Rapala

RAPALA'S INTERIM REPORT FOR JANUARY TO MARCH 2012: CHALLENGING WINTER IN NORDIC COUNTRIES DEPRESSED SALES AND PROFITS. FULL YEAR OUTLOOK POSITIVE.

- Net sales for the first quarter decreased 2% from last year to 73.5 MEUR (I/11: 74.7 MEUR), affected by the divestment of gift business and challenging winter business conditions. Excluding the impact of the gift business divestment net sales increased 1% from last year.
- Comparable operating profit totaled 10.3 MEUR (12.1 MEUR). It was negatively impacted by the divestment of the gift business, stock clearance campaigns, establishment of new manufacturing units, foreign exchange rates and declined sales of winter sports equipment. Comparable operating margin was 14.0% (16.2%). Reported operating profit for the first quarter was 10.4 MEUR (12.1 MEUR).
- Net profit for the quarter reduced to 7.5 MEUR (7.9 MEUR). Earnings per share were 0.16 EUR (0.18 EUR).
- Cash flow from operating activities in the first quarter improved significantly to -9.3 MEUR (-15.5 MEUR) following the positive development in working capital. Gearing decreased to 75.9% (79.5%) reaching all time first quarter record.
- During the first quarter Rapala concluded three major strategic initiatives relating to ice fishing business: Acquisition of the assets of Strike Master Corporation in the United States, acquisition of Swedish Mora ICE brand and entering into an exclusive supply agreement with Mora of Sweden AB well as entering into an exclusive supply agreement with Marcum Electronics in the US.
- In April Rapala refinanced its bank loan facilities and extended its commercial paper program. This will provide flexibility to arrange Group's seasonal and long term funding and strengthens Rapala's capabilities to finance its strategy of profitable growth.
- The outlook for the full year is positive. It is expected that in 2012 the net sales will increase from 2011 and the comparable operating profit is targeted to improve.

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

A conference call on the first quarter result will be arranged today at 2.00 p.m. Finnish time (1.00 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 379106#) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)20 7111 1244 (pin code: 379106#). Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

Early spring and warm weather advanced the beginning of season in main markets of Europe and North America, although the main summer fishing season has not yet fully started. Summer season's presales were good in several markets. The US economy is showing signs of improvement and overall retail environment is picking up. In Eastern Europe, the sales continued to grow strongly. Sales were growing in Asia and Southern Hemisphere. Due to a late and short winter in the Nordic countries, following two preceding good winter seasons, the market for winter sports equipment was very slow. Certain European countries are also still hurt by the economical uncertainties.

Net sales for the first quarter decreased 2% from last year to 73.5 MEUR (I/11: 74.7 MEUR). New units contributed 0.3 MEUR net sales and changes in currency exchange rates increased sales by 0.5 MEUR compared to last year. With comparable exchange rates and organizational structure, including divestment of the gift business, net sales were at last year's level.

Net sales of Group Products decreased by 2% from last year to 45.8 MEUR (46.8 MEUR), affected by the impact from gift business divestment and slow winter sports equipment sales. Excluding gift and winter sports, Group Product sales increased 4%. Sales of Third Party Products were down 1% to 27.7 MEUR (27.9 MEUR), with decreased sales of winter sports and hunting equipment. Excluding the impact of winter sports, the Third Party Products sales were up 1%.

External net sales in North America were up by 8% compared to last year as a result of improved market sentiment, early spring and strengthening of the US Dollar. In Nordic countries net sales were down by 16% due to challenging winter business conditions, especially in Finland, and restructuring of the business in Norway. Net sales in Rest of Europe increased by 3% following strong performance in Eastern Europe and France whereas Hungary, Spain and Switzerland are still hurt by the economical uncertainties. In Rest of the World net sales decreased by 9% as a result of the divestment of the gift business. Excluding gift business divestment net sales of Rest of the World were up 16%, as sales increased in all markets.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, totaled 10.3 MEUR (12.1 MEUR). Compared to last year, comparable operating profit was negatively impacted by the divestment of the gift business, stock clearance campaigns, establishment of new manufacturing units, foreign exchange rates and declined sales of winter sports equipment. Comparable operating margin was 14.0% (16.2%). Reported operating profit for the first quarter was 10.4 MEUR (12.1 MEUR), and included net gain of non-recurring items of 0.1 MEUR (0.0 MEUR).

