RAPALA ANNUAL ACCOUNTS 2011: GOOD YEAR IN CHALLENGING BUSINESS ENVIRONMENT

- Net sales for the quarter increased by 1% to a new fourth quarter record of 60.8 MEUR (60.4 MEUR). Net sales for the year were also an all time high at 279.5 MEUR (269.4 MEUR), increasing 4% from last year.
- Comparable operating profit decreased from last year to 2.4 MEUR (4.3 MEUR) for the fourth quarter and for the full year was close to last year's record level at 30.5 MEUR (31.8 MEUR). Comparable operating margin was 4.0% (7.1%) for the quarter and for the full year slightly lower than last year at 10.9% (11.8%). Reported operating profit for the fourth quarter was 3.5 MEUR (4.2 MEUR) and 30.7 MEUR (31.3 MEUR) for the full year.
- Net profit for the fourth quarter reduced to 1.1 MEUR (1.8 MEUR) and was 17.2 MEUR (20.7 MEUR) for the year. Earnings per share were 0.02 EUR (0.04 EUR) and 0.36 EUR (0.46 EUR) respectively.
- Cash flow from operating activities for the fourth quarter improved slightly to -1.6 MEUR (-2.2 MEUR) and was 15.2 MEUR (13.0 MEUR) for the full year. Gearing reached all time lows and was 67.2% (71.2%) at the end of the year. Strengthening of balance sheet is supporting future acquisition opportunities.
- Implementation of the Group's strategy continued throughout the year by taking several actions relating both to manufacturing and distribution activities. Fourth quarter actions included opening a distribution company in Kazakhstan and launching a webshop in the USA focusing on direct sales to US consumers.
- It is expected that in 2012 the net sales will increase from 2011 and the comparable operating profit is targeted to improve.
- Board proposes to the Annual General Meeting that a dividend of EUR 0.23 per share to be paid. This represents 64% of earning per share.

The attachment presents the summary of the annual review by the Board of Directors and extracts from the financial statements for 2011.

A conference call on the 2011 result will be arranged today at 2.00 p.m. Finnish time (1.00 p.m. CET). Please dial +44 (0)20 3147 4972 or +1 212 444 0891 or +358 (0)9 2310 1672 (pin code: 744345#) 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: 744345#). Financial information and teleconference replay facility are available at www.rapala.com.

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Distribution: NASDAQ OMX Helsinki and Main Media

Market situation and Sales

The general sentiment in the world economy changed significantly during 2011. Toward the end of the year this had some, although limited, negative impacts also on Rapala's sales. Year started on a growth trend in line with the positive expectations. Beginning of the year was supported by the good winter weathers in the Nordic countries. At the same time summer fishing season started early and lasted long in the major European markets. In North America beginning of the season was delayed, but the sales came back strong during second half of the year. In general the US consumer and retail confidence was still shadowed by the economical uncertainties, but some indications of improvement were witnessed in the end of the year. During the latter part of the year the increased uncertainties in the world economy affected some markets and product categories putting pressure on customers' financial position and creating some uncertainties to the coming season. Late beginning of winter in 2011/2012 affected sales of winter sports and winter fishing equipment both to Rapala and its customers. Regardless of the increased uncertainties Rapala's sales in 2011 reached all time record.

Net sales for fourth quarter increased by 1% from last year to a quarterly record of 60.8 MEUR (60.4 MEUR), with no material impact from the currency exchange rates compared to last year. New units contributed 0.1 MEUR net sales in the fourth quarter. Net sales for 2011 increased by 4% to annual record of 279.5 MEUR (269.4 MEUR). Changes in currency exchange rates reduced the sales 3.0 MEUR compared to last year. With comparable exchange rates and organization structure net sales increased by 2% compared to last year.

