarchy level 2 are based on other price information than quoted market prices for a significant part of the valuation. This information is supported by observable market inputs either directly (i.e. prices) or indirectly (i.e. derived from prices).

The fair values of the financial assets and liabilities on the hierarchy level 3 are calculated using a valuation technique based on assumptions that are not supported by available observable market data. For example management estimates are utilized in generally accepted valuation models of the financial instruments on the Level 3.

The fair value hierarchy level, into which the entire financial asset or liability is classified, is determined based on the lowest-hierarchy-level information being significant for the valuation of that particular financial asset or liability. The significance of the information is estimated considering the financial asset or liability in its entirety.

No significant transfers between the hierarchy levels took place during the financial period.

Available-for-sale investments

Available-for-sale investments comprise of unlisted shares that are measured at fair value. Certain unlisted shares for which fair values cannot be measured reliably are measured at cost less possible impairment.

Derivatives

All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Finance leases

The fair value of finance lease liabilities corresponds to their book value. The fair value of finance leases is based on discounted future cash flows. The discount rate used corresponds to that applied to similar finance leases.

Current financial assets and liabilities

Due to their short maturity, the fair value of current financial assets and liabilities is regarded as corresponding to their original carrying amount.

Non-current financial assets

The fair value of non-current financial assets is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current interest-bearing liabilities

On December 31, 2012, 50.5% of non-current loans based on floating rates was connected to one-month euribor, libor or similar and the rest to maximum six-month euribor, libor or similar (2011: 81.8%). Therefore, the fair value of non-current loans based on floating rates is regarded as equaling their book value. A part of non-current loans on floating rates is hedged with separate interest rate derivatives which are described in note 21. The fair value of non-current loans on fixed rates is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current non-interest-bearing liabilities

Contingent considerations of business combinations and other acquisitions are recognized at fair value on the date of acquisition. Determination of fair values is based on discounted future cash flows.

23 INTEREST-BEARING LIABILITIES

EUR MILLION	AVERAGE INTEREST RATE 2012, % 1)	2012	2011
Non-current interest-bearing liabilities			
Loans from financial institutions	**2.37**	**78.5**	8.4
Pension loans	**2.35**	**0.1**	2.2
Finance lease	**4.45**	**0.1**	0.1
Current interest-bearing liabilities			
Loans from financial institutions	**1.51**	**15.3**	76.4
Current portion of non-current loans from financial institututions	**2.35**	**10.1**	10.2
Commercial paper program	**0.97**	**28.0**	25.0
Pension loans	**2.33**	**2.1**	4.4
Finance lease	**4.45**	**0.1**	0.1
Other current liabilities		**0.0**	0.0
TOTAL		**134.2**	**127.0**

1) Some of the loans are subject to interest rate swaps. Average interest rates are calculated without the effect of the interest rate swaps. More information in note 21.

Fair values of financial liabilities are presented in the note 22.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR MILLION	2012 NON-CURRENT	2012 CURRENT	2011 NON-CURRENT	2011 CURRENT
Loans from financial institutions				
EUR	**38.8**	**6.2**	4.3	43.0
USD	**10.5**	**12.9**	4.0	35.2
NOK		**0.3**		4.0
GBP	**25.3**	**5.1**	0.1	0.0
AUD	**0.1**	**0.0**	0.0	0.0
DKK		**0.5**		1.4
ZAR		**0.3**		0.2
JPY				0.6
RUB	**3.7**			
CHF				2.1
Pension loans and commercial paper program				
EUR	**0.1**	**30.1**	2.2	29.4
Finance lease				
GBP	**0.0**	**0.0**	0.1	0.0
Other	**0.0**	**0.0**	0.1	0.0
TOTAL	**78.7**	**55.5**	**10.8**	**116.2**

FINANCE LEASE

EUR MILLION	2012 MINIMUM LEASE PAYMENTS	2012 PRESENT VALUE OF PAYMENTS	2011 MINIMUM LEASE PAYMENTS	2011 PRESENT VALUE OF PAYMENTS
Within one year	**0.1**	**0.1**	0.1	0.1
1–3 years	**0.1**	**0.1**	0.2	0.1
3–5 years			0.0	0.0
TOTAL MINIMUM LEASE PAYMENTS	**0.2**	**0.2**	**0.3**	**0.2**
Less future finance charges	**0.0**		0.0	
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**0.2**	**0.2**	**0.2**	**0.2**

24 NON-INTEREST-BEARING LIABILITIES

EUR MILLION	2012	2011
Non-current non-interest-bearing liabilities		
Derivatives	**3.3**	2.0
Other non-current liabilities	**1.5**	3.7
Current non-interest-bearing liabilities		
Trade payables	**16.1**	17.6
Accrued employee-related expenses	**9.2**	8.7
VAT payable	**1.9**	1.3
Derivatives	**0.7**	0.2
Advances received	**0.2**	0.2
Other accrued expenses and deferred income	**5.9**	5.5
Other current liabilities	**4.5**	2.6
TOTAL	**43.3**	**41.8**

Other non-current non-interest-bearing liabilities include contingent considerations of business combinations and other acquisitions on the date of acquisition.

Fair values of financial liabilities are presented in the note 22.

25 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR MILLION	2012	2011
On own behalf		
Business mortgages		16.1
Guarantees	**0.1**	0.1
TOTAL	**0.1**	**16.2**

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.

Since Normark Sport Finland Oy, a 100% owned subsidiary of Rapala VMC Corporation, is the legal shareholder of the distribution joint venture with Shimano, the parent company has guaranteed to Shimano the fulfillment of its subsidiary's obligations related to the joint venture.

Group's lease commitments are presented in note 26.

DISPUTES AND LITIGATIONS

In 2008, the Group appealed to the Administrative Court against the Finnish tax authorities' decision made in 2007, based on which the parent company's taxation has been amended since 2004. The appeal was rejected in 2011, and the Group passed an appeal to the Supreme Administrative Court. The case is still pending. The taxes and the penalties for delayed payments levied by the tax authorities have been fully paid and booked. The cumulative disputed taxes totaled EUR 5.7 million on December 31, 2012.

A District Court in the USA has ruled the case related to two patent infringements in the US in 2011 in the favor of the Group.

The Group's management does not have knowledge of any other open disputes or litigations, which would have a significant impact on the company's financial position.

26 LEASE CONTRACTS

THE GROUP AS A LESSEE

Future minimum rental payable under non-cancellable operating lease commitments

EUR MILLION	2012	2011
Within one year	**5.8**	5.5
1–3 years	**5.1**	4.4
3–5 years	**3.0**	2.0
Later than 5 years	**2.7**	3.4
TOTAL	**16.6**	**15.2**

The Group leases offices, warehouses and manufacturing facilities under several non-cancellable operating leases. The leases have varying terms and lengths, some of which may contain renewal options.

THE GROUP AS A LESSOR

Future minimum rental receivable under non-cancellable operating leases

EUR MILLION	2012	2011
Within one year	**0.1**	0.1
1–3 years		0.1
TOTAL	**0.1**	**0.1**

Some of the offices and warehouses that are currently not used by the Group are leased to external parties. The leases have varying terms and lenghts, some of which may contain renewal options.

27 RELATED PARTY TRANSACTIONS

Subsidiaries owned directly or indirectly by the parent company as well as foreign branches are listed in note 31. Related party transactions between Group companies have been eliminated.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR MILLION	SALES AND OTHER INCOME	PURCHASES	PAID RENTS	OTHER EXPENSES	RECEIVABLES	PAYABLES
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 1)			**0.2**	**0.1**	**0.0**	
Management	**0.0**		**0.4**			**0.0**
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 1)			0.2	0.1	0.0	0.0
Management			0.3		0.0	0.0

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

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR MILLION	2012	2011
Salaries and other short-term employee benefits	**-2.5**	-2.9
Costs for share rewards	**-0.1**	
TOTAL	**-2.6**	**-2.9**

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. In 2012 one member left his position in the Executive Committee.

On December 31, 2012, the members of the Board and the Executive Committee held directly a total of 3 000 Company shares (on December 31, 2011: 3 000). Top management owned 0.0% (0.0%) of the issued share capital and voting rights of the company on December 31, 2012.