Key figures MEUR	**I** **2012**	I 2011	I-IV 2011
Net sales	**73.5**	74.7	279.5
EBITDA as reported	**12.0**	13.7	37.7
EBITDA excl. one-off items	**12.0**	13.7	37.1
Operating profit (EBIT)	**10.4**	12.1	30.7
EBIT excl. one-off items	**10.3**	12.1	30.5

Operating profit for Group Products decreased compared to last year and amounted to 7.0 MEUR (9.0 MEUR). Operating profit was negatively impacted by the divestment of the gift business, declined sales of winter sports equipment and reduced margins in hooks and fishing accessories. Group Products' operating profit was also burdened by stock clearance sales and establishment of new manufacturing units. Operating profit of Third Party Products increased to 3.4 MEUR (3.1 MEUR), with main contribution coming from fishing products.

Financial (net) expenses were 0.0 MEUR (1.0 MEUR), with major change in (net) currency exchange gain of 1.0 MEUR (loss 0.2 MEUR). Net interest and other financing expenses increased slightly from last year level to 1.0 MEUR (0.8 MEUR).

Following the improvement in financial items net profit for the quarter was only slightly behind last year at 7.5 MEUR (7.9 MEUR). Earnings per share for the first quarter reached 0.16 EUR (0.18 EUR) impacted by increased share of non-controlling interest in net result.

Cash Flow and Financial Position

Following the positive development in working capital cash flow from operations improved significantly from last year to -9.3 MEUR (-15.5 MEUR). During first quarter inventories and payables developed more favorably compared to last year and net change in working capital was -18.9 MEUR (-26.6 MEUR). Working capital was up from December as inventories and trade receivables increased seasonally. Group's inventories increased 4.8 MEUR from last March to 125.0 MEUR (120.2 MEUR) of which 3.2 MEUR is from net impact of currency movements, new units, business acquisitions and gift divestment.

In the first quarter net cash used in investing activities amounted to 8.3 MEUR (1.7 MEUR). Normal operative capital expenditure was 2.3 MEUR (1.8 MEUR), increased mainly by establishment of the manufacturing units in Batam. Investing activities also include acquisition the assets of Strike Master Corporation and Mora ICE brand with total of 6.4 MEUR and proceeds from the sale of a real estate in Finland of 0.3 MEUR.

Net interest bearing debt increased seasonally from December and was 107.7 MEUR (106.7 MEUR) in the end of March. The liquidity of the Group remained good and is further secured in the future following the finalization of new bank loan facilities in April. In the end of March equity-to-assets ratio was down 40 basis points to 40.8% (41.2%) compared to last year. Gearing decreased to 75.9% (79.5%) reaching all time first quarter record.

Strategy Implementation

Implementation of Rapala's strategy of profitable growth continued during the first quarter by acquiring assets of Strike Master Corporation, the leading supplier of ice augers in the US. Rapala also acquired the Mora ICE brand, which is Europe's leading and premium brand of ice augers and auger cutting blades, together with all intellectual property rights relating to the Mora ICE-products, from Mora of Sweden AB. Rapala and Mora of Sweden AB concluded also exclusive supply agreements for supply of ice augers and auger cutting blades. Normark Corporation, Rapala's US distribution company concluded an exclusive supply agreement with Marcum Electronics Corporation having its offices in Minnesota. Marcum Electronics is known as a premier supplier of ice fishing electronics such as under water cameras and fish finders used on ice.

These strategic initiatives will give Rapala the global leadership position in the ice fishing category. Rapala 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.

Implementation of the Group's strategy also continued by further developing the newly established distribution units in Mexico, Indonesia and Kazakhstan. Group's new lure and hook manufacturing units on Batam Island in Indonesia started their operations during the first quarter and are gradually ramping up the production volumes and improving the operational efficiencies. Group has decided to expand the Batam lure manufacturing, and the size of the operation is expected to triple during the next 12 months.

The special performance improvement initiative in Rapala's Norwegian distribution company continued.

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.

Group's loan facilities were refinanced in April. The new 5-year bank loan facilities are in total of 150 MEUR and together with the commercial paper program, which was simultaneously increased from 25 MEUR to 40 MEUR, they will provide flexibility to arrange Group's seasonal and long term funding, and strengthens Rapala's capabilities to finance its strategy of profitable growth.

Discussions and negotiations regarding acquisitions and business combinations continued during the first quarter.

Short-term Outlook

Despite the lower than last year first quarter sales and operating profit, mainly caused by the divestment of the gift business, startup costs of the new manufacturing units and difficult winter business conditions, the outlook for the full year is positive.

Early spring is supporting the beginning of main summer fishing season in several major markets. Summer season's presales have been good in several markets and the Group is well positioned to serve the customers when the main season starts.

US economy is showing signs of improvement and overall retail environment is picking up. The growth in East Europe and Asia is expected to continue, while in Europe some uncertainty concerning retail and consumer demand is still present in certain markets.

The divestment of the gift business will have some reducing impact on the Group's net sales and the continuing inventory cleaning initiatives may pressure the profitability, while at same time performance improvement initiatives in various units are expected to show results. The new acquisitions and distribution agreements relating to winter fishing business are expected to impact positively on the Group's sales and operating profit during the second half of the year.

It is expected that in 2012 the net sales will increase from 2011 and the comparable operating profit is targeted to improve.

Second quarter interim report will be published on July 24.

Helsinki, April 27, 2012

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**I** **2012**	I 2011	I-IV 2011
Net sales	**73.5**	74.7	279.5
Other operating income	**0.3**	0.1	2.9
Materials and services	**32.2**	32.0	129.0
Personnel expenses	**15.7**	15.5	62.4
Other costs and expenses	**13.8**	13.6	53.3
Share of results in associates and joint ventures	**-0.1**	0.0	-0.1
EBITDA	**12.0**	13.7	37.7
Depreciation, amortization and impairments	**1.6**	1.6	7.0
Operating profit (EBIT)	**10.4**	12.1	30.7
Financial income and expenses	**0.0**	1.0	5.5
Profit before taxes	**10.4**	11.1	25.2
Income taxes	**2.9**	3.1	8.0
Net profit for the period	**7.5**	7.9	17.2
Attributable to:			
Equity holders of the Company	**6.2**	7.0	14.0
Non-controlling interests	**1.3**	0.9	3.2
Earnings per share for profit attributable to the equity holders of the Company			
Earnings per share, EUR (diluted = non-diluted)	**0.16**	0.18	0.36

STATEMENT OF COMPREHENSIVE INCOME MEUR	**I** **2012**	I 2011	I-IV 2011
Net profit for the period	**7.5**	7.9	17.2
Other comprehensive income, net of tax			
Change in translation differences	**-1.8**	-4.3	2.0
Gains and losses on cash flow hedges	**0.1**	0.6	-0.1
Gains and losses on hedges of net investments	**0.3**	0.7	-0.4
Total other comprehensive income, net of tax	**-1.4**	-3.0	1.5
Total comprehensive income for the period	**6.1**	4.9	18.7
Total comprehensive income attributable to:			
Equity holders of the Company	**4.6**	4.1	15.8
Non-controlling interests	**1.5**	0.8	2.9

STATEMENT OF FINANCIAL POSITION MEUR	**Mar 31 2012**	Mar 31 2011	Dec 31 2011
ASSETS			
Non-current assets			
Intangible assets	**71.8**	65.7	68.0
Property, plant and equipment	**28.9**	28.2	28.5
Non-current financial assets			
Interest-bearing	**7.6**	1.7	7.6
Non-interest-bearing	**9.5**	9.1	9.1
	117.7	104.7	113.2
Current assets			
Inventories	**125.0**	120.2	115.5
Current financial assets			
Interest-bearing	**1.4**	0.0	1.6
Non-interest-bearing	**74.1**	75.4	55.0
Cash and cash equivalents	**29.3**	26.0	28.9
	229.8	221.6	201.0
Assets classified as held-for-sale	**0.3**	-	0.3
Total assets	**347.8**	326.3	314.5
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**133.1**	125.9	128.6
Non-controlling interests	**8.6**	8.2	7.2
	141.8	134.1	135.8
Non-current liabilities			
Interest-bearing	**12.0**	25.1	12.7
Non-interest-bearing	**14.4**	13.7	13.5
	26.4	38.8	26.2
Current liabilities			
Interest-bearing*	**133.9**	109.4	116.6
Non-interest-bearing	**45.7**	44.0	35.9
	179.6	153.4	152.5
Total equity and liabilities	**347.8**	326.3	314.5

* As of April 2012 the revolving credit facilities of the new bank loan agreements will be classified as non-current liabilities to the extent banks' commitment is valid for longer than 12 months.

KEY FIGURES	**I 2012**	I 2011	I-IV 2011
EBITDA margin, %	**16.4 %**	18.4 %	13.5%
Operating profit margin, %	**14.1 %**	16.2 %	11.0%
Return on capital employed, %	**17.4 %**	21.0 %	13.7%
Capital employed at end of period, MEUR	**249.4**	240.8	227.0
Net interest-bearing debt at end of period, MEUR	**107.7**	106.7	91.2
Equity-to-assets ratio at end of period, %	**40.8 %**	41.2 %	43.2%
Debt-to-equity ratio at end of period, %	**75.9 %**	79.5 %	67.2%
Earnings per share, EUR	**0.16**	0.18	0.36
Fully diluted earnings per share, EUR	**0.16**	0.18	0.36
Equity per share at end of period, EUR	**3.42**	3.23	3.30
Average personnel for the period	**1 991**	2 257	2 208

Definitions of key figures in the interim report are consistent with those in the Annual Report 2011.

STATEMENT OF CASH FLOWS MEUR	**I 2012**	I 2011	I-IV 2011
Net profit for the period	**7.5**	7.9	17.2
Adjustments to net profit for the period *	**4.6**	6.0	17.6
Financial items and taxes paid and received	**-2.5**	-2.9	-12.3
Change in working capital	**-18.9**	-26.6	-7.3
Net cash generated from operating activities	**-9.3**	-15.5	15.2
Investments	**-2.3**	-1.8	-8.4
Proceeds from sales of assets	**0.4**	0.2	0.7
Acquisition of joint venture Shimano Normark UK	**-**	-	-1.5
Dynamite Baits acquisition, net of cash	**-**	-	-0.1
Sufix brand acquisition	**-**	-	-0.7
Strikemaster and Mora ICE acquisitions	**-6.4**	-	-
Acquisition of other subsidiaries, net of cash	**-**	-	0.0
Proceeds from disposal of subsidiaries, net of cash	**-**	-	0.6
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-8.3**	-1.7	-9.6
Dividends paid to parent company's shareholders	**-**	-	-9.0
Dividends paid to non-controlling interest	**-**	-	-2.9
Net funding	**18.3**	16.3	6.7
Purchase of own shares	**-0.1**	0.0	-0.1
Net cash generated from financing activities	**18.3**	16.3	-5.2
Adjustments	**0.2**	0.0	0.4
Change in cash and cash equivalents	**0.9**	-0.9	0.8
Cash & cash equivalents at the beginning of the period	**28.9**	27.9	27.9
Foreign exchange rate effect	**-0.6**	-1.0	0.2
Cash and cash equivalents at the end of the period	**29.3**	26.0	28.9

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

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Non-controlling interests	**Total equity**
Equity on Jan 1, 2011	**3.6**	**16.7**	**-1.5**	**-6.0**	**4.9**	**-2.5**	**106.7**	**7.4**	**129.2**
Comprehensive income*	-	-	0.6	-3.5	-	-	7.0	0.8	**4.9**
Purchase of own shares	-	-	-	-	-	0.0	-	-	**0.0**
Other changes	-	-	-	-	-	-	-	0.0	**0.0**
Equity on Mar 31, 2011	**3.6**	**16.7**	**-0.9**	**-9.5**	**4.9**	**-2.5**	**113.7**	**8.2**	**134.1**
Equity on Jan 1, 2012	**3.6**	**16.7**	**-1.6**	**-4.1**	**4.9**	**-2.6**	**111.8**	**7.2**	**135.8**
Comprehensive income*	-	-	0.1	-1.7	-	-	6.2	1.5	**6.1**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Equity on Mar 31, 2012	**3.6**	**16.7**	**-1.5**	**-5.8**	**4.9**	**-2.7**	**118.0**	**8.6**	**141.8**

* For the period (net of tax).

SEGMENT INFORMATION*

MEUR **Net Sales by Operating Segment**	**I 2012**	I 2011	I-IV 2011
Group Products	**45.8**	46.8	174.5
Third Party Products	**27.7**	27.9	105.0
Total	**73.5**	74.7	279.5
Operating Profit by Operating Segment			
Group Products	**7.0**	9.0	22.4
Third Party Products	**3.4**	3.1	8.4
Total	**10.4**	12.1	30.7
Assets by Operating Segment	**Mar 31 2012**	Mar 31 2011	Dec 31 2011
Group Products	**225.6**	213.4	207.7
Third Party Products	**84.0**	85.2	68.8
Non-interest-bearing assets total	**309.6**	298.6	276.5
Unallocated interest-bearing assets	**38.2**	27.7	38.1
Total assets	**347.8**	326.3	314.5
Liabilities by Operating Segment			
Group Products	**40.9**	38.7	35.0
Third Party Products	**19.2**	19.1	14.5
Non-interest-bearing liabilities total	**60.1**	57.8	49.5
Unallocated interest-bearing liabilities	**145.9**	134.4	129.3
Total liabilities	**206.0**	192.2	178.8
External Net Sales by Area**	**I 2012**	I 2011	I-IV 2011
North America	**20.5**	18.9	69.1
Nordic	**15.2**	18.0	65.3
Rest of Europe	**29.7**	28.9	102.7
Rest of the world	**8.1**	8.9	42.4
Total	**73.5**	74.7	279.5

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

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

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**
MEUR	2011	2011	2011	2011	2011	**2012**
Net sales	74.7	80.9	63.0	60.8	279.5	**73.5**
EBITDA	13.7	14.4	4.1	5.5	37.7	**12.0**
Operating profit	12.1	12.8	2.3	3.5	30.7	**10.4**
Profit before taxes	11.1	11.3	0.3	2.5	25.2	**10.4**
Net profit for the period	7.9	8.0	0.2	1.1	17.2	**7.5**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Annual Report 2011, except for the adoption of the new or amended standards and interpretations. Adoption of amendment of IFRS 7 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

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

Use of estimates and rounding of figures

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

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

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for January-March 2012. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On March 31, 2012, the book value of inventories included a provision for net realizable value of 3.1 MEUR (2.9 MEUR at March 31, 2011 and 3.2 MEUR at December 31, 2011).

Assets held for sale

As part of the relocation of Finnish distribution operations, an office and warehouse building in Korpilahti, Finland, was classified as held for sale during the fourth quarter in 2011.

Impact of business acquisitions on the consolidated financial statements

Rapala 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. Rapala also acquired 100% of the share capital of Swedish Mora Ice Ab including the Mora ICE brand, together with all intellectual property rights relating to the Mora ICE products. Mora ICE is Europe's leading and premium brand of ice augers and auger cutting blades. Both of the acquisitions were completed in February. The total consideration of 6.8 MEUR is subject to finalization of the closing accounts. Fair values of the acquired assets are provisional.

These strategic initiatives will give Rapala the global leadership position in the ice fishing category. Rapala 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.

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

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

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

MEUR	**2012**
Inventories	**1.8**
Trade and other non-interest-bearing receivables	**0.4**
Intangible assets	**4.4**
Tangible assets	**0.1**
Trade and other non-interest-bearing payables	**0.0**
Deferred tax liability (net)	**-0.6**
Fair value of acquired net assets	**6.1**

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

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

* I-IV 2011: Including a gain of 1.9 MEUR and costs related to divestment.

Commitments MEUR	**Mar 31** **2012**	Mar 31 2011	Mar 31 2011
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.1**	0.1	0.1
Minimum future lease payments on operating leases	**14.2**	10.5	15.2

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
I 2012						
Joint venture Shimano Normark UK Ltd	**0.7**	**-**	**-**	**-**	**0.4**	**0.0**
Associated company Lanimo Oü	**-**	**0.0**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.0**	**0.0**	**0.0**	**-**
Management	**-**	**-**	**0.1**	**-**	**0.0**	**0.0**
I 2011						
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.0	0.0	0.0	-
Management	-	-	0.1	-	0.0	0.0
I-IV 2011						
Joint venture Shimano Normark UK Ltd	1.6	-	-	-	0.1	-
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	0.0
Management	-	-	0.3	-	0.0	0.0

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

Open derivatives MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
March 31, 2012				
Foreign currency options and forwards	**4.5**	**0.1**	**0.0**	**0.1**
Interest rate swaps	**67.2**	**-**	**2.0**	**-2.0**
Total	**71.7**	**0.1**	**2.1**	**-1.9**
March 31, 2011				
Foreign currency options and forwards	8.1	0.0	0.5	-0.5
Interest rate swaps	84.7	-	1.2	-1.2
Total	92.8	0.0	1.7	-1.7
December 31, 2011				
Foreign currency options	3.4	0.2	-	0.2
Interest rate swaps	67.9	-	2.1	-2.1
Total	71.3	0.2	2.1	-1.9

The Group’s financial risks and hedging principles are described in detail in the Annual Report 2011.

Shares and share capital

In April 2012, the Annual General Meeting (AGM) authorized the Board 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 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 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 authorization is effective until 31 March 2017.

The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next AGM. A separate stock exchange release on the decisions of the AGM was sent on April 11, 2012.

On March 31, 2012, the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares in January-March 2012 was 39 468 449. On February 8, 2012, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 5, 2011. At the end of March 2012, Rapala held 563 235 own shares, representing 1.4% of the total number and the total voting rights of Rapala shares. The average share price of all repurchased own shares held by Rapala was EUR 4.75.

During the first quarter, 1 848 949 shares (5 085 153) were traded at a high of 6.50 EUR and a low of 5.41 EUR. The closing share price at the end of the period was 6.05 EUR.

Short term risks and uncertainties

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased as Rapala has continued to expand its operations. Accordingly, Group management continues to develop risk management practices and internal controls during 2012. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Annual Report 2011.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half. In 2011, 56% of net sales and 81% of operating profit was generated in the first half of the year. The biggest deliveries for both summer and winter seasons are concentrated into relatively short time periods, and hence a well functioning supply chain is required. The Group's sales are to some extent affected by weather as it impacts consumer demand and the timing and length of the seasons. The 2011/2012 winter season in the Nordics was challenging and consequently retailers may be left with excess inventories. This together with general cautiousness may affect ski business in the next winter season. Difficult winter season may also increase some retailers credit risk and thereby decrease the Group’s sales.

A major supply chain and logistics initiative to improve the Group’s inventory turnovers and shorten the factory lead-times continues in 2012, including planning of new initiatives. Before fully implemented, these initiatives may temporarily have negative impact on the Group’s inventory levels. The possible product life-cycle initiatives as well as inventory clearance sales supporting the inventory reduction targets may have some short-term negative impacts on sales and profitability of some product groups. The ramp-up phase of the new production facility in Batam, Indonesia, may increase certain production and supply chain risks temporarily. The Group successfully refinanced its credit facilities in April, 2012. This has decreased the Group’s liquidity and refinancing risks. The new credit facilities include some financial covenants, which are actively monitored.

The fishing tackle business has not traditionally been strongly influenced by the increased uncertainties and downturns in the general economic climate. They may however influence, at least for a short while, the sales of fishing tackle, when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses, such as gasoline price, uncertainties concerning employment and governmental austerity measures may temporarily affect consumer spending also in the fishing tackle business. The major global sporting events of summer 2012 might have some effect on the end consumer demand. However the underlying consumer demand has historically proven to be fairly solid.

The truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. The Group is cautiously monitoring the development both in the global macro economy as well as in the various local markets it operates in. The uncertainties in future demand as well as the length of the Group’s supply chain increases the importance of supply chain management. Strong and rapid increases in consumer demand may put challenges on Group’s supply chain to meet the demand. Management balances between risk of shortages and risk of excess production and purchasing, which would lead to excess inventories in the Group. Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is monitored closely and write-downs are initiated if needed.

The Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar and other currencies connected to it. The disturbances in global economy may cause heavy and unexpected fluctuations in foreign exchange rates. The Group monitors actively its currency position and risks and uses e.g. foreign currency denominated loans to generate natural hedges. In order to fix the exchange rates of some of the future USD-denominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting to currency hedging agreements in accordance to IAS 39, the change in fair value of these unrealized currency hedging agreements has an impact on the Group's operating profit. Development of oil price may impact value of Russian rouble, which has become a significant inflow currency to the Group. The continuing strengthening of the Chinese yuan coupled with the possible strengthening of the US dollar increases cost pressures. Additionally, certain inflationary trends increase this pressure. The Group is closely monitoring market development and cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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