May 3, 2011 at 9.30 a.m.

INTERIM REPORT FOR JANUARY TO MARCH 2011: GOOD START FOR THE YEAR AS NET SALES AND OPERATING PROFIT GROWTH CONTINUED.

- Net sales for the first quarter increased by 6% to a quarterly record of 74.7 MEUR (I/10: 70.8 MEUR), supported by good sales in various European, Asian and Southern hemisphere countries, new units and impact of currencies.

- Comparable operating profit, excluding non-recurring items, improved and reached all time first quarter record of 12.1 MEUR (11.8 MEUR). Comparable operating margin was 16.2% (16.7%). Reported operating profit for the first quarter was 12.1 MEUR (11.7 MEUR).

- Net profit for the quarter reduced to 7.9 MEUR (9.1 MEUR) due to currency impacts on financial items and increased income taxes. Earnings per share were 0.18 EUR (0.22 EUR).

- Cash flow from operating activities in the first quarter dropped seasonally to -15.5 MEUR (-12.0 MEUR) as) as the inventories increased following the more sales oriented working capital management aiming at securing fill rates and gaining market share.

- Implementation of the Group's strategy continued during first quarter by making preparations to launch distribution of Group's products through own companies in the UK, Mexico and Indonesia during 2011. Relocation of Peltonen ski factory and Finnish distribution operations into larger premises to Heinola and Jyväskylä will take place during summer 2011. Planning and implementation of new initiatives to permanently reduce Group's inventory levels was also launched.

- It is expected that in 2011 the net sales will increase from 2010 and also the comparable operating margin 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 2.30 p.m. Finnish time (1.30 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 180854#) 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: 180854#). 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

Year 2011 started on a growth trend in line with the positive expectations on general market conditions and sentiment. In Nordic countries good winter weathers continued till the end of the season and challenged the supply chain of winter sports equipment to meet the demand. In Western Europe spring was early and the Group was well prepared to start the summer fishing season sales. In Eastern Europe growth in sales continued, although due to logistic problems some shipments were delayed. In North America the retail business is gradually recovering, but consumer confidence is still tested by the unemployment and increasing oil price. Sales were growing in Asia and Southern Hemisphere. The earthquake in Japan did not have any material impact on Group's business or operations.

Net sales reached new first quarter record at 74.7 MEUR (70.8 MEUR) by increasing 6% from last year. Increase in net sales was supported by 2.1 MEUR of net change of currency movements and 1.5 MEUR of sales generated by new units.

Net sales of Group Fishing Products increased by 11% from last year, with main contribution from growth in sales of Sufix fishing lines and products of Dynamite Baits. Net sales of Other Group Products grew 6%, supported by strong growth in sales of Group's winter sports equipment. Net sales of Third Party Products were down 1%, mainly due to year-end timing of some shipments.

Net sales in North America were down by 1% compared to last year, impacted by year-end timing of some shipments as well as long winter in northern states of USA and Canada, which delayed the beginning of 2011 season. In Nordic countries net sales were up by 12% due to good sales especially in Norway and Denmark whereas in Finland sales were negatively impacted by delivery problems in winter sports equipment. In Rest of Europe net sales increased by 18% following strong performance in Western and Southern Europe as well as in Russia where growth continued despite logistic problems which caused some delays in shipments. In Rest of the World net sales increased by 15% as a result of increased sales of fishing products from Group's Chinese manufacturing units as well as the steady underlying growth of sales of the distribution companies which was further supported by strengthening currencies.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, increased from last year and amounted to all time first quarter record of 12.1 MEUR (11.8 MEUR). Compared to last year, comparable operating profit was positively impacted by increased sales and improved gross margin, whereas new units, fixed cost inflation and currency items burdened the profitability. Comparable operating margin was 16.2% (16.7%).

Reported operating profit for the first quarter amounted to 12.1 MEUR (11.7 MEUR) and included restructuring costs of 0.0 MEUR (0.1 MEUR). Reported operating margin was 16.2% (16.5%).

Key figures MEUR	**I** **2011**	I 2010	I-IV 2010
Net sales	**74.7**	70.8	269.4
EBITDA as reported	**13.7**	13.1	37.4
EBITDA excl. one-off items	**13.7**	13.2	37.9
Operating profit (EBIT)	**12.1**	11.7	31.3
EBIT excl. one-off items	**12.1**	11.8	31.8

Operating profit for Group Fishing Products increased by 6% compared to last year, whereas the margin was to some extent negatively affected by stock clearance sales. Operating profit of Other Group Products as well as Third Party Products remained at last year levels.

Financial (net) expenses were 1.0 MEUR (gain 0.5 MEUR), with major change in (net) currency exchange expenses of 0.2 MEUR (gain 1.3 MEUR). Net interest and other financing expenses remained at last year level at 0.8 MEUR (0.8 MEUR).

Net profit for the quarter was 7.9 MEUR (9.1 MEUR) and it was further burdened by increase in income taxes. Earnings per share for the first quarter reached 0.18 EUR (0.22 EUR).

Cash Flow and Financial Position

Following the increased sales, more sales oriented focus in working capital management and ongoing changes in Group’s supply chain management, Group’s inventories increased 17.3 MEUR from last March to 120.2 MEUR (102.9 MEUR). Mainly due to this 5.2 MEUR more cash was tied up into working capital in the first quarter compared to last year and cash flow from operating activities was seasonally down to -15.5 MEUR (-12.0 MEUR).

In the first quarter net cash used in investing activities amounted to 1.7 MEUR (1.7 MEUR), including 1.8 MEUR (1.8 MEUR) capital expenditures and 0.2 MEUR (0.1 MEUR) proceeds from sales of assets.

Due to the cycle of the business and increased working capital the net interest bearing debt in the end of March reached 106.7 MEUR (96.6 MEUR). The liquidity of the Group remained good. In the end of March equity-to-assets ratio was down 50 basis points to 41.2% (41.7%) compared to last year. Gearing increased to 79.5% (77.7%) still remaining on a low level historically.

Strategy Implementation

Implementation of Rapala’s strategy of profitable growth continued during the first quarter with emphasis on setting up and integrating the newly established and acquired companies into Group’s manufacturing and distribution company network as well as launching new initiatives to improve Group’s internal supply chain and inventory management.

Preparations to take over the distribution of Rapala products into the United Kingdom distribution system of Dynamite Baits Ltd (“Dynamite”) continued, with launch taking place in the beginning of April. Rapala acquired Dynamite, a manufacturer and distributor of premium carp baits, in August 2010. Distribution of Dynamite’s products through various Rapala distribution companies outside UK has also started and plans to expand the use of Dynamite brand are proceeding.

The Group's new distribution company in Indonesia was established and the sales will commence during the second quarter. The Indonesian distribution company was established together with a local non-controlling interest shareholder and Rapala will hold 80% the shares and the voting rights of the company.

Also Group's the new distribution company in Mexico was established and the sales should start during the second quarter. The sales of existing distribution company in Brazil is growing strongly. In addition to Mexico and Brazil, Rapala is actively considering business opportunities also in other Latin American countries.

Working capital and cash flow management has been high on Rapala's agenda for a long time. Since the latter part of 2010 working capital and especially inventory management has been successfully focusing on securing customer service levels, supporting sales opportunities and increasing the market share. Simultaneously this has resulted in increase of Group's inventories. During the first quarter the Group made investments and started to plan and implement new initiatives and structural improvements in its internal supply chain and product life-cycle management, with target to ensure improved service levels to customers while simultaneously bringing Group's inventories permanently to lower levels.

Preparations to relocate Rapala's Finnish distribution company Normark Suomi Oy and ski manufacturer Peltonen Ski Oy into larger premises proceeded and will take place during summer 2011.

During the first quarter a special performance improvement initiative was started in Rapala's Norwegian distribution company. The special program carried out in Hungary during 2010 has resulted in clear turnaround in profitability of the Hungarian distribution company.

The range of new products introduced for season 2011 has been received well by consumers. In March Sufix 832 fishing line and Rapala Clackin' Minnow lure were honored with Best of the Best Awards in Lure and Accessories category by the leading US fishing magazine Field & Stream. New products for season 2012 will be introduced during the second quarter and they will continue to support Rapala's organic growth.

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

Short-term Outlook

In line with the first quarter performance, the view on general market situation and sentiment continues to be positive for 2011. In some major markets like northern part of North America and Northern and Eastern Europe the summer fishing season did not fully start during the first quarter due to long and snowy winter. This together with some first quarter logistical delays are expected to shift some sales to the second quarter. The long winter as such will support next winter season's presales and autumn deliveries of winter sports equipment in the Nordic countries and Russia, where the distribution of winter sports equipment will start in the fourth quarter.

The delivery performance of Group's manufacturing units and distribution companies is good, which combined with good range of new products is supporting the sales. New supply chain initiatives already enable additional sales during the end of the season.

The still ongoing uncertainties in the current status and development pace of the global economies continue to create some disturbance in some markets like in Southern Europe and North America, where the increase in fuel price could have negative implications on consumer behavior.

It is expected that in 2011 the net sales will increase from 2010 and also the comparable operating margin is targeted to improve.

Second quarter interim report will be published on July 27.

Helsinki, May 3, 2011

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**I** **2011**	I 2010	I-IV 2010
Net sales	**74.7**	70.8	269.4
Other operating income	**0.1**	0.1	0.7
Materials and services	**32.0**	31.3	123.9
Personnel expenses	**15.5**	14.3	59.1
Other costs and expenses	**13.6**	12.1	49.7
EBITDA	**13.7**	13.1	37.4
Depreciation and amortization	**1.6**	1.5	6.1
Operating profit (EBIT)	**12.1**	11.7	31.3
Financial income and expenses	**1.0**	-0.5	1.8
Share of results in associated companies	**0.0**	0.0	0.0
Profit before taxes	**11.1**	12.1	29.5
Income taxes	**3.1**	3.0	8.7
Net profit for the period	**7.9**	9.1	20.7
Attributable to:			
Equity holders of the Company	**7.0**	8.6	18.0
Non-controlling interests	**0.9**	0.6	2.8
Earnings per share for profit attributable to the equity holders of the Company			
Earnings per share, EUR (diluted = non-diluted)	**0.18**	0.22	0.46

STATEMENT OF COMPREHENSIVE INCOME MEUR	**I** **2011**	I 2010	I-IV 2010
Net profit for the period	**7.9**	9.1	20.7
Other comprehensive income, net of tax			
Change in translation differences	**-4.3**	5.5	7.8
Gains and losses on cash flow hedges	**0.6**	-0.9	-1.2
Gains and losses on hedges of net investments	**0.7**	-0.9	-1.1
Total other comprehensive income, net of tax	**-3.0**	3.7	5.5
Total comprehensive income for the period	**4.9**	12.8	26.3
Total comprehensive income attributable to:			
Equity holders of the Company	**4.1**	12.0	23.1
Non-controlling interests	**0.8**	0.8	3.2

STATEMENT OF FINANCIAL POSITION MEUR	**Mar 31 2011**	Mar 31 2010	Dec 31 2010
ASSETS			
Non-current assets			
Intangible assets	**65.7**	60.4	67.8
Property, plant and equipment	**28.2**	28.7	28.7
Non-current financial assets			
Interest-bearing	**1.7**	0.4	1.7
Non-interest-bearing	**9.1**	9.4	9.2
	104.7	98.9	107.4
Current assets			
Inventories	**120.2**	102.9	112.2
Current financial assets			
Interest-bearing	**0.0**	0.5	0.0
Non-interest-bearing	**75.4**	70.6	56.5
Cash and cash equivalents	**26.0**	26.0	27.9
	221.6	199.9	196.6
Total assets	**326.3**	298.8	304.0
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**125.9**	119.3	121.8
Non-controlling interests	**8.2**	5.0	7.4
	134.1	124.4	129.2
Non-current liabilities			
Interest-bearing	**25.1**	38.6	27.1
Non-interest-bearing	**13.7**	10.8	13.7
	38.8	49.5	40.8
Current liabilities			
Interest-bearing	**109.4**	84.9	94.6
Non-interest-bearing	**44.0**	40.0	39.4
	153.4	124.9	134.0
Total equity and liabilities	**326.3**	298.8	304.0

KEY FIGURES	**I 2011**	I 2010	I-IV 2010
EBITDA margin, %	**18.4%**	18.6%	13.9%
Operating profit margin, %	**16.2%**	16.5%	11.6%
Return on capital employed, %	**21.0%**	22.6%	15.2%
Capital employed at end of period, MEUR	**240.8**	221.0	221.3
Net interest-bearing debt at end of period, MEUR	**106.7**	96.6	92.0
Equity-to-assets ratio at end of period, %	**41.2%**	41.7%	42.6%
Debt-to-equity ratio at end of period, %	**79.5%**	77.7%	71.2%
Earnings per share, EUR	**0.18**	0.22	0.46
Fully diluted earnings per share, EUR	**0.18**	0.22	0.46
Equity per share at end of period, EUR	**3.23**	3.05	3.13
Average personnel for the period	**2 257**	2 178	2 317

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

STATEMENT OF CASH FLOWS MEUR	**I** **2011**	I 2010	I-IV 2010
Net profit for the period	**7.9**	9.1	20.7
Adjustments to net profit for the period *	**6.0**	3.6	17.4
Financial items and taxes paid and received	**-2.9**	-3.3	-12.1
Change in working capital	**-26.6**	-21.4	-13.0
Net cash generated from operating activities	**-15.5**	-12.0	13.0
Investments	**-1.8**	-1.8	-6.2
Proceeds from sales of assets	**0.2**	0.1	0.3
Dynamite Baits acquisition, net of cash	**-**	-	-4.8
Sufix brand acquisition	**-**	-	-1.2
Acquisition of other subsidiaries, net of cash	**-**	-	0.0
Change in interest-bearing receivables	**0.0**	0.0	-1.3
Net cash used in investing activities	**-1.7**	-1.7	-13.2
Dividends paid	**-**	-	-7.4
Net funding	**16.3**	10.0	6.0
Purchase of own shares	**0.0**	-0.1	-1.1
Net cash generated from financing activities	**16.3**	9.8	-2.5
Adjustments	**0.0**	-0.6	-0.5
Change in cash and cash equivalents	**-0.9**	-4.5	-3.2
Cash & cash equivalents at the beginning of the period	**27.9**	29.0	29.0
Foreign exchange rate effect	**-1.0**	1.6	2.2
Cash and cash equivalents at the end of the period	**26.0**	26.0	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*	-	-	-0.9	4.4	-	-	8.6	0.8	**12.8**
Purchase of own shares	-	-	-	-	-	-0.1	-	-	**-0.1**
Share based payment	-	-	-	-	-	-	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**
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**

* For the period (net of tax)

SEGMENT INFORMATION*

MEUR	**I**	I	I-IV
Net Sales by Operating Segment	**2011**	2010	2010
Group Fishing Products	**41.9**	37.7	139.5
Other Group Products	**5.3**	5.0	25.2
Third Party Products	**27.9**	28.2	105.6
Intra-Group (Other Group Products)	**-0.3**	-0.2	-0.9
Total	**74.7**	70.8	269.4
Operating Profit by Operating Segment			
Group Fishing Products	**8.6**	8.1	21.4
Other Group Products	**0.5**	0.5	2.0
Third Party Products	**3.1**	3.1	7.8
Total	**12.1**	11.7	31.3

	Mar 31	Mar 31	Dec 31
Assets by Operating Segment	**2011**	2010	2010
Group Fishing Products	**200.0**	182.4	190.5
Other Group Products	**13.5**	11.1	12.7
Third Party Products	**85.2**	78.4	71.1
Intra-Group (Other Group Products)	**-0.1**	-0.1	-
Non-interest-bearing assets total	**298.6**	271.9	274.3
Unallocated interest-bearing assets	**27.7**	26.9	29.7
Total assets	**326.3**	298.8	304.0
Liabilities by Operating Segment			
Group Fishing Products	**35.6**	32.1	35.1
Other Group Products	**3.2**	2.2	2.9
Third Party Products	**19.1**	16.7	15.1
Intra-Group (Group Fishing Products)	**-0.1**	-0.1	-
Non-interest-bearing liabilities total	**57.8**	50.9	53.1
Unallocated interest-bearing liabilities	**134.4**	123.5	121.7
Total liabilities	**192.2**	174.4	174.8

	I	I	I-IV
Net Sales by Area**	**2011**	2010	2010
North America	**18.9**	19.0	68.5
Nordic	**35.9**	32.1	110.4
Rest of Europe	**34.3**	29.1	104.6
Rest of the world	**19.6**	17.0	69.6
Intra-Group	**-33.9**	-26.4	-83.8
Total	**74.7**	70.8	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**
Net sales	70.8	77.6	60.6	60.4	269.4	**74.7**
EBITDA	13.1	14.1	4.5	5.7	37.4	**13.7**
Operating profit	11.7	12.5	2.9	4.2	31.3	**12.1**
Profit before taxes	12.1	12.1	1.7	3.5	29.5	**11.1**
Net profit for the period	9.1	8.4	1.4	1.8	20.7	**7.9**

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.

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 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 March 31, 2011, the book value of inventories included a provision for net realizable value of 2.9 MEUR (2.8 at March 31, 2010 and 3.0 MEUR at December 31, 2010).

Non-recurring income and expenses included in operating profit MEUR	**I 2011**	I 2010	I-IV 2010
Costs related to business acquisitions		-	-0.2
Restructuring of Hungarian operations	**-**	-	-0.2
Other restructuring costs	**0.0**	-0.1	-0.1
Other non-recurring items	**-**	-	-0.1
Total included in EBITDA	**0.0**	-0.1	-0.5
Non-recurring impairment of non-current assets in China	**-**	-	-0.0
Total included in operating profit	**0.0**	-0.1	-0.5

Commitments MEUR	**Mar 31 2011**	Mar 31 2010	Dec 31 2010
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.1**	0.2	0.1
Minimum future lease payments on operating leases	**10.5**	10.0	9.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
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 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-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
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**
March 31, 2010				
Foreign currency options and 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
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 will be disbursed during the second quarter.

The IFRS accounting effect on operating profit was 0.0 MEUR (-0.0 MEUR) for the first quarter 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.

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 March 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-March 2011 was 39 468 449. At the end of March 2011, Rapala held 540 198 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 4.71.

During the first quarter, 5 085 153 shares (476 417) were traded at a high of 7.38 EUR and a low of 6.65 EUR. The closing share price at the end of the period was 6.80 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 2010. Detailed description of the Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2010.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, business has traditionally been seasonally stronger in the first half of the financial year compared to the second half. In 2010, 55% of net sales and 77% 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, which require proper functioning of the supply chain. The Group's sales are also to some extent affected by weather. In Nordic countries good winter weathers have boosted the sales of winter sports equipment, but simultaneously may delay the beginning of next summer fishing season and put time pressure on manufacturing of next winter season's equipment.

A major supply chain and logistics initiative to improve Group's inventory turns and shorten the factory lead-times continues 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 supporting the inventