Rapala

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INTERIM REPORT FOR JANUARY TO MARCH 2010: RECORD NET SALES WITH STRONG PROFITABILITY AND CASH FLOW

- Net sales for the first quarter increased 9% and reached a record level at 70.8 MEUR (I/09: 65.2 MEUR).
- The sales growth was strongest in East Europe, which is back to pre-recession growth trend. Also sales of winter sport equipment increased strongly in the Nordic countries.
- Operating profit for the first quarter improved and amounted to 11.7 MEUR (10.0 MEUR). Comparable operating profit was 11.8 MEUR (10.1 MEUR) and comparable operating margin 16.7% (15.5%).
- Profit before taxes increased 42% and reached 12.1 MEUR (8.5 MEUR).
- Earnings per share reached a first quarter record level at 0.22 EUR (0.15 EUR).
- The major working capital initiative started 18 months ago progressed during the quarter. As a result, cash flow from operating activities improved to -12.0 MEUR (-19.8 MEUR). Group inventories are now almost 10 MEUR less than one year ago.
- Implementation of the Group's strategy continued with focus on improvement of cash flow, establishment of new distribution companies and performance improvement initiatives. Reducing working capital and increasing cash flow continue to be the top priorities for 2010 together with strong emphasis on innovation and development of new products.
- Group lure manufacturing facilities and the Peltonen ski factory continue to run at full capacity.
- It is expected that both the net sales and the comparable operating margin for the full year 2010, excluding non-recurring items, will increase from 2009.

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

A conference call on first quarter result will be arranged today at 10 a.m. Finnish time (9 a.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 488040#) five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)20 7111 1244 (pin code: 488040#). Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

Year 2010 started very well due to strong sales of especially winter sports equipment. The uncertainty regarding the world economy continued but positive signs of recovery were witnessed especially in East Europe, which is back to pre-recession growth trend. Strengthening of many currencies eased up the pressure on consumer confidence and increased the purchase power especially in East Europe, Sweden, Australia and South Africa. Market situation in West Europe continued relatively weak. Nordic countries enjoyed good winter conditions, which boosted the winter sports business while the general market sentiment was still quite weak. In North America, the business environment remained on last year levels. Asian market was somewhat weaker than a year ago.

Net sales for the first quarter increased 9% and reached a record level at 70.8 MEUR (65.2 MEUR). US dollar (USD) weakened 6% from previous year but many other currencies especially in East Europe and Scandinavia strengthened against euro. The net effect of the currency movements increased the quarterly net sales by 1.8 MEUR. With comparable exchange rates, net sales increased 6%.

Net sales of Group Fishing Products were up only 1% due to weakening of USD. Net sales of Other Group Products increased 19% as a result of improved sales of especially Peltonen cross-country skis but also all other categories than subcontracting services. Net sales of Third Party Products were up 18% mainly due to increased sales of sport fishing and winter sport equipment as well as strengthening of many currencies.

Net sales in North America decreased 3% due to the weakening of USD. In the Nordic countries, net sales decreased 10% as a net result of reduced distribution volumes of especially hunting products, increased sales of winter sport products and strengthening of Swedish and Norwegian crowns. Net sales in Rest of Europe were up 14% due to improved market sentiment and strengthened currencies in East Europe. Net sales in Rest of the world increased 4% despite the weakening of USD.

Financial Results and Profitability

Comparable operating profit for the first quarter, excluding non-recurring items, improved and amounted to 11.8 MEUR (10.1 MEUR). This improvement came from increased net sales. Comparable operating margin was 16.7% (15.5%).

Reported operating profit was 11.7 MEUR (10.0 MEUR) including non-recurring restructuring costs of 0.1 MEUR from the Hungarian distribution unit (0.1 MEUR non-recurring costs related to the closure of the Irish lure factory). Reported operating margin was 16.5% (15.4%) and return on capital employed 22.6% (19.3%).

Key figures	**I**	I	I-IV
MEUR	**2010**	2009	2009
Net sales	**70.8**	65.2	234.6
EBITDA as reported	**13.1**	11.6	28.9
EBITDA excl. one-off items	**13.2**	11.7	29.2
Operating profit (EBIT)	**11.7**	10.0	22.1
EBIT excl. one-off items	**11.8**	10.1	23.5

Operating profit of Group Fishing Products increased to 8.1 MEUR (7.8 MEUR). Operating profit of Other Group Products improved to 0.5 MEUR (0.1 MEUR) due to growth in net sales. Operating profit of Third Party Products increased to 3.1 MEUR (2.1 MEUR) due to stronger sales.

Financial (net) gains were 0.5 MEUR (expenses 1.6 MEUR) including net interest expenses of 0.8 MEUR (0.9 MEUR) and (net) currency exchange gains of 1.3 MEUR (losses 0.6 MEUR).

Profit before taxes increased 42% and reached 12.1 MEUR (8.5 MEUR). Net profit for the quarter increased strongly to 9.1 MEUR (6.2 MEUR) and earnings per share reached a first quarter record level at 0.22 EUR (0.15 EUR).

Cash Flow and Financial Position

As a result of strong sales and progress in working capital management, inventories decreased 9.4 MEUR from last March. Despite increased sales, short-term non-interest bearing assets, mainly trade receivables, decreased 2.2 MEUR.

As a result of the good performance in working capital management, the cash flow from operating activities improved strongly to -12.0 MEUR (-19.8 MEUR).

Net cash used in investing activities amounted to 1.7 MEUR (0.5 MEUR). In addition to the normal capital expenditure of 1.8 MEUR (1.5 MEUR) it included 0.1 MEUR (1.0 MEUR) proceeds from sales of assets.

Net interest-bearing debt increased seasonally to 96.6 MEUR (Dec 2009: 79.4 MEUR) as cash was tied mainly in working capital. Comparing to March 2009, net interest-bearing debt decreased 15.7 MEUR. The liquidity of the Group remained good. Equity-to-assets and gearing ratios weakened seasonally from December but improved from March 2009. Equity-to-assets reached 41.7% (Dec 2009: 42.8% and Mar 2009: 35.3%) and gearing 77.7% (Dec 2009: 71.1% and Mar 2009: 101.7%).

Strategy Implementation

Implementation of the Group's strategy for profitable growth continued during the first quarter with emphasis on continuing the positive development in cash flow and opening new distribution companies to support future growth.

The results of the major working capital initiative kicked off in late 2008 to reduce Group inventories and improve cash flow progressed and contributed to the positive cash flow. Work to shorten the lead-times, lower the inventories and further improve the service levels to customers will continue throughout 2010.

The newly established distribution company in Iceland started its operations during the quarter and the Chinese gift distribution company in April. These units will further expand and strengthen the Group distribution network.

In addition, the Group continued several other performance improvement initiatives like further development of lure manufacturing processes and restructuring of Hungarian distribution operations. Group shareholding in the Hungarian distribution company was raised by 10% to 66.6% in February.

Also development of organic growth in terms of extensions of current product categories as well as special marketing, sales and brand initiatives continued.

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

Short-term Outlook

The general market situation continues to be cautiously optimistic. In East Europe, the market has continued the strong growth that was there before the recession. US market is quite stable but there are big differences between countries in Europe and Asia. The general uncertainty may continue in 2010 through increased unemployment in many countries, which will most likely continue to affect the ordering behavior of some customers and maintain the need for quick deliveries and short lead-times.

At the end of March 2010, the Group’s order backlog was up 14% from last March at 37.2 MEUR. Group lure manufacturing facilities and the Peltonen ski factory continue to run at full capacity.

It is expected that both the net sales and the comparable operating margin for the full year 2010, excluding non-recurring items, will increase from 2009.

While the Group continues to implement its strategy for profitable growth, reducing working capital and increasing cash flow continue to be the top priorities for 2010 together with strong emphasis on innovation and development of new products.

Second quarter interim report will be published on July 22.

Helsinki, April 27, 2010

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	I 2010	I 2009	I-IV 2009
Net sales	**70.8**	65.2	234.6
Other operating income	**0.1**	0.2	1.2
Materials and services	**31.3**	28.6	108.4
Personnel expenses	**14.3**	13.8	53.8
Other costs and expenses	**12.1**	11.4	44.7
EBITDA	**13.1**	11.6	28.9
Depreciation and amortization	**1.5**	1.5	6.9
Operating profit (EBIT)	**11.7**	10.0	22.1
Financial income and expenses	**-0.5**	1.6	2.1
Share of results in associated companies	**0.0**	0.0	0.0
Profit before taxes	**12.1**	8.5	19.9
Income taxes	**3.0**	2.3	5.7
Net profit for the period	**9.1**	6.2	14.3
Attributable to:			
Equity holders of the Company	**8.6**	6.0	12.1
Non-controlling interests	**0.6**	0.2	2.2
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, EUR (diluted = non-diluted)	**0.22**	0.15	0.31

STATEMENT OF COMPREHENSIVE INCOME MEUR	I 2010	I 2009	I-IV 2009
Net profit for the period	**9.1**	6.2	14.3
Other comprehensive income, net of tax			
Change in translation differences	**5.5**	1.6	1.5
Gains and losses on cash flow hedges	**-0.9**	-0.1	-0.1
Gains and losses on hedges of net investments	**-0.9**	-0.9	0.2
Total other comprehensive income, net of tax	**3.7**	0.6	1.6
Total comprehensive income for the period	**12.8**	6.7	15.9
Total comprehensive income attributable to:			
Equity holders of the Company	**12.0**	6.6	13.6
Non-controlling interests	**0.8**	0.1	2.3

STATEMENT OF FINANCIAL POSITION	**Mar 31**	Mar 31	Dec 31
MEUR	**2010**	2009	2009
ASSETS			
Non-current assets			
Intangible assets	**60.4**	58.9	58.3
Property, plant and equipment	**28.7**	28.7	27.5
Non-current financial assets			
Interest-bearing	**0.4**	0.5	0.5
Non-interest-bearing	**9.4**	8.5	8.0
	98.9	96.6	94.2
Current assets			
Inventories	**102.9**	112.3	94.4
Current financial assets			
Interest-bearing	**0.5**	0.4	0.2
Non-interest-bearing	**70.6**	72.8	43.5
Cash and cash equivalents	**26.0**	30.8	29.0
	199.9	216.4	167.0
Total assets	**298.8**	313.0	261.2
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**119.3**	108.3	107.4
Non-controlling interests	**5.0**	2.0	4.2
	124.4	110.4	111.7
Non-current liabilities			
Interest-bearing	**38.6**	44.0	36.0
Non-interest-bearing	**10.8**	11.0	10.1
	49.5	55.0	46.0
Current liabilities			
Interest-bearing	**84.9**	100.1	73.1
Non-interest-bearing	**40.0**	47.5	30.5
	124.9	147.5	103.5
Total equity and liabilities	**298.8**	313.0	261.2

KEY FIGURES	**I**	I	I-IV
	2010	2009	2009
EBITDA margin, %	**18.6%**	17.7%	12.3%
Operating profit margin, %	**16.5%**	15.4%	9.4%
Return on capital employed, %	**22.6%**	19.3%	11.5%
Capital employed at end of period, MEUR	**221.0**	222.7	191.1
Net interest-bearing debt at end of period, MEUR	**96.6**	112.3	79.4
Equity-to-assets ratio at end of period, %	**41.7%**	35.3%	42.8%
Debt-to-equity ratio at end of period, %	**77.7%**	101.7%	71.1%
Earnings per share, EUR	**0.22**	0.15	0.31
Fully diluted earnings per share, EUR	**0.22**	0.15	0.31
Equity per share at end of period, EUR	**3.05**	2.76	2.75
Average personnel for the period	**2 178**	2 446	2 259

Definitions of key figures in the interim report are consistent with those in the Annual Report 2009.

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STATEMENT OF CASH FLOWS	**I**	I	I-IV
MEUR	**2010**	2009	2009
Net profit for the period	**9.1**	6.2	14.3
Adjustments to net profit for the period *	**3.6**	5.2	14.7
Financial items and taxes paid and received	**-3.3**	-2.2	-7.4
Change in working capital	**-21.4**	-29.0	3.0
Net cash generated from operating activities	**-12.0**	-19.8	24.6
Investments	**-1.8**	-1.5	-6.7
Proceeds from sales of assets	**0.1**	1.0	2.6
Sufix brand acquisition	**-**	-	-1.1
Ultrabite brand acquisition	**-**	-	-0.9
Acquisition of subsidiaries, net of cash	**-**	-	-0.1
Change in interest-bearing receivables	**0.0**	0.0	-0.1
Net cash used in investing activities	**-1.7**	-0.5	-6.3
Dividends paid	**-**	-	-7.5
Net funding	**10.0**	20.1	-12.8
Purchase of own shares	**-0.1**	0.0	-0.6
Net cash generated from financing activities	**9.8**	20.1	-20.8
Adjustments	**-0.6**	0.2	0.8
Change in cash and cash equivalents	**-4.5**	0.0	-1.7
Cash & cash equivalents at the beginning of the period	**29.0**	30.6	30.6
Foreign exchange rate effect	**1.6**	0.3	0.1
Cash and cash equivalents at the end of the period	**26.0**	30.8	29.0

* 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, 2009	**3.6**	**16.7**	**-0.3**	**-13.8**	**4.9**	**-0.9**	**91.5**	**1.9**	**103.7**
Comprehensive income*	-	-	-0.1	0.7	-	-	6.0	0.1	**6.7**
Purchase of own shares	-	-	-	-	-	0.0	-	-	**0.0**
Equity on Mar 31, 2009	**3.6**	**16.7**	**-0.3**	**-13.0**	**4.9**	**-0.9**	**97.5**	**2.0**	**110.4**
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*	-	-	-0.9	4.4	-	-	8.6	0.8	**12.8**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Share based payments	-	-	-	-	-	-	0.1	-	**0.1**
Equity on Mar 31, 2010	**3.6**	**16.7**	**-1.3**	**-7.9**	**4.9**	**-1.6**	**104.9**	**5.0**	**124.4**

* For the period (net of tax)

SEGMENT INFORMATION*

Net Sales by Operating Segment	**I**	I	I-IV
MEUR	**2010**	2009	2009
Group Fishing Products	**37.7**	37.3	126.8
Other Group Products	**5.0**	4.2	17.8
Third Party Products	**28.2**	23.8	90.6
Intra-Group	**-0.2**	-0.1	-0.6
Total	**70.8**	65.2	234.6
Operating Profit by Operating Segment			
Group Fishing Products	**8.1**	7.8	15.7
Other Group Products	**0.5**	0.1	0.5
Third Party Products	**3.1**	2.1	5.8
Total	**11.7**	10.0	22.1

	Mar 31	Mar 31	Dec 31
Assets by Operating Segment	**2010**	2009	2009
Group Fishing Products	**182.4**	184.9	159.6
Other Group Products	**11.1**	11.6	10.2
Third Party Products	**78.4**	84.8	61.9
Intra-Group (Other Group Products)	**-0.1**	-0.1	0.0
Non-interest bearing assets total	**271.9**	281.2	231.6
Unallocated interest-bearing assets	**26.9**	31.8	29.6
Total assets	**298.8**	313.0	261.2
Liabilities by Operating Segment			
Group Fishing Products	**32.1**	33.3	30.8
Other Group Products	**2.2**	2.3	2.5
Third Party Products	**16.7**	23.0	7.2
Intra-Group (Group Fishing Products)	**-0.1**	-0.1	0.0
Non-interest bearing liabilities total	**50.9**	58.5	40.5
Unallocated interest-bearing liabilities	**123.5**	144.1	109.1
Total liabilities	**174.4**	202.6	149.6

Net Sales by Area**	**I**	I	I-IV
MEUR	**2010**	2009	2009
North America	**19.0**	19.5	61.1
Nordic	**32.1**	35.8	102.0
Rest of Europe	**29.1**	25.5	89.7
Rest of the world	**17.0**	16.4	55.3
Intra-Group	**-26.4**	-32.0	-73.5
Total	**70.8**	65.2	234.6

* 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.

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KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**
MEUR	2009	2009	2009	2009	2009	**2010**
Net sales	65.2	67.7	50.2	51.4	234.6	**70.8**
EBITDA	11.6	11.5	3.3	2.5	28.9	**13.1**
Operating profit	10.0	9.4	1.9	0.7	22.1	**11.7**
Profit before taxes	8.5	9.8	2.1	-0.4	19.9	**12.1**
Net profit for the period	6.2	7.4	1.5	-0.8	14.3	**9.1**

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 2009, except for the adoption of the new or amended standards and interpretations. Adoption of the amended standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) had impact on accounting of minority interest and will have significant impact on the future business combinations. Adoption of IFRS 2 and IAS 39 as well as the new interpretations, IFRIC 17 and IFRIC 18 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

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 2010. 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, 2010, the book value of inventories included a provision for net realizable value of 2.8 MEUR (2.4 MEUR at March 31, 2009 and 3.0 MEUR at December 31, 2009).

Impact of acquisitions on the consolidated financial statements

In February 2010, Rapala purchased a 10% minority stake of the Group’s Hungarian distribution company. This acquisition raised Rapala’s ownership to 66.6%. Acquisition has no significant impact on the Group’s consolidated financial statements.

Non-recurring income and expenses included in operating profit	**I**	I	I-IV
MEUR	**2010**	2009	2009
Sale of Hong Kong office premises	**-**	-	0.5
Restructuring of Chinese manufacturing operations *	**-**	-	-0.4
Consolidation of French operations	**-**	-	0.0
Closure of Irish lure factory	**-**	-0.1	-0.1
Other restructuring costs	**-0.1**	-	-0.4
Other non-recurring items	**-**	-	-0.1
Total included in EBITDA	**-0.1**	-0.1	-0.3
Non-recurring impairment of non-current assets in China	**-**	-	-0.7
Non-recurring impairment of non-current assets in Hungary	**-**	-	-0.3
Total included in operating profit	**-0.1**	-0.1	-1.4

* Includes redundancy and other costs as well as gains and losses from the sale of fixed assets.

Commitments MEUR	**Mar 31** **2010**	Mar 31 2009	Dec 31 2009
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.2**	0.3	0.2
Minimum future lease payments on operating leases	**10.0**	9.9	10.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I 2010					
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**
I 2009					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.0	0.0	0.0	-
Management	-	0.0	0.0	-	-
I-IV 2009					
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	0.0	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, 2010				
Foreign currency forwards	**5.8**	**0.4**	**0.0**	**0.4**
Interest rate swaps	**86.5**	**-**	**1.7**	**-1.7**
Total	**92.3**	**0.4**	**1.7**	**-1.3**
March 31, 2009				
Foreign currency forwards	4.9	0.4	-	0.4
Interest rate swaps	124.5	0.1	0.5	-0.5
Total	129.4	0.5	0.5	0.0
Dec 31, 2009				
Foreign currency forwards	7.1	0.1	-	0.1
Interest rate swaps	98.0	0.0	0.5	-0.5
Total	105.0	0.2	0.5	-0.3

Group’s financial risks and hedging principles are described in detail in the Annual Report 2009.

Share-based payments

The Group had two separate share-based payment programs in place on March 31, 2010: one synthetic option program settled in cash and one share reward program settled in shares. On March 31, 2010, the exercise period for the 2004B stock option program expired.

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The IFRS accounting effect on operating profit was -0.0 MEUR (-0.1 MEUR) for the first quarter and -0.3 MEUR for the financial year 2009. Terms and conditions of the share-based payment programs are described in detail in the Annual Report 2009.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next Annual General Meeting.

On March 31, 2010, 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 2010 was 39 468 449. On February 4, 2010, the Board decided to continue buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 7, 2009. The repurchasing of shares ended on March 31, 2010 when Rapala held 368 144 own shares, representing 0.9% of the total number and the total voting rights of Rapala shares. The average price for the repurchased own shares in January-March 2010 was 5.26 EUR.

During the first quarter, 2 482 268 shares (1 133 539) were traded. The shares traded at a high of EUR 5.50 EUR and a low of 4.80 EUR during the period. The closing share price at the end of the period was 5.40 EUR.

Short term risks and uncertainties

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased when Rapala has continued to expand its operations. Accordingly, Group management also continued to develop risk management practices and internal controls during 2009. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2009.

Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's deliveries and sales as well as operating profit have traditionally been seasonally stronger in the first half of the financial year compared to the second half. The biggest deliveries are concentrated into relatively short time period which requires proper functioning of Group's supply chain. In 2010, deliveries to customers have started mostly according to plan and without any material problems in the supply chain. A major supply chain and logistics initiative started in 2009 to shorten the lead-times and further improve the service levels to customers continues in 2010.

Group's sales are also to some extent affected by weather. Weather conditions supported the sales of winter sports equipment especially in the Nordic countries during the winter season 2009-2010. Strong winter could simultaneously delay the beginning of the coming summer fishing season, which could negatively affect the sales and inventory levels. In 2010, the spring started in most markets close to normal time and sales of fishing tackle to distributors started well, but the level of final consumer demand is still somewhat unclear, as the summer fishing season has not yet fully started.

Year 2009 was characterized by initiatives to improve cash flow and reduce inventory levels, even at the risk of losing some profit margin, and these initiatives continue in 2010. Cautious purchasing could result in shortage of some products if the demand exceeds the estimates.

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The Group renegotiated its bank covenants during the second quarter of 2009 and as one of the results has now more flexibility to the most critical cash flow covenant also for 2010 and onwards.

Even if the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses and uncertainties concerning employment may temporarily affect consumer spending also in fishing tackle, even though historically the underlying consumer demand has proven to be fairly solid.

The truly global nature of Group's sales and operations is spreading the market risks caused by the current uncertainties in the global economy. Despite positive signals received since the second half of 2009, the Group is still cautiously monitoring the development in the various markets in order to avoid hasty conclusions. Especially, the importance of cash collection and credit risk management has increased and this may affect sales to some customers. The good sales for winter sports supports financially many retailers especially in the Nordic countries and reduces the risks related to cash collection and orders for summer fishing.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar and other currencies connected to it. Group is actively monitoring the currency position and risks and using e.g. foreign currency nominated loans to manage the natural hedging. In order to fix the exchange rate of some of the future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance with IAS 39, also the change in fair value of these unrealized currency hedging agreements have an impact on the Group's operating profit. As the Group has material amount of Chinese renminbi nominated expenses, the Group is closely monitoring the on-going discussions on the potential future appreciation of the renminbi and considering feasibility of hedging possibilities.

The market price of some commodity raw materials have started to increase again and this may put pressure on pricing of some products in the future.

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