Full year net sales of Group Fishing Products increased by 9% compared to last year, driven by good sales of fishing lines and accessories as well as new sales generated by Dynamite Baits. Net sales of Other Group Products declined by 10% in 2011, primarily due to reduced yearly sales of the gift products and reduced sales of winter sports equipment in the fourth quarter. Annual net sales of Third Party Products were at last year's level, with increased sales of third party fishing and outdoor products, while sales of third party winter sports equipment was down.

In North America in fourth quarter net sales increased by 12% from last year following the strong order book and good in-sales of new products. Full year net sales of North America increased by 1%. In local currency increase in sales was higher, but this was offset by weakening of the US Dollar, which was on average 5% weaker against euro than last year. Sales were supported by the Group's good delivery performance, high customer satisfaction and introduction of new range of winter fishing products.

In Nordic countries fourth quarter sales were down 13% compared to last year. Sales were negatively impacted by the late winter as well as restructuring of the Norwegian winter sports business. Nordic sales in 2011 increased by 1% compared to last year, mainly as a result of increased intra-group sales to other geographical areas, whereas the external sales were negatively impacted by reduced sales of winter sports and high-end hunting equipment.

Fourth quarter sales in Rest of Europe were at last year level. On annual basis net sales in Rest of Europe increased by 13% compared to last year. Increase was driven by strong sales in many East European countries and France as well as the new sales generated by Dynamite Baits. Countries impacted by the economic turbulence were Hungary and Portugal as well as Spain and Switzerland, where the sales still remained at last year level.

In Rest of World fourth quarter sales increased by 3% compared to last year. External sales increased in all markets except South Africa where the economy is suffering. In 2011 the net sales in Rest of World increased 2% compared to last year. In most of the South East Asian countries the annual growth of external sales was in double-digits, while sales of gift products and internal sales of the Asian manufacturing units was lower than last year.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, for the fourth quarter was down from last year at 2.4 MEUR (4.3 MEUR). Comparable operating profit for 2011 was down 1.3 MEUR from last year's record level at 30.5 MEUR (31.8 MEUR). Comparable operating profit margin was 4.0% (7.1%) for the fourth quarter and for the full year slightly lower than last year at 10.9% (11.8%). The gross margin for 2011 was burdened by the inventory clearance sales, being still slightly better than in previous year, while comparable operating profit margin was lowered by increased fixed costs.

Reported operating profit for the fourth quarter was 3.5 MEUR (4.2 MEUR) and 30.7 MEUR (31.3 MEUR) for the year 2011, 0.6 MEUR down from last year. In 2011 reported operating profit included net gain of non-recurring items of 0.2 MEUR (non-recurring net costs of 0.5 MEUR in 2010). Non-recurring items included 1.5 MEUR net gain from divestment of the gift business closed during the fourth quarter and various non-recurring relocation and restructuring costs and costs relating to business acquisitions. Reported operating profit margin was 11.0% (11.6%) and return on capital employed 13.7% (15.2%).

Key figures MEUR	**IV** **2011**	IV 2010	**I-IV** **2011**	I-IV 2010
Net sales	**60.8**	60.4	**279.5**	269.4
EBITDA as reported	**5.5**	5.7	**37.7**	37.4
EBITDA excl. one-off items	**4.1**	5.8	**37.1**	37.9
Operating profit (EBIT)	**3.5**	4.2	**30.7**	31.3
EBIT excl. one-off items	**2.4**	4.3	**30.5**	31.8

In 2011 reported operating profit of Group Fishing Products reduced to 19.9 MEUR (21.4 MEUR) and operating profit margin was 13.0% (15.4%). Operating profit was negatively impacted by weakening US Dollar, increased share in sales of lower margin baits and lower profitability in hooks. In 2011 operating profit of Other Group Products was up from last year at 2.5 MEUR (2.0 MEUR), following the non-recurring gain from divestment of the gift business. Comparable profitability was lower than last year due to lower profits of gift and winter sports equipment business. In 2011 operating profit of Third Party Products increased from last year to 8.4 MEUR (7.8 MEUR). Biggest contribution to the profit increase came from third party fishing products, while profitability of third party winter sports equipment declined.

Total financial (net) expenses increased significantly in 2011 and amounted to 5.5 MEUR (1.8 MEUR). The increase was primarily due to 3.3 MEUR negative change in (net) currency exchange expenses, which amounted to 1.8 MEUR (net gain 1.6 MEUR in 2010). Net interest and other financial expenses increased modestly to 3.7 MEUR (3.4 MEUR).

Net profit for the year and earnings per share decreased from last year's record levels to 17.2 MEUR (20.7 MEUR) and 0.36 EUR (0.46 EUR) respectively, impacted by increased effective tax rate and share of non-controlling interest in net result.

Cash Flow and Financial Position

In 2011 cash flow from operations improved from last year to 15.2 MEUR (13.0 MEUR) and was -1.6 MEUR (-2.2 MEUR) for the fourth quarter. Compared to last year, while net profit for the year was lower, positive cash flow impact came from the change in inventories and accounts receivable. Cash flow impact of net change in working capital was -7.3 MEUR (-13.0 MEUR) for the year and -1.6 MEUR (-5.2 MEUR) for the fourth quarter. Year-end inventories amounted to 115.5 MEUR (112.2 MEUR). The Group's inventories were at unsatisfactory high-levels throughout the year, but were not on the same increasing trend as they were especially in the end of last year.

Net cash used in investing activities was down to 9.6 MEUR (13.2 MEUR) for the year, due to smaller business acquisitions.

In the end of 2011 net interest-bearing debt reduced to 91.2 MEUR (Dec 2010: 92.0 MEUR) and was impacted by divestment of the gift business. Equity-to-assets ratio improved to 43.2% (Dec 2010: 42.6%). In line with increased equity and reduced net debt, Group's balance sheet strengthened further and gearing was at all time lows at 67.2% (71.2%).

Strategy Implementation

Implementation of Rapala's strategy continued during 2011 by taking actions relating to both manufacturing and distribution activities.

The European distribution cooperation with Shimano was deepened in the UK by establishing a true 50:50 joint venture company to distribute products of both Rapala and Shimano to this fishing tackle market, which is one of the biggest in Europe.

Also in the UK Rapala concluded a deal to acquire Advanced Carp Equipment Ltd ("ACE"), a company engaged in design and sales of equipment and accessories for carp fishing. ACE will form the platform for Rapala's fast entry into these product categories in the UK and in Europe. Acquisition of ACE is a continuum to the year 2010 acquisition of Dynamite Baits Ltd, leading manufacturer of carp baits.

In order to secure access to cost competitive production resources also in the future, Rapala made a decision to open new lure and hook manufacturing units on Batam Island in Indonesia in 2011. At first stage the operation will employ some 200-250 people and run parallel to the Group's Chinese manufacturing operations. Possibilities to expand the operations in Batam further will be studied once the first stage is successfully implemented.

In December 2011 Rapala sold its non-core Chinese gift manufacturing business to its largest customer French Pylones SAS, releasing funds and resources for developing the core fishing tackle business.

New distribution companies started operations in Mexico, Indonesia and Kazakhstan during 2011. In Kazakhstan the business is operated under the jointly owned Russian distribution company. Special performance improvement initiatives were carried out in the Norwegian and Australian distribution companies.

During the fourth quarter Rapala USA opened B2C webshop targeted solely to US consumers. The webshop enables Rapala to offer full range of its products to consumers.

Finnish distribution company Normark Suomi Oy and ski manufacturer Peltonen Ski Oy relocated into new larger premises during 2011, enabling better distribution efficiencies and larger production volumes and efficiencies.

Working capital and cash flow management was still one of the top priorities for the Group. Net cash flow from operating activities improved from last year, but inventory levels are still far from desired levels. Changes in the Group's manufacturing units to provide better flexibility towards the distribution units are gradually bearing fruit, and work to reduce the inventory levels and develop the Group's internal supply chain will continue further to 2012.

Development of organic growth in terms of extensions of current product categories continued. New products for the season 2012 were introduced to the market in summer and were received well by the markets.

Discussions and negotiations regarding other acquisitions and business combinations continued also during 2011. Rapala is a key player in the fishing tackle industry with a recognized global distribution network and it has a good access to any discussions concerning industry consolidation or other business expansion possibilities. Strengthening of the Group's balance sheet further supports such initiatives.

Short-term Outlook

The negative changes in the sentiment of the economy globally and especially in Europe during latter part of the year increased the uncertainty concerning retail and consumer demand. Despite these uncertainties expectations for the coming year are optimistic.

There are promising signs of accelerating recovery in the USA and Rapala's position with major US customers is currently very good. There is also good progress in coming summer season's presales in several markets.

The late start of winter season 2011/2012 as well as 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.

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

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 for 2011 (2010: 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, 2011, the parent company's distributable equity totaled 24.4 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year 2011. 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.

Annual Report and Annual General Meeting

The Annual Report, including Financial Statements for 2011 and Corporate Governance Statement will be published in week 12. Annual General Meeting is planned to be held on April 11, 2012.

Helsinki, February 8, 2012

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**IV 2011**	IV 2010	**I-IV 2011**	I-IV 2010
Net sales	**60.8**	60.4	**279.5**	269.4
Other operating income	**2.3**	0.3	**2.9**	0.7
Materials and services	**28.6**	27.5	**129.0**	123.9
Personnel expenses	**16.3**	15.8	**62.4**	59.1
Other costs and expenses	**12.7**	11.7	**53.3**	49.7
Share of results in associates and joint ventures	**-0.1**	0.0	**-0.1**	0.0
EBITDA	**5.5**	5.7	**37.7**	37.4
Depreciation, amortization and impairments	**1.9**	1.5	**7.0**	6.1
Operating profit (EBIT)	**3.5**	4.2	**30.7**	31.3
Financial income and expenses	**1.0**	0.7	**5.5**	1.8
Profit before taxes	**2.5**	3.5	**25.2**	29.5
Income taxes	**1.5**	1.7	**8.0**	8.7
Net profit for the period	**1.1**	1.8	**17.2**	20.7
Attributable to:				
Equity holders of the Company	**0.9**	1.7	**14.0**	18.0
Non-controlling interests	**0.2**	0.1	**3.2**	2.8
Earnings per share for profit attributable to the equity holders of the Company				
Earnings per share, EUR (diluted = non-diluted)	**0.02**	0.04	**0.36**	0.46

STATEMENT OF COMPREHENSIVE INCOME MEUR	**IV 2011**	IV 2010	**I-IV 2011**	I-IV 2010
Net profit for the period	**1.1**	1.8	**17.2**	20.7
Other comprehensive income, net of tax				
Change in translation differences	**4.9**	2.7	**2.0**	7.8
Gains and losses on cash flow hedges	**0.0**	0.4	**-0.1**	-1.2
Gains and losses on hedges of net investments	**-0.4**	-0.2	**-0.4**	-1.1
Total other comprehensive income, net of tax	**4.5**	2.8	**1.5**	5.5
Total comprehensive income for the period	**5.6**	4.6	**18.7**	26.3
Total comprehensive income attributable to:				
Equity holders of the Company	**5.2**	4.3	**15.8**	23.1
Non-controlling interests	**0.4**	0.3	**2.9**	3.2

STATEMENT OF FINANCIAL POSITION MEUR	**Dec 31 2011**	Dec 31 2010
ASSETS		
Non-current assets		
Intangible assets	**68.0**	67.8
Property, plant and equipment	**28.5**	28.7
Non-current financial assets		
Interest-bearing	**7.6**	1.7
Non-interest-bearing	**9.1**	9.2
	113.2	107.4
Current assets		
Inventories	**115.5**	112.2
Current financial assets		
Interest-bearing	**1.6**	0.0
Non-interest-bearing	**55.0**	56.5
Cash and cash equivalents	**28.9**	27.9
	201.0	196.6
Assets classified as held-for-sale	**0.3**	-
Total assets	**314.5**	304.0
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**128.6**	121.8
Non-controlling interests	**7.2**	7.4
	135.8	129.2
Non-current liabilities		
Interest-bearing	**12.7**	27.1
Non-interest-bearing	**13.5**	13.7
	26.2	40.8
Current liabilities		
Interest-bearing	**116.6**	94.6
Non-interest-bearing	**35.9**	39.4
	152.5	134.0
Total equity and liabilities	**314.5**	304.0

KEY FIGURES	**IV 2011**	IV 2010	**I-IV 2011**	I-IV 2010
EBITDA margin, %	**9.0%**	9.5%	**13.5%**	13.9%
Operating profit margin, %	**5.8%**	6.9%	**11.0%**	11.6%
Return on capital employed, %	**6.3%**	8.1%	**13.7%**	15.2%
Capital employed at end of period, MEUR	**227.0**	221.3	**227.0**	221.3
Net interest-bearing debt at end of period, MEUR	**91.2**	92.0	**91.2**	92.0
Equity-to-assets ratio at end of period, %	**43.2%**	42.6%	**43.2%**	42.6%
Debt-to-equity ratio at end of period, %	**67.2%**	71.2%	**67.2%**	71.2%
Earnings per share, EUR	**0.02**	0.04	**0.36**	0.46
Fully diluted earnings per share, EUR	**0.02**	0.04	**0.36**	0.46
Equity per share at end of period, EUR	**3.30**	3.13	**3.30**	3.13
Average personnel for the period	**2 223**	2 341	**2 208**	2 317

Definitions of key figures in the interim report are consistent with those in the Annual Report 2010.

STATEMENT OF CASH FLOWS MEUR	IV 2011	IV 2010	I-IV 2011	I-IV 2010
Net profit for the period	**1.1**	1.8	**17.2**	20.7
Adjustments to net profit for the period *	**2.2**	4.0	**17.6**	17.4
Financial items and taxes paid and received	**-3.3**	-2.7	**-12.3**	-12.1
Change in working capital	**-1.6**	-5.2	**-7.3**	-13.0
Net cash generated from operating activities	**-1.6**	-2.2	**15.2**	13.0
Investments	**-2.7**	-1.7	**-8.4**	-6.2
Proceeds from sales of assets	**0.3**	0.2	**0.7**	0.3
Acquisition of joint venture Shimano Normark UK	**0.5**	-	**-1.5**	-
Dynamite Baits acquisition, net of cash	**-0.1**	-0.1	**-0.1**	-4.8
Sufix brand acquisition	**-**	-	**-0.7**	-1.2
Acquisition of other subsidiaries, net of cash	**-**	0.0	**0.0**	0.0
Proceeds from disposal of subsidiaries, net of cash	**0.6**	-	**0.6**	-
Change in interest-bearing receivables	**0.0**	0.0	**0.0**	-1.3
Net cash used in investing activities	**-1.4**	-1.6	**-9.6**	-13.2
Dividends paid to parent company's shareholders	**-**	-	**-9.0**	-7.4
Dividends paid to non-controlling interest	**-0.1**	-	**-2.9**	-
Net funding	**-0.8**	-0.4	**6.7**	6.0
Purchase of own shares	**-0.1**	-0.2	**-0.1**	-1.1
Net cash generated from financing activities	**-1.0**	-0.7	**-5.2**	-2.5
Adjustments	**1.1**	0.1	**0.4**	-0.5
Change in cash and cash equivalents	**-2.9**	-4.4	**0.8**	-3.2
Cash & cash equivalents at the beginning of the period	**31.5**	31.6	**27.9**	29.0
Foreign exchange rate effect	**0.3**	0.7	**0.2**	2.2
Cash and cash equivalents at the end of the period	**28.9**	27.9	**28.9**	27.9

* 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, 2010	**3.6**	**16.7**	**-0.3**	**-12.3**	**4.9**	**-1.4**	**96.3**	**4.2**	**111.7**
Comprehensive income*	-	-	-1.2	6.3	-	-	18.0	3.2	**26.3**
Purchase of own shares	-	-	-	-	-	-1.1	-	-	**-1.1**
Dividends paid	-	-	-	-	-	-	-7.4	-	**-7.4**
Share based payment	-	-	-	-	-	-	-0.1	-	**-0.1**
Equity on Dec 31, 2010	**3.6**	**16.7**	**-1.5**	**-6.0**	**4.9**	**-2.5**	**106.7**	**7.4**	**129.2**
Equity on Jan 1, 2011	**3.6**	**16.7**	**-1.5**	**-6.0**	**4.9**	**-2.5**	**106.7**	**7.4**	**129.2**
Comprehensive income*	-	-	-0.1	1.9	-	-	14.0	2.9	**18.7**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Dividends paid	-	-	-	-	-	-	-9.0	-3.2	**-12.1**
Other changes	-	-	-	-	-	-	-	0.0	**0.0**
Equity on Dec 31, 2011	**3.6**	**16.7**	**-1.6**	**-4.1**	**4.9**	**-2.6**	**111.8**	**7.2**	**135.8**

* For the period (net of tax)

SEGMENT INFORMATION*

MEUR **Net Sales by Operating Segment**	**IV** **2011**	IV 2010	**I-IV** **2011**	I-IV 2010
Group Fishing Products	**33.0**	29.4	**152.3**	139.5
Other Group Products	**7.3**	10.4	**22.8**	25.2
Third Party Products	**20.6**	21.0	**105.0**	105.6
Intra-Group (Other Group Products)	**-0.2**	-0.3	**-0.7**	-0.9
Total	**60.8**	60.4	**279.5**	269.4

Operating Profit by Operating Segment				
Group Fishing Products	**1.8**	4.0	**19.9**	21.4
Other Group Products	**1.8**	0.3	**2.5**	2.0
Third Party Products	**-0.1**	-0.2	**8.4**	7.8
Total	**3.5**	4.2	**30.7**	31.3

Assets by Operating Segment	**Dec 31** **2011**	Dec 31 2010
Group Fishing Products	**195.5**	190.5
Other Group Products	**12.2**	12.7
Third Party Products	**68.8**	71.1
Intra-Group (Other Group Products)	**0.0**	-
Non-interest-bearing assets total	**276.5**	274.3
Unallocated interest-bearing assets	**38.1**	29.7
Total assets	**314.5**	304.0

Liabilities by Operating Segment		
Group Fishing Products	**32.5**	35.1
Other Group Products	**2.5**	2.9
Third Party Products	**14.5**	15.1
Intra-Group (Group Fishing Products)	**0.0**	-
Non-interest-bearing liabilities total	**49.5**	53.1
Unallocated interest-bearing liabilities	**129.3**	121.7
Total liabilities	**178.8**	174.8

Net Sales by Area**	**IV** **2011**	IV 2010	**I-IV** **2011**	I-IV 2010
North America	**18.7**	16.7	**69.2**	68.5
Nordic	**21.7**	24.9	**111.9**	110.4
Rest of Europe	**19.2**	19.2	**117.8**	104.6
Rest of the world	**15.3**	14.8	**70.8**	69.6
Intra-Group	**-14.1**	-15.3	**-90.2**	-83.8
Total	**60.8**	60.4	**279.5**	269.4

* The operating segments include the following product lines: Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, Other Group Products include Group manufactured and/or branded gift products and products for winter sports and some other businesses and Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports.

**Geographical sales information has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.

KEY FIGURES BY QUARTERS MEUR	I 2010	II 2010	III 2010	IV 2010	I-IV 2010	**I 2011**	**II 2011**	**III 2011**	**IV 2011**	**I-IV 2011**
Net sales	70.8	77.6	60.6	60.4	269.4	**74.7**	**80.9**	**63.0**	**60.8**	**279.5**
EBITDA	13.1	14.1	4.5	5.7	37.4	**13.7**	**14.4**	**4.1**	**5.5**	**37.7**
Operating profit	11.7	12.5	2.9	4.2	31.3	**12.1**	**12.8**	**2.3**	**3.5**	**30.7**
Profit before taxes	12.1	12.1	1.7	3.5	29.5	**11.1**	**11.3**	**0.3**	**2.5**	**25.2**
Net profit for the period	9.1	8.4	1.4	1.8	20.7	**7.9**	**8.0**	**0.2**	**1.1**	**17.2**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Annual Report 2010, except for the adoption of the new or amended standards and interpretations. Adoption of amendments of IAS 24 and IAS 32 as well as the new interpretations, IFRIC 14 and IFRIC 19 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Presentation of financial statements has been changed regarding the share of results in associates and joint ventures, which are presented in the consolidated income statement before the operating profit. Previously the share of profit or loss was presented after operating profit. Comparable periods have been restated to reflect the change, which did not have any significant effect on the figures presented in this interim report. Associated companies and joint ventures are closely and essentially related to Group’s businesses and therefore including the share of profit or loss in the Group’s operating profit gives a more fair view on the Group’s performance.

Use of estimates and rounding of figures

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

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

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for January-December 2011. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On December 31, 2011, the book value of inventories included a provision for net realizable value of 3.2 MEUR (3.0 MEUR at December 31, 2010).

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. This resulted in an impairment loss of 0.4 MEUR, of which 0,2 MEUR was booked in the fourth quarter.

Impact of acquisitions and disposals on the consolidated financial statements

In July Rapala acquired 100% of the shares and voting rights of a small UK based company Advance Carp Equipment Ltd (“ACE”), engaged in design and sales of equipment and accessories for carp fishing. The consideration paid in cash totaled 0.0 MGBP. ACE will form the platform for Rapala’s fast entry into these product categories in UK and in Europe. The acquisition has no significant effect on the Group's consolidated financial statements.

In September, Rapala 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 Rapala and Shimano products in the UK on an exclusive basis. The preliminary consideration paid upon closing totaled to 1.8 MGBP. The total consideration was based on the net assets upon closing and totaled to 1.4 MGBP. The acquisition does not have a significant impact on the Group's consolidated financial statements.

In November 0.1 MEUR of the contingent consideration related to Dynamite Baits acquisition in 2010 was paid to the sellers. The contingent consideration requires acquired company Dynamite to receive a tax benefit of EUR 0.2 million based on preliminary tax calculations. Rest of the contingent consideration is expected to be paid according to the original estimation during 2012.

In December Rapala closed a deal to sell 100% of the shares of Willtech Gift (HK) Ltd ("Willtech Gift "), the Rapala unit engaged in manufacturing of gift items in China. Rapala's gift item manufacturing and distribution activities were transferred under Willtech Gift before the transaction. Willtech Gift has represented some 3-4 % of Rapala's net sales, while its profitability has been lower than in Group's core fishing tackle business. The transaction has no effect on Rapala's fishing tackle business. The transaction resulted into a gain of 1.9 MEUR that was booked in other operating income in December. The value of assets disposed totaled to 4.8 MEUR, including 1.0 MEUR of goodwill. Part of the consideration was received in cash in December, and the rest was settled by a guaranteed interest bearing promissory note that matures during 2012–2016.

Non-recurring income and expenses included in operating profit MEUR	**IV** **2011**	IV 2010	**I-IV** **2011**	I-IV 2010
Costs related to business acquisitions	**-0.2**	-	**-0.3**	-0.2
Restructuring of Hungarian operations	**0.1**	0.0	**0.1**	-0.2
Relocation of Finnish operations	**-0.1**	-	**-0.3**	-
Net gain from sale of gift manufacturing unit in China*	**1.7**	-	**1.5**	-
Other restructuring costs	**-0.2**	-0.1	**-0.4**	-0.1
Other non-recurring items	**-**	0.0	**-**	-0.1
Total included in EBITDA	**1.3**	-0.1	**0.6**	-0.5
Non-recurring impairment of non-current assets in China	**-**	0.0	**-**	0.0
Impairment of non-current assets relating to relocation of Finnish operations	**-0.2**	-	**-0.4**	-
Other non-recurring impairments	**0.0**	-	**0.0**	-
Total included in operating profit	**1.1**	-0.1	**0.2**	-0.5

* Including a gain of 1.9 MEUR and costs related to divestment

Commitments MEUR	**Dec 31** **2011**	Dec 31 2010
On own behalf		
Business mortgage	**16.1**	16.1
Guarantees	**0.1**	0.1
Minimum future lease payments on operating leases	**15.2**	9.3

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
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**
I-IV 2010						
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	-	-	0.3	-	0.0	0.1

* 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
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**	**2.4**
December 31, 2010				
Foreign currency options and forwards	9.1	0.0	0.3	-0.3
Interest rate swaps	86.3	-	2.0	-2.0
Total	95.4	0.0	2.3	-2.3

The Group’s financial risks and hedging principles are described in detail in the Annual Report 2010.

Share-based payments

On March 31, 2011, the Group’s synthetic option plan (2006) expired. The reward totaling to 0.3 MEUR was disbursed during the second quarter. Currently, the Group does not have any share-based payment programs.

The IFRS accounting effect of share based payment programs on operating profit was 0.1 MEUR (-0.0 MEUR) in January-December due to change in fair value of programs. Terms and conditions of the share-based payment programs are described in detail in the Annual Report 2010.

The Board has decided to postpone the establishment of the planned new share-based long term retention and incentive program, principally decided upon in June.

Shares and share capital

Based on authorization given by the Annual General Meeting (AGM) in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders’ preemptive rights. This authorization is in force for a period of 5 years from the resolution by the AGM. 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.

On December 31, 2011, the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares in January-December 2011 was 39 468 449. On November 17, 2011, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 5, 2011. In 2011 a total of 11 859 shares were repurchased at the average price of EUR 5.46. At the end of December 2011, Rapala held 552 057 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 4.73.

During the year, 6 479 735 shares (4 051 489) were traded at a high of 7.38 EUR and a low of 4.86 EUR. The closing share price at the end of the period was 5.65 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 also continued to develop risk management practices and internal controls during 2011. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles will be 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 ongoing winter season started late in northern hemisphere and this may have knock-on effects on the coming summer and winter seasons sales, if retailers are left with excess winter season inventories and are facing cash flow constrains.

A major supply chain and logistics initiative to improve the Group’s inventory turnovers and shorten the factory lead-times continued in 2011, 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 increased business volumes and working capital levels have put some pressure on the Group’s financing facilities originating from 2006. As old term loans have been amortized according to plan, the amount of committed, undrawn revolving credit facility has decreased to low levels. The group’s liquidity position is however good and it is continuously monitored and managed by Group management. Group has initiated negotiations on refinancing the existing credit facilities and based on the responses received, Group has funding available at competitive terms. Covenants of the current financing facilities are monitored closely on a monthly basis.

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

The truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. 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.

Management balances between risk of shortages and risk of excess production and purchasing, which would lead to excess inventories in the Group. Special attention is currently given to this topic as the purchases to fill consumer demand for the summer season 2012 are ongoing. Also the importance of cash collection and credit risk management has increased 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.