In 2012 and 2011, no options were granted to top management. For more information on share-based payments, see note 28 and the section 'Shares and Shareholders'. Details of top management shareholdings a are given in the section Board and Management.

The Group's business transactions or outstanding balances with top management or close members of their family are presented in the table 'Transactions and balances with related parties'.

EMPLOYEE BENEFITS FOR CHIEF EXECUTIVE OFFICER

EUR MILLION	2012	2011
Salaries and other short-term employee benefits	**-0.5**	-0.5
Costs for share rewards	**0.0**	
TOTAL	**-0.5**	**-0.5**

In 2012, CEO's annual base salary and benefits amounted to EUR 330 750, of which EUR 30 750 was paid in cash and EUR 300 000 as a personal supplementary pension insurance policy. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus paid in 2012 totaled EUR 123 646 accruing from year 2011. Bonus accrued for 2012 amounted to EUR 73 071. Being a member of the board, the CEO is also entitled to the same compensation as the other board members, which totals to EUR 45 000 for the year 2012.

The retirement age and pension of CEO are determined in accordance with the legislation in force. In addition to the mandatory pension insurance, CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The company shall give notice at any time or using 24 months notice period and CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the company without cause, CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR MILLION	2012	2011
Salaries and other short-term employee benefits	**-1.6**	-2.0
Costs for share rewards	**-0.1**	
TOTAL	**-1.7**	**-2.0**

In addition to the monthly salary members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the result and cash flow targets are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the relevant financial year are known and the second after a predetermined vesting period of a few months, to encourage retention of senior management.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR MILLION	2012	2011
Salaries and other short-term employee benefits	**-0.4**	-0.4
TOTAL	**-0.4**	**-0.4**

Chairman of the Board is paid an annual remuneration of EUR 100 000 and other Members of the Board of Directors an annual remuneration of EUR 45 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are reimbursed for travel expenses following the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 370 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2012 (2011: EUR 370 000).

28 SHARE-BASED PAYMENTS

The Group had one share-based payment program in place on December 31, 2012. The plan includes one earning period which commenced on April 1, 2012 and will end on June 30, 2013. The share price at the grant date was EUR 4.86. 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 company's shares in August 2013. Payment is subject to the person being employed by the Group at the moment of the payment. Following the payment, the shares are not subject to any disposal restrictions. 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. On Board's decision part of the reward may also be paid in cash.

The synthetic option program (2006) ended on March 31, 2011, and a reward totaling to EUR 0.3 million was disbursed during the second quarter 2011.

In 2012 and 2011, no new options were granted. The options exercised in 2011 were synthetic options, and the weighted average share price during the ten trading days before the exercise date was EUR 6.85 (2006A) and EUR 5.98 (2006B). There were no outstanding option programs during the year 2012.

MOVEMENT IN NUMBER OF OPTIONS AND WEIGHTED AVERAGE EXERCISE PRICES OF OPTIONS DURING THE YEAR

	2011	
EUR MILLION	PCS.	WEIGHTED AVERAGE EXERCISE PRICE EUR/SHARE
Outstanding Jan. 1	876 000	6.05
Forfeited during the year	-50 500	6.07
Exercised during the year	-825 500	6.04
OUTSTANDING DEC. 31		

SHARE-BASED PAYMENT RECOGNITION IN THE INCOME STATEMENT

EUR MILLION	2012	2011
Employee benefit expenses		
Share-based payment programs to be settled in shares	**-0.3**	
Option programs to be settled in cash		0.1
Social security expense liability for share-based payments	**0.0**	0.0
Deferred taxes	**0.0**	-0.1
TOTAL	**-0.3**	**-0.1**

SHARE-BASED PAYMENT RECOGNITION IN THE BALANCE SHEET

EUR MILLION	2012	2011
Assets		
Deferred tax assets	**0.0**	
Equity and liabilities		
Equity	**0.0**	
Social security expense liability for share-based payments 1)	**0.0**	

1) Included in current other non-interest-bearing payables.

29 EARNINGS PER SHARE

EUR MILLION	2012	2011
Net profit for the period attributable to the equity holders of the Company, EUR million	**10.1**	14.0
Weighted average number of shares, 1 000 shares	**38 885**	38 928
Diluted weighted average number of shares, 1 000 shares	**38 885**	38 928
Earnings per share, EUR	**0.26**	0.36
Diluted earnings per share, EUR	**0.26**	0.36

For more details on the calculation of earnings per share, see accounting principles for the consolidated accounts.

30 EVENTS AFTER THE BALANCE SHEET DATE

The Group has no knowledge of any significant events after the balance sheet date that would have a material impact on the financial statements for 2012. Material events after the balance sheet date have been discussed in the Review of the Board of Directors.

31 GROUP COMPANIES

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Nordic				
Normark Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Normark Sport Finland Oy	*	Finland	100	Distribution
Normark Suomi Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	90	Manufacturing
Rapala Shimano East Europe Oy	3)	Finland	50	Administration
Rapala VMC Iceland ehf	*	Iceland	100	Distribution
Normark Norway AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Mora Ice AB	2)	Sweden	100	Sourcing
Normark Scandinavia AB	*	Sweden	100	Distribution
Rest of Europe				
FLLC Normark	3)	Belarus	50	Distribution
Rapala Finance N.V.	*	Belgium	100	Administration
Normark S.r.o.	3)	Czech Republic	50	Distribution
ACE Ltd.		UK	100	Administration
Dynamite Baits Ltd.	*	UK	100	Manufacturing
Normark Sport Ltd.		UK	100	Administration
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Rapala France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Normark Hungary Ltd	*	Hungary	66.6	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Normark UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Normark Polska Sp.z.o.o.	*	Poland	100	Distribution
Normark Portugal SA		Portugal	100	Distribution
SC Normark Sport Romania S.r.l.		Romania	66.6	Distribution
OOO Raptech	*	Russia	100	Manufacturing
ZAO Normark	3)	Russia	50	Distribution
Normark Spain SA	*	Spain	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
VMC-Water Queen Ukraine	3)	Ukraine	50	Distribution
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing
VMC Inc.		USA	100	Distribution

1) Established in 2012
2) Acquired in 2012
3) Controlled by the Rapala Group
* Shares owned by the parent company

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Rest of the World				
Rapala VMC Australia Pty Ltd	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Normark Chile Ltd	1)	Chile	100	Distribution
Kentec Gift (Shenzhen) Ltd		China	100	Distribution
Rapala VMC China Co.	*	China	100	Distribution
Rapala VMC (ShenZhen) Ltd	1)	China	100	Manufacturing
Rapala VMC (Hong Kong) Ltd	*	Hong Kong	100	Sourcing
Willtech (PRC) Ltd.		Hong Kong	100	Manufacturing
PT Rapala Indonesia	*	Indonesia	100	Distribution
PT Rapala VMC Batam		Indonesia	100	Manufacturing
PT VMC Fishing Tackle Indonesia		Indonesia	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Normark Kazakhstan LLP	3)	Kazakhstan	50	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC Mexico S. de R.L. de C.V		Mexico	100	Distribution
Rapala VMC South-Africa Distributors Pty Ltd.	*	South Africa	70	Distribution
Rapala VMC Korea Co., Ltd	*	South Korea	100	Distribution
Rapala VMC (Thailand) Co., Ltd.	*	Thailand	100	Distribution

ASSOCIATED COMPANIES AND JOINT VENTURES		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Shimano Normark UK Ltd.	*	UK	50	Distribution
Lanimo Oü		Estonia	33.3	Manufacturing

FOREIGN BRANCHES

Rapala VMC (Hong Kong) Ltd, branch office in Taiwan
Normark S.r.o., branch office in Slovak Republic

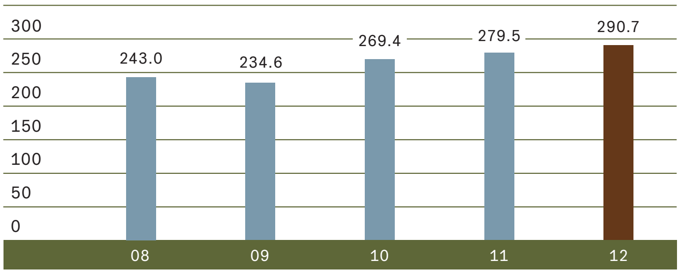
1) Established in 2012
2) Acquired in 2012
3) Controlled by the Rapala Group
* Shares owned by the parent company

KEY FINANCIAL FIGURES

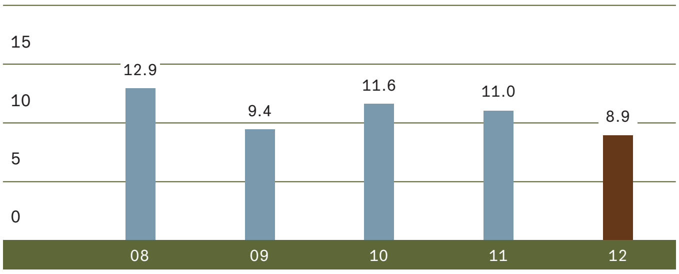
		2012	2011	2010	2009	2008
Scope of activity and profitability						
Net sales	EUR million	**290.7**	279.5	269.4	234.6	243.0
Operating profit before depreciation and impairments	EUR million	**32.6**	37.7	37.4	28.9	37.5
as a percentage of net sales	%	**11.2**	13.5	13.9	12.3	15.5
Operating profit	EUR million	**25.9**	30.7	31.3	22.1	31.3
as a percentage of net sales	%	**8.9**	11.0	11.6	9.4	12.9
Profit before taxes	EUR million	**21.0**	25.2	29.5	19.9	26.5
as a percentage of net sales	%	**7.2**	9.0	10.9	8.5	10.9
Net profit for the period	EUR million	**13.9**	17.2	20.7	14.3	19.2
as a percentage of net sales	%	**4.8**	6.2	7.7	6.1	7.9
Attributable to						
Equity holders of the Company	EUR million	**10.1**	14.0	18.0	12.1	17.7
Non-controlling interest	EUR million	**3.8**	3.2	2.8	2.2	1.6
Capital expenditure	EUR million	**14.4**	10.0	12.7	7.6	13.7
as a percentage of net sales	%	**5.0**	3.6	4.7	3.2	5.6
Research and development expenses	EUR million	**2.0**	2.1	2.1	2.0	1.8
as a percentage of net sales	%	**0.7**	0.7	0.8	0.9	0.7
Net interest-bearing debt at the end of the period	EUR million	**89.9**	91.1	89.9	79.2	90.1
Capital employed at the end of the period	EUR million	**227.9**	226.9	219.1	190.8	193.8
Return on capital employed (ROCE)	%	**11.4**	13.8	15.3	11.5	16.9
Return on equity (ROE)	%	**10.2**	13.0	17.2	13.3	19.2
Equity-to-assets ratio at the end of the period	%	**42.3**	43.2	42.6	42.8	38.0
Debt-to-equity ratio (gearing) at the end of the period	%	**65.1**	67.1	69.5	70.9	86.9
Average personnel for the period	Persons	**2 127**	2 208	2 317	2 259	4 143
Personnel at the end of the period	Persons	**2 090**	1 921	2 313	2 271	3 197

Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities was redefined in 2012. The change in presentation led into changes in calculation of some non-IFRS based key figures. All comparative periods have been restated accordingly.

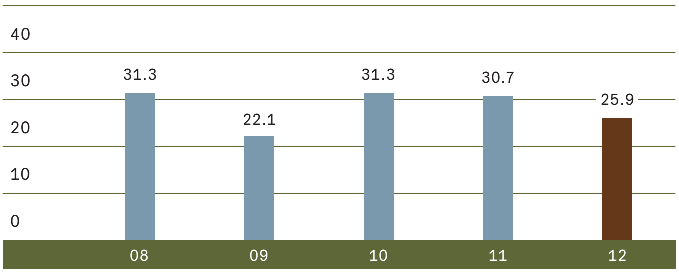
NET SALES, EUR MILLION



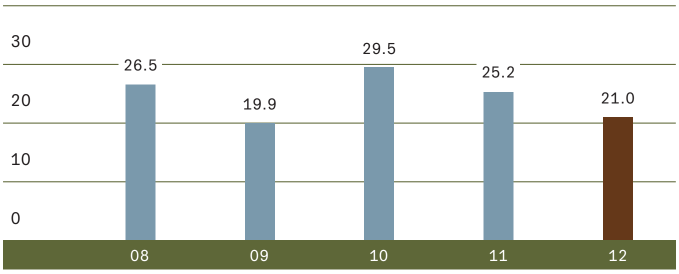
OPERATING PROFIT MARGIN, %



OPERATING PROFIT, EUR MILLION



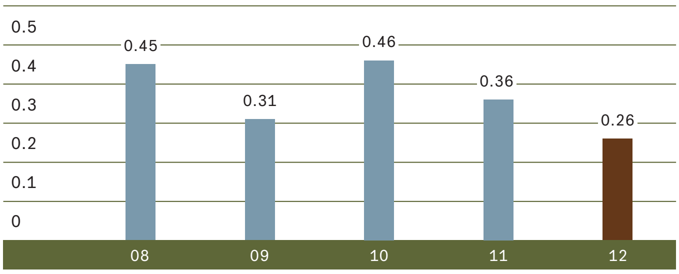
PROFIT BEFORE TAXES, EUR MILLION



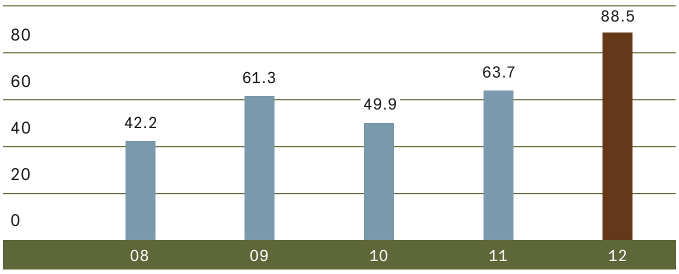
		2012	2011	2010	2009	2008
Share related key figures						
Earnings per share	EUR	**0.26**	0.36	0.46	0.31	0.45
Fully diluted earnings per share	EUR	**0.26**	0.36	0.46	0.31	0.45
Equity per share	EUR	**3.32**	3.30	3.13	2.75	2.59
Dividend per share [1]	EUR	**0.23**	0.23	0.23	0.19	0.19
Dividend/earnings ratio [1]	%	**88.5**	63.7	49.9	61.3	42.2
Effective dividend yield [1]	%	**4.74**	4.07	3.35	3.82	5.46
Price/earnings ratio		**18.7**	15.7	14.9	16.1	7.8
Share price at the end of the period	EUR	**4.85**	5.65	6.86	4.97	3.48
Lowest share price	EUR	**4.52**	4.86	4.80	3.50	2.95
Highest share price	EUR	**6.50**	7.38	6.86	5.16	5.65
Average share price	EUR	**5.50**	6.23	5.75	4.46	4.21
Number of shares traded	Shares	**5 679 621**	6 479 735	4 051 489	3 138 597	4 144 626
Number of shares traded of average number of shares	%	**14.61**	16.65	10.38	8.01	10.52
Share capital	EUR million	**3.6**	3.6	3.6	3.6	3.6
Dividend for the period [1]	EUR million	**8.9**	8.9	9.0	7.4	7.5
Year end market capitalization [2]	EUR million	**188.0**	219.9	267.0	194.5	136.6
Number of shares at the end of the period excluding own shares [2]	1 000 shares	**38 767**	38 916	38 928	39 128	39 256
Number of own shares at the end of period	1 000 shares	**701**	552	540	340	213
Weighted average number of shares [2]	1 000 shares	**38 885**	38 928	39 038	39 208	39 403
Fully diluted number of shares at the end of the period [2]	1 000 shares	**38 767**	38 916	38 928	39 128	39 256
Fully diluted weighted average number of shares [2]	1 000 shares	**38 885**	38 928	39 038	39 208	39 403

1) Year 2012 board proposal.
2) Excluding own shares.

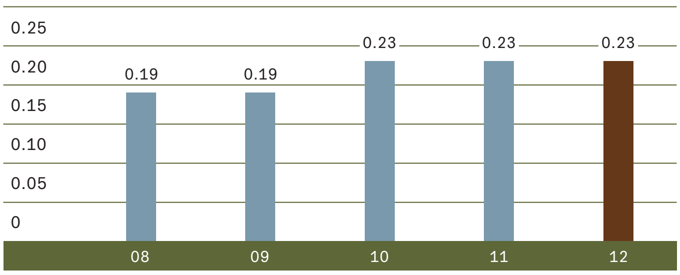
EARNINGS PER SHARE, EUR



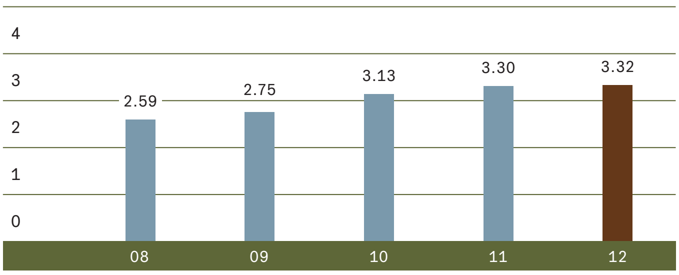
DIVIDEND/EARNINGS RATIO, %



DIVIDEND PER SHARE, EUR



EQUITY PER SHARE, EUR



DEFINITION OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	=	Operating profit + depreciation and impairments
Net interest-bearing debt	=	Total interest-bearing liabilities - total interest-bearing assets
Capital employed	=	Total equity + net interest-bearing liabilities
Working capital	=	Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	=	Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	=	Total liabilities - interest-bearing liabilities
Net interest-bearing debt to EBITDA	=	Net interest-bearing debt / Operating profit before depreciation and impairments
Return on capital employed (ROCE), %	=	Operating profit x 100 / Capital employed (average for the period)
Return on equity (ROE), %	=	Net profit for the period x 100 / Total equity (average for the period)
Debt-to-equity ratio (Gearing), %	=	Net interest-bearing liabilities x 100 / Total equity
Equity-to-assets ratio, %	=	Total equity x 100 / Total shareholders' equity and liabilities - advances received
Earnings per share, EUR	=	Net profit for the period attributable to the equity holders of the Company / Adjusted weighted average number of shares
Dividend per share, EUR	=	Dividend for the period / Adjusted number of shares at the end of the period
Dividend/earnings ratio, %	=	Dividend for the period x 100 / Net profit for the period attributable to the equity holders of the Company
Equity per share, EUR	=	Equity attributable to equity holders of the Company / Adjusted number of shares at the end of the period
Effective dividend yield, %	=	Dividend per share x 100 / Adjusted share price at the end of the period
Price/earnings ratio	=	Adjusted share price at the end of the period / Earnings per share
Average share price, EUR	=	EUR amount traded during the period / Adjusted number of shares traded during the period
Year-end market capitalization, EUR	=	Number of shares at the end of the period, exluding own shares x share price at the end of the period
Average number of personnel	=	Calculated as average of monthly averages

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT

EUR	2012	2011	NOTE
Net sales	**31 815 493**	28 993 892	2
Other operating income	**162 749**	90 606	3
Change in inventory of finished products and work in progress	**-683 406**	170 910	
Production for own use	**146 253**	84 682	
Materials and services	**-14 086 819**	-12 526 371	5
Employee benefit expenses	**-8 655 178**	-8 582 102	6
Other operating expenses	**-5 789 463**	-5 035 372	4
Operating profit before depreciation and impairments	**2 909 629**	**3 196 246**	
Depreciation and impairments	**-1 083 197**	-1 300 101	7
Operating profit	**1 826 432**	**1 896 145**	
Financial income and expenses	**9 408 583**	-3 575 242	8
Profit before extraordinary items	**11 235 015**	**-1 679 097**	
Extraordinary items	**1 900 000**	2 300 000	9
Profit before appropriations and taxes	**13 135 015**	**620 903**	
Appropriations	**-298 128**	36 069	10
Income taxes	**-450 643**	-1 762 701	11
NET PROFIT FOR THE PERIOD	**12 386 244**	**-1 105 729**	

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	2012	2011	NOTE
Non-current assets			
Intangible assets	**818 089**	850 903	12
Tangible assets	**6 101 004**	6 092 578	13
Investments	**171 256 188**	148 193 410	14
Interest-bearing receivables	**5 692 026**	4 428 632	16
Non-interest-bearing receivables	**1 419 774**	1 657 332	16
Total non-current assets	**185 287 080**	**161 222 855**	
Current assets			
Inventories	**6 743 445**	7 434 861	15
Current financial assets			
Interest-bearing	**19 434 430**	16 910 655	16
Non-interest-bearing	**15 673 241**	16 595 952	16
Cash and cash equivalents	**7 262 152**	5 836 545	
Total current assets	**49 113 268**	**46 778 012**	
TOTAL ASSETS	**234 400 347**	**208 000 867**	

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	2012	2011	NOTE
Shareholders' equity			
Share capital	**3 552 160**	3 552 160	
Share premium fund	**16 680 961**	16 680 961	
Fair value reserve	**-2 991 473**	-2 132 705	
Fund for invested non-restricted equity	**4 914 371**	4 914 371	
Own shares	**-3 355 093**	-2 611 276	
Retained earnings	**15 282 167**	25 336 095	
Net income for the period	**12 386 244**	-1 105 729	
Total shareholders' equity	**46 469 338**	**44 633 877**	
Appropriations	**1 157 177**	859 049	
Non-current liabilities			
Interest-bearing	**79 174 924**	11 239 000	
Non-interest-bearing	**3 307 764**	3 334 748	
Total non-current liabilities	**82 482 688**	**14 573 748**	17
Current liabilities			
Interest-bearing	**72 588 526**	118 582 796	
Non-interest-bearing	**31 702 618**	29 351 397	
Total current liabilities	**104 291 144**	**147 934 194**	17
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**234 400 347**	**208 000 867**	

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR THOUSAND	2012	2011	NOTE
Net profit for the period	**12 386**	**-1 106**	
Adjustments			
Income taxes	**451**	1 763	11
Financial income and expenses	**-9 409**	3 575	8
Reversal of non-cash items			
Depreciation and impairments	**1 083**	1 300	7
Other items	**-1 149**	-2 800	
Total adjustments	**-9 022**	**3 838**	
Financial items			
Interest paid	**-3 485**	-3 373	
Interest received	**1 085**	704	
Income taxes paid	**-1 435**	-1 892	
Dividends received	**13 773**	330	
Other financial items, net	**-2 893**	-569	
Total financial items	**7 045**	**-4 800**	
Change in working capital			
Change in receivables	**872**	-11 741	
Change in inventories	**692**	-383	
Change in liabilities	**332**	4 100	
Total change in working capital	**1 896**	**-8 024**	
Net cash generated from operating activities	**12 305**	**-10 092**	
Net cash used in investing activities			
Proceeds from disposal of tangible assets	**413**	80	13
Purchases of tangible assets	**-1 359**	-1 337	13
Investments to subsidiaries and acquisition of subsidiaries and joint ventures	**-23 060**	-1 855	14
Change in interest-bearing receivables	**-3 022**	2 893	
Total net cash used in investing activities	**-27 028**	**-219**	
Net cash generated from financing activities			
Dividends paid	**-8 948**	-8 953	
Purchase of own shares	**-744**	-94	
Loan withdrawals	**221 066**	120 289	
Loan repayments	**-197 210**	-103 881	
Group contributions received	**2 300**	2 800	
Total net cash generated from financing activities	**16 464**	**10 161**	
Change in cash and cash equivalents	**1 741**	-150	
Cash and cash equivalents at the beginning of the period	**5 837**	5 930	
Foreign exchange rate effect	**-316**	57	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**7 262**	**5 837**	

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR	2012	2011
Share capital Jan. 1	**3 552 160**	3 552 160
SHARE CAPITAL DEC. 31	**3 552 160**	**3 552 160**
Share premium fund Jan. 1	**16 680 961**	16 680 961
SHARE PREMIUM FUND DEC. 31	**16 680 961**	**16 680 961**
Fair value reserve Jan. 1	**-2 132 705**	-2 013 673
Gains and losses on cash flow hedges	**-858 768**	-119 032
FAIR VALUE RESERVE DEC. 31	**-2 991 473**	**-2 132 705**
Fund for invested non-restricted equity Jan. 1	**4 914 371**	4 914 371
FUND FOR INVESTED NON- RESTRICTED EQUITY DEC. 31	**4 914 371**	**4 914 371**
Own shares Jan. 1	**-2 611 276**	-2 516 723
Purchase of own shares	**-743 816**	-94 553
OWN SHARES DEC. 31	**-3 355 093**	**-2 611 276**
Retained earnings Jan. 1	**24 230 367**	34 289 593
Dividends paid	**-8 948 199**	-8 953 498
Net income for the period	**12 386 244**	-1 105 729
RETAINED EARNINGS DEC. 31	**27 668 412**	**24 230 367**

DISTRIBUTABLE EQUITY

DISTRIBUTABLE FUNDS	2012	2011
Retained earnings	**24 230 367**	34 289 593
Dividends paid	**-8 948 199**	-8 953 498
Purchase of own shares	**-3 355 093**	-2 611 276
Gains and losses on cash flow hedges	**-2 991 473**	-2 132 705
Net income for the period	**12 386 244**	-1 105 729
DISTRIBUTABLE EARNINGS	**21 321 846**	**19 486 385**
Other distributable equity		
Fund for invested non-restricted equity	**4 914 371**	4 914 371
TOTAL DISTRIBUTABLE EQUITY	**26 236 217**	**24 400 756**

PARENT COMPANY SHARE CAPITAL

	2012	2011
Shares	**39 468 449**	39 468 449
EUR	**3 552 160**	3 552 160

Each share is entitled to one vote. Info on Board's authorizations and own shares is available in the section Shares and Shareholders.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The financial statements of Rapala VMC Oyj have been prepared according to Finnish Accounting Standards (FAS).

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into euros using the exchange rates at the balance sheet date and exchange differences arising from translation are recognized in the income statement.

Revenue recognition

Sales of goods and services are recognized on accrual basis when the significant risks related to goods and services sold have passed to the buyer and it is not probable that the client would return the goods. Net sales comprise of gross sales less cash discounts and sales taxes.

Research and development costs

Research and development costs are expensed as they are incurred, unless they clearly relate to developing new business areas. Such development costs are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the accrued and future development costs and related production, selling and administrative expenses, and other possible costs related to the project.

Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

Inventories

Inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises of raw materials, direct labor costs including social costs and other direct costs. Inventories are shown net of a reserve for obsolete or slow-moving inventories.

Tangible and intangible assets

Tangible and intangible assets are stated at historical cost excluding accumulated depreciation according to plan. Planned depreciation is based on historical cost and expected useful life.

Land is not depreciated. Depreciation is based on the following expected useful lives:

Intangible assets	3–15 years
Buildings	10–20 years
Machinery and equipment	5–10 years
Other tangible assets	3–10 years

Pension arrangements

All of the company's pension arrangements are defined contribution plans, with the majority being local statutory arrangements. Pension costs are expensed as incurred.

Valuation of financial derivatives

All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Fair value of standard foreign currency forwards are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the foreign currency using spot rates. Determination of fair values of other derivative instruments are based on quoted market prices and rates, discounting of cash flows and option valuation models. The fair values of these instruments are either computed by Bloomberg market data tool by the company or received from the respective bank.

In cash flow hedges, changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the income statement as well as the change in fair value of the contracts that are not designated to hedge accounting.

Own shares

Own shares acquired by the company, including directly attributable costs, are presented as a deduction from the total equity on the day of trading. Purchases or subsequent sales of treasury shares are presented as changes in equity.

Cash flow statement

Changes in financial position are presented as cash flows from operating, investing and financing activities.

2 NET SALES

EUR THOUSAND	2012	2011
By destination		
North America	**17 928**	15 605
Nordic	**1 990**	2 158
Rest of Europe	**7 823**	7 458
Rest of the World	**4 074**	3 773
TOTAL	**31 815**	**28 994**

The parent company's net sales consist of Lure Business which is included in Group Fishing Products in the consolidated operating segment reporting.

3 OTHER OPERATING INCOME

EUR THOUSAND	2012	2011
Rental income	**23**	63
Other income	**140**	27
TOTAL	**163**	**91**

4 OTHER OPERATING EXPENSES

EUR THOUSAND	2012	2011
Maintenance	**-1 247**	-1 198
Selling and marketing expenses	**-640**	-638
Traveling expenses	**-626**	-495
IT and telecommunication	**-345**	-288
Rents paid	**-303**	-274
Auditors fees and services	**-98**	-146
Freight	**-52**	-58
Sales commissions	**-74**	-141
Other expenses	**-2 405**	-1 798
TOTAL	**-5 789**	**-5 035**

AUDITORS' FEES AND SERVICES

EUR THOUSAND	2012	2011
Audit fees	**-98**	-138
Fees for tax services		-1
Other fees		-7
TOTAL	**-98**	**-146**

5 MATERIALS AND SERVICES

EUR THOUSAND	2012	2011
Materials, goods and supplies		
Purchases during the financial year	**-13 998**	-12 627
Change in inventory	**-8**	211
External services	**-81**	-111
TOTAL	**-14 087**	**-12 526**

6 EMPLOYEE BENEFIT EXPENSES

EUR THOUSAND	2012	2011
Wages and salaries	**-7 065**	-7 013
Pension costs	**-1 115**	-1 149
Other personnel expenses	**-475**	-420
TOTAL	**-8 655**	**-8 582**
Average personnel for the period	**167**	**189**

The remuneration of the Board of Directors amounted to EUR 370 thousand (2011: EUR 370 thousand).

7 DEPRECIATION AND IMPAIRMENTS

EUR THOUSAND	2012	2011
Depreciation of intangible assets		
Trademarks	**-93**	-92
Other intangible assets	**-42**	-291
Depreciation of tangible assets		
Buildings	**-147**	-165
Machinery and equipment	**-801**	-751
TOTAL	**-1 083**	**-1 300**

8 FINANCIAL INCOME AND EXPENSES

EUR THOUSAND	2012	2011
Dividend income from subsidiaries	**13 450**	996
Dividend income from third parties	**3**	2
Foreign exchange gains	**8 886**	5 627
Foreign exchange losses	**-9 202**	-7 699
Interest and other financial income		
Interest income	**1 141**	989
Other financial income	**118**	84
Interest and other financial expenses		
Interest expense	**-3 774**	-3 269
Other financial expenses	**-1 213**	-305
TOTAL	**9 409**	**-3 575**

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR THOUSAND	2012	2011
Dividend income from subsidiaries	**13 450**	996
Interest and other financial income		
Interest income	**1 126**	954
Other financial income	**96**	84
Interest and other financial expenses		
Interest expense	**-239**	-279
TOTAL	**14 433**	**1 756**

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR THOUSAND	2012	2011
Translation differences recognized in net sales	**210**	269
Translation differences included in purchases and other expenses	**-26**	343
Foreign exchange gains and losses in financial income and expenses	**-316**	-2 072
TOTAL	**-132**	**-1 460**

9 EXTRAORDINARY ITEMS

EUR THOUSAND	2012	2011
Group contributions received	**1 900**	2 300
TOTAL	**1 900**	**2 300**

10 APPROPRIATIONS

EUR THOUSAND	2012	2011
Change in depreciation difference		
Intangible assets	**-18**	36
Buildings	**-51**	68
Machinery and equipment	**-229**	-67
TOTAL	**-298**	**36**

11 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR THOUSAND	2012	2011
Income taxes		
Income taxes on extraordinary items	**-466**	-598
Income taxes on operating activities	**-36**	-822
Taxes from previous financial years	**50**	-343
TOTAL	**-451**	**-1 763**

Deferred tax assets and liabilities of the parent company are not presented in the parent company's balance sheet.

12 INTANGIBLE ASSETS

2012

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	**924**	**7 506**	**8 430**
Additions		**117**	**117**
Disposals		**-5 570**	**-5 570**
Reclassifications		**12**	**12**
ACQUISITION COST DEC. 31	**924**	**2 065**	**2 989**
Accumulated amortization Jan. 1	**-193**	**-7 387**	**-7 580**
Disposals		**5 543**	**5 543**
Amortization during the period	**-93**	**-42**	**-135**
ACCUMULATED AMORTIZATION DEC. 31	**-286**	**-1 886**	**-2 172**
Book value Jan. 1	**732**	**119**	**851**
Book value Dec. 31	**639**	**179**	**818**

2011

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	924	7 506	8 430
ACQUISITION COST DEC. 31	**924**	**7 506**	**8 430**
Accumulated amortization Jan. 1	-100	-7 095	-7 195
Amortization during the period	-92	-292	-384
ACCUMULATED AMORTIZATION DEC. 31	**-193**	**-7 387**	**-7 580**
Book value Jan. 1	824	411	1 235
Book value Dec. 31	732	119	851

13 TANGIBLE ASSETS

2012

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	**144**	**4 655**	**16 452**	**44**	**561**	**21 855**
Additions		**10**	**319**		**938**	**1 267**
Disposals	**-38**	**-532**	**-192**		**-29**	**-791**
Reclassifications		**139**	**926**		**-1 077**	**-12**
ACQUISITION COST DEC. 31	**106**	**4 272**	**17 505**	**44**	**393**	**22 319**
Accumulated depreciation Jan. 1		**-3 850**	**-11 913**			**-15 763**
Disposals		**434**	**59**			**493**
Depreciation during the period		**-147**	**-801**			**-948**
ACCUMULATED DEPRECIATION DEC. 31		**-3 563**	**-12 655**			**-16 218**
Book value Jan. 1	**144**	**805**	**4 539**	**44**	**561**	**6 092**
Book value Dec. 31	**106**	**709**	**4 850**	**44**	**393**	**6 101**

2011

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	144	4 569	15 203	44	662	20 621
Additions			370		1 011	1 381
Disposals			-132		-15	-147
Reclassifications		86	1 011		-1 097	
ACQUISITION COST DEC. 31	**144**	**4 655**	**16 452**	**44**	**561**	**21 855**
Accumulated depreciation Jan. 1		-3 685	-11 162			-14 847
Depreciation during the period		-165	-751			-916
ACCUMULATED DEPRECIATION DEC. 31		**-3 850**	**-11 913**			**-15 763**
Book value Jan. 1	144	884	4 041	44	662	5 774
Book value Dec. 31	144	805	4 539	44	561	6 092

14 INVESTMENTS

2012

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	**146 350**	**1 609**	**234**	**148 193**
Additions	**20 675**	**3**		**20 678**
Acquisitions	**2 385**			**2 385**
BOOK VALUE DEC. 31	**169 410**	**1 612**	**234**	**171 256**

2011

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	146 230		234	146 464
Acquisitions	120	1 609		1 729
BOOK VALUE DEC. 31	**146 350**	**1 609**	**234**	**148 193**

15 INVENTORIES

EUR THOUSAND	2012	2011
Raw material	**2 089**	2 097
Work in progress	**3 246**	3 606
Finished products	**1 408**	1 732
TOTAL	**6 743**	**7 435**

16 RECEIVABLES

EUR THOUSAND	2012	2011
Non-current receivables		
Interest-bearing		
Loan receivables	**5 354**	3 136
Derivatives	**338**	
Other receivables		1 293
Non-interest-bearing		
Derivatives		4
Other receivables	**1 420**	1 653
Current receivables		
Interest-bearing		
Loan receivables	**19 434**	16 911
Non-interest-bearing		
Trade receivables	**11 148**	13 437
Prepaid expenses and accrued income	**2 417**	1 516
Other receivables	**1 613**	1 292
Derivatives	**496**	351
TOTAL	**42 219**	**39 593**

RECEIVABLES FROM SUBSIDIARIES

EUR THOUSAND	2012	2011
Non-current receivables		
Interest-bearing		
Loan receivables	**5 354**	3 136
Non-interest-bearing		
Derivatives		4
Other receivables	**1 420**	1 653
Current receivables		
Interest-bearing		
Loan receivables	**18 111**	16 911
Non-interest-bearing		
Trade receivables	**3 959**	13 209
Prepaid expenses and accrued income	**344**	351
Other receivables	**1 613**	1 292
Derivatives	**229**	131
TOTAL	**31 030**	**36 687**

17 LIABILITIES

EUR THOUSAND	2012	2011
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	**79 050**	8 309
Pension loans	**125**	2 208
Other non-current liabilities		721
Non-interest-bearing		
Other liabilities		1 383
Derivatives	**3 308**	1 951
Current liabilities		
Interest-bearing		
Loans from financial institutions	**22 941**	65 534
Commercial paper program	**28 000**	25 000
Pension loans	**2 083**	4 417
Other current liabilities	**19 564**	23 632
Non-interest-bearing		
Derivatives	**764**	448
Advances received		11
Trade payables	**27 142**	25 152
Accrued liabilities and deferred income	**2 381**	3 740
Other current liabilities	**1 416**	
TOTAL	**186 774**	**162 508**

LIABILITIES TO SUBSIDIARIES

EUR THOUSAND	2012	2011
Non-current liabilities		
Interest-bearing		
Other non-current liabilities		721
Current liabilities		
Interest-bearing		
Other non-current liabilities	**19 566**	25 153
Non-interest-bearing		
Derivatives	**97**	267
Trade payables	**21 799**	18 710
TOTAL	**41 463**	**44 852**

All loans included in non-current liabilities mature in less than 5 years.

18 LEASE CONTRACTS

PARENT COMPANY AS A LESSEE

Repayment Schedule of Non-Cancellable Operating Lease Commitments

EUR THOUSAND	2012	2011
Within one year	**213**	213
1–3 years	**43**	51
TOTAL	**256**	**264**

PARENT COMPANY AS A LESSOR

Rental Receivable Schedule of Non-Cancellable Operating Leases

EUR THOUSAND	2012	2011
Within one year		11
TOTAL		**11**

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR THOUSAND	2012	2011
On own behalf and on behalf of subsidiaries		
Business mortgage		16 055
Guarantees	**7 094**	7 622
TOTAL	**7 094**	**23 677**

Commitments are to secure Group's loans from financial institutions and pension loans. The parent company has also guaranteed some rental agreements on behalf of subsidiaries. The company 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.

Since Normark Sport Finland Oy, a 100% owned subsidiary of Rapala VMC Corporation, is the legal shareholder of the distribution joint venture with Shimano Inc., the parent company has guaranteed to Shimano the fulfillment of its subsidiary's obligations related to the joint venture.

20 DERIVATIVES

EUR THOUSAND	2012	2011
Currency derivatives with bank		
Fair value	**-400**	220
Nominal value	**61 922**	3 389
Currency derivatives with subsidiaries		
Fair value	**132**	-132
Nominal value	**4 396**	4 819
Interest rate derivatives		
Fair value	**-2 970**	-2 133
Nominal value	**84 952**	67 886

In 2012, currency derivatives had an income statement effect of EUR -344 thousand (2011: EUR 324 thousand) and interest rate derivatives -455 thousand. Hedge accounting is applied for some of the interest rate derivatives, and the change in fair value of interest rate derivative under hedge accounting has been directly booked to fair value reserve in equity.

RISK MANAGEMENT

The objective of Rapala VMC Corporation's risk management is to support the implementation of the Group's strategy and execution of business targets. This is done by monitoring and mitigating the related threats and risks and simultaneously identifying and managing opportunities.

APPROACH TO RISK MANAGEMENT

The Board evaluates the Group's financial, operational and strategic risk position regularly and establishes related policies and instructions to be implemented and coordinated by Group management. The daily risk management activities are primarily delegated to the management of business units.

The importance of risk management has increased as the Group has continued to expand its operations. Risk management continued to receive significant attention and new development initiatives by Group management also in 2012. In 2012 the focus of Group level risk management was on foreign exchange risk management as well as risk management activities on liquidity, interest rate and hazard risks. Other emphasized areas were Group wide insurance programs and strategic supply chain management.

Below is a summary of key strategic, operational and financial risks as well as the main actions to mitigate these risks.

STRATEGIC RISKS

Sport fishing is a form of leisure hobby and the Group's products are competing against a wide range of other hobbies. The Group is promoting the attractiveness of sport fishing through active sales and marketing as well as brand management. By utilizing its unique research and development processes and resources, the Group is constantly developing new products to meet consumer needs and creating new needs for the consumers.

Brand portfolio and corporate reputation are among the most valuable intangible assets of the Group. The Rapala Group is actively managing its brands and their identity and securing that the value of the brands or corporate reputation are not jeopardized or violated by any means. The Group's brands are also legally protected.

Consumers relate the Group's brands to high quality, unique fishing experience, special functional features and trustworthy distribution channel. Consumers are able to differentiate illegal copy products and they don't constitute a strategic threat for the Group. The Group protects vigorously its intellectual property rights and acts against illegal copiers and distributors.

Sport fishing is dependent on availability of fresh fishing waters for fishes to live and breed. Increased pollution and potential environmental catastrophes are growing concerns for the Group. The Rapala Group is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce the environmental impacts of its operations and products. The Group is also acting in the forefront to develop products, e.g. catch-and-release equipment, to comply with fish protection initiatives. For more details on environmental actions, see the "Corporate Responsibility and Sustainable Development" report available on corporate website (www.rapalavmc.com).

The Group faces competition in all markets where its products are sold. Due to the uniquely wide distribution network, the Group's geographical market risk is truly globally spread, evening out seasonal and local market fluctuations.

The Rapala Group has a limited amount of global competitors. The biggest competitors have significant power in their home markets, but globally the geographical scope of their operations is narrower. The Group's global distribution network is unique in the industry and difficult to imitate. Within each market, the Group's competitors are often local fishing tackle producers operating with a narrow geographical scope and limited range of products.

In some countries, competition is created by fishing tackle retailers selling private label products. Cross-border internet sales are an increasing trend and could cause some price erosion. Established fishing tackle brands' expansion into new product categories is also creating competition in some product segments. The strength of the Group's product development and brand portfolio, as well as flexibility to serve different markets with market-specific products ranges, is essential in succeeding in market competition.

The Group's production is spread out in several countries. Some of these countries have higher political risks but simultaneously provide access to competitive labor cost. The Group monitors the country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs. The productional dependency risk has decreased by increased volumes in the new factories in Batam, Indonesia.

Manufacturing of sport fishing products is not dependent on any proprietary manufacturing technologies or patents. The Group's manufacturing units are actively monitoring the development of generic manufacturing technologies and considering different production applications.

Distribution of third party fishing and outdoor products creates a material part of the Group's sales. Due to the geographical spread and multitude of the existing and potential suppliers, the Group is not critically dependent on any single product or raw material supplier. The Group's strategic partnerships with Shimano (for the distribution of mainly rods and reels) and Yao I (the producer of Group's Sufix fishing lines) have proven to be successes.

The Group's customer base is geographically and quantitatively well diversified. Customers are mostly country-specific and not operating globally. The Group is not critically dependent on any single customer: even the biggest single customer represents around 5% of the Group's net sales. The Group is not largely engaged in direct consumer retailing. This is not considered to be a risk as consumer demand is largely driven by brand consciousness and alternative routes to market can be established when needed.

Rapala Group is expanding through organic growth as well as mergers and acquisitions. Careful target selection, proper due diligence process and post-merger integration have been and will be key issues in securing that the expansion initiatives are successful and in line with the Group's strategic objective of profitable growth.

The Board evaluates the Group's strategic risks annually as part of the strategy process and the Group management continuously monitors changes in the business environment. Strategic risk management in local jurisdictions is delegated to the management of each business unit.

OPERATIONAL AND HAZARD RISKS

The fishing tackle business has traditionally been resilient to increased uncertainties and downturns in the general economic climate. The truly global nature of the Group's sales and operations spreads the market risks caused by uncertainties in the global economy - as an example if rising oil prices are slowing down business in the United States, economy can be up in Russia.

The underlying consumer demand for the Group's products is seasonal and also impacted by unforeseeable factors such as weather. To offset the seasonality, the Group is engaged in production and distribution of winter sports equipment. In addition, the Group has expanded into winter fishing business, which balances seasonality. To mitigate the effects of seasonality, the Group has also expanded its own distribution network to the southern hemisphere and is developing its production planning to better respond to market demand.

Due to the seasonality in demand, the Group's product shipments concentrate annually to relatively short time periods, where supply problems could endanger the sales of the season. Similarly, lower than expected sales volumes may lead to excess inventories, as it is difficult to cancel committed orders within short notice.

There is a high level of dependency between the Group's manufacturing and distribution units and interruption at earlier stage of the supply chain could have knock-on effects throughout the rest of the organization. The importance of proper order forecasting and production planning has increased. The related risks are managed with high level of co-operation between manufacturing and distribution units, safety stocks and extensive insurance coverage. The Group-wide supply chain and logistics initiatives continued in 2012 and mitigated these risks relating to operational efficiencies.

The Group's sales prices are primarily fixed annually or bi-annually, normally before each season. Sudden changes in raw material prices or foreign exchange rates may have significant impact on costs of some products. The Group aims to push increases in costs to the sales prices immediately or during a period of time. The Group's market risks and mitigation actions are analyzed in more detail in the section "Financial Risks" and in note 21 to the consolidated financial statements.

In respect of manufacturing activities, the Group is not critically dependent on any single external production factor supplier. The Group uses several subcontractors in China, but the Group is not as such critically dependent on any of these subcontractors. This risk has been further reduced as the new production facility in Indonesia has taken over some production previously done by Chinese subcontractors. Availability of competent production labor is essential and the Group aims to maintain good employer reputation and labor relations.

There are significant dependencies between the Group's manufacturing units, which could cause supply problems e.g. in case of fire or other hazard. Such hazard could lead to property damages but also to business interruption losses throughout the supply chain. Therefore, the Group emphasizes hazard risk management. The Group has together with its insurance company continued to conduct annually several hazard prevention reviews to Group's key factories and distribution warehouses. Group management has also continued to build risk awareness throughout the organization.

The Group is, with assistance of its insurance broker, further developing the global insurance programs, which cover most of the Group companies. Global insurance policies, which take into account the Group's interdependency, are in place for property damage and business interruption, transportation as well as general and product liabilities.

The Board evaluates the Group's operational risks at least once a year as part of operational plans and budgets. Group management monitors and coordinates the continuous management of operational risks, which is the responsibility of the management of each business unit.

FINANCIAL RISKS

The Group's financial risks consist of market risks, credit and default risks and liquidity risks. The Board evaluates financial risks several times during the year and Group management monitors and manages them continuously. Financial risks are discussed in detail, as required by IFRS 7, in note 21 of the consolidated financial statements.

SHARES AND SHAREHOLDERS

Rapala VMC Corporation's shares have been traded on the NASDAQ OMX Helsinki since 1998. In 2012, the shares traded between EUR 4.52 and 6.50 with an average price of EUR 5.50.

Shares and Voting Rights

On December 31, 2012, the share capital fully paid and reported in the Trade Register was EUR 3 552 160 and the total number of shares was 39 468 449. The book value of a share is EUR 0.09. Each share is entitled to one vote. During the year, there were no changes in the share capital or number of shares.

Board's Authorizations

Annual General Meeting (AGM) held on April 11, 2012, has authorized the Board of Directors to decide on the issuance of new shares, transfer of the company's own shares and the issuance of options and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act.

The amount of new shares which may be issued or transferred by the Board of Directors by one or several decision shall not exceed 10 000 000 shares. The new shares may be issued and the company's own shares may be transferred against payment or without payment. The Board of Directors is furthermore authorized to issue options and special rights referred to in Chapter 10 Section 1 of the Companies Act for the holder to receive new shares or the company's own shares against payment. The amount of shares which may be issued or transferred based on the option and special rights are included in the above mentioned aggregate numbers of shares.

The new shares and the options and special rights referred to in Chapter 10 Section 1 of the Companies Act may be issued and the company's own shares transferred to the shareholders in proportion to their current shareholdings in the company or in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the company to do so. The deviation from the shareholders' pre-emptive rights may be carried out for example in order to develop the company's capital structure, in order to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares for incentive schemes. A directed share issue may be executed without payment only if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account.

The Board of Directors decides on all other matters related to the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until March 31, 2017.

The AGM also authorized the Board to resolve to repurchase a maximum of 2 000 000 own shares by using funds in the unrestricted equity. The proposed number of shares corresponds to less than 10 per cent of all shares in the company. The shares may be repurchased to develop the company's capital structure. In addition, the shares may be repurchased to finance or carry out business acquisitions or other arrangements, to settle the company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled.

The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki Oy at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki Oy and applicable rules regarding the payment period and other terms of the payment. The authorization is in force until the end of the next AGM.

Own Shares

In accordance with the authorization granted by the AGM, a total of 149 343 shares were repurchased at the average price of EUR 4.98. At the end of December 2012, the company held 701 400 own shares, representing 1.8% of the total number and the total voting rights of shares. The average share price of all repurchased own shares held by the company was EUR 4.78.

Shareholder Register

The shares of the company belong to the Book Entry Securities System. Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to ownership of shares.

Share-Based Incentive Plans

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 company'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 shares.

The share-based program was in place for senior and middle management (non-executive Board members have not participated in any share based remuneration programs).

For more details on share-based payments see note 28 in the consolidated financial statements.

Management Shareholding

On December 31, 2012, the members of the Board and the Executive Committee held directly a total of 3 000 company shares and corresponding to 0.0% of all shares and voting rights. Details of management shareholdings are given on page 61.

Trading and Performance of the Company's Shares

The company share (RAP1V) is quoted on the NASDAQ OMX Helsinki. The 2012 closing price on December 31 was EUR 4.85. The highest price in 2012 was EUR 6.50, the lowest price EUR 4.52 and the average price EUR 5.50. A total of 5 679 621 company's shares were traded in 2012. This represents 14.4% of all shares on December 31, 2012.

At the end of 2012, the market capitalization of all outstanding shares, excluding own shares, was EUR 188.0 million. Earnings per share (basic) were EUR 0.26 (EUR 0.36 in 2011). For more share related key figures see page 47.

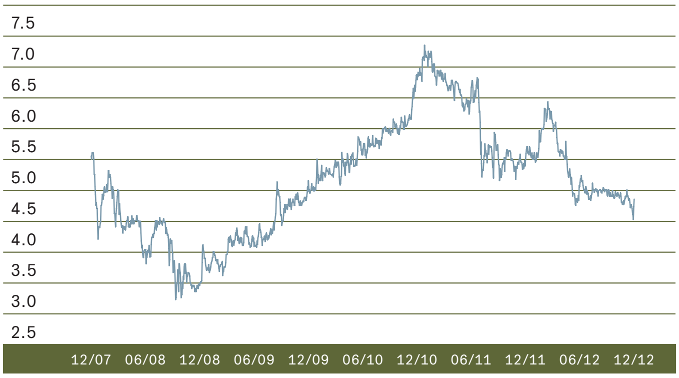
Dividend

The Board proposes to the AGM that a dividend of EUR 0.23 per share will be paid for the financial year 2012.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2012

SHAREHOLDERS	NUMBER OF SHARES	%
Viellard Migeon & Cie	12 629 949	32.0
Sofina S.A.	7 500 000	19.0
Nordea Nordic Small Cap Fund	3 161 921	8.0
Odin Finland I-II	1 361 129	3.4
The State Pension Fund	1 290 000	3.3
Shimano Singapore Private Limited	889 680	2.3
Ilmarinen pension insurance company	883 899	2.2
Rapala VMC Oyj (own shares)	701 400	1.8
Nordea Finland Fund	579 000	1.5
Evli Finland Select Fund	485 000	1.2
Administrative registrations	5 084 850	12.9
Other shareholders total	4 901 621	12.4
TOTAL NUMBER OF SHARES	**39 468 449**	**100**

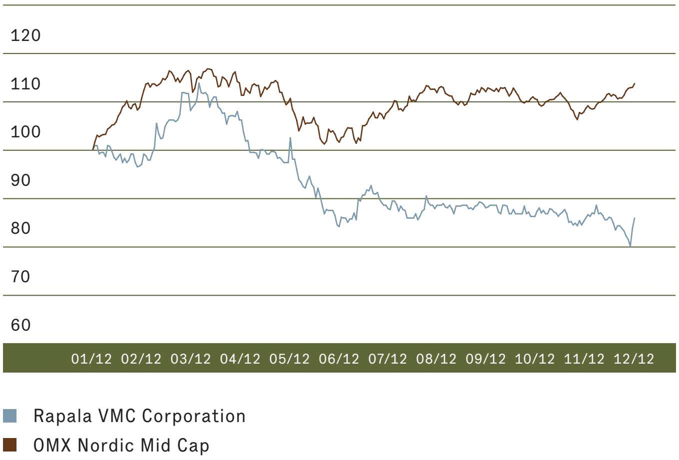
SHARE PRICE DEVELOPMENT IN 2008–2012, EUR



SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2012

SHAREHOLDER CATEGORY	NUMBER OF SHARES	%
Private and public corporations	1 623 421	4.1
Financial and insurance companies	5 821 647	14.8
Public institutions	2 498 899	6.3
Non-profit organizations	77 056	0.2
Individuals	1 420 818	3.6
International shareholders	15 441 758	39.1
Administrative registrations *	12 584 850	31.9
TOTAL	**39 468 449**	**100**

SHARE PRICE IN 2012, %



DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2012

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	TOTAL SHARES	%
1–100	796	31.8	54 976	0.1
101–500	1 100	43.9	304 764	0.8
501–1 000	332	13.3	273 131	0.7
1 001–10 000	223	8.9	651 278	1.7
10 001–1 000 000	47	1.9	7 224 638	18.3
1 000 001–	7	0.3	30 959 662	78.4
TOTAL	**2 505**	**100**	**39 468 449**	**100**

* Includes shares owned by Sofina S.A. (7 500 000 shares).

Number of shares includes 701 400 own shares held by the parent company.

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

EMMANUEL VIELLARD
Chairman
Chairman of the Board since 2005
President of Viellard Migeon & Cie
Vice Chairman and Executive Vice President of Lisi Industries
B.A., CPA
Year of birth: 1963
Shareholding and options*: -

JORMA KASSLIN
President and Chief Executive Officer
Board member since 1998
M.Sc. (Eng.)
Year of birth: 1953
Shareholding and options*: -

EERO MAKKONEN
Board member since 1998
Chairman of the Board 1999–2005
B.Sc. (Eng.)
Year of birth: 1946
Shareholding and options*: -

JAN-HENRIK SCHAUMAN
Board member since 1999
M.Sc. (Econ.), MBA
Year of birth: 1945
Shareholding and options*: -

CHRISTOPHE VIELLARD
Board member since 2000
Chairman of Viellard Migeon & Cie
Diploma ESCP
Year of birth: 1942
Shareholding and options*: -

MARC SPEECKAERT
Board member since 2005
MBA
Year of birth: 1951
Managing Director of Sofina
Shareholding and options*: -

ISABELLE DE BARDIES
Board member since 2011
Degree from the ESCP
Year of birth 1961
Shareholding and options*: -

EXECUTIVE COMMITTEE

JORMA KASSLIN
President and Chief Executive Officer (CEO)
Executive Committee member since 1998
See information in section “Board of Directors”

JUSSI RISTIMÄKI
Chief Financial Officer (CFO)
Executive Committee member since 2010
Shareholding and options*: -

OLLI AHO
Company Counsel, Secretary of the Board and Investor Relations
Executive Committee member since 1998
Shareholding and options*: -

JUHANI PEHKONEN
Head of Lure Business
Executive Committee member since 1998
Shareholding and options*: -

STANISLAS DE CASTELNAU
Head of the Fishing Hook Business and Distribution in France
Executive Committee member since 2002
Shareholding and options*:

TOM MACKIN
Head of Distribution in the US
Executive Committee member since 2007
Shareholding*: 3 000
Options*:

LARS OLLBERG
Head of Fishing Line and Accessory Business, Head of Distribution in China and Korea
Executive Committee member since 2008
Shareholding and options*: -

*Shareholdings and options on December 31, 2012.

On February 5th, 2013 the Board of Directors of Rapala VMC Corporation appointed Mr. Victor Skvortsov as a member of the Group’s Executive Committee.

CONTACTS

RAPALA VMC CORPORATION
Arabiankatu 12
FI-00560 HELSINKI
FINLAND

JUSSI RISTIMÄKI
Chief Financial Officer
Tel: +358 9 7562 5435
E-mail: jussi.ristimaki@rapala.fi

OLLI AHO
Company Counsel and Investor Relations
Tel: +358 9 7562 540
E-mail: olli.aho@rapala.fi

www.rapalavmc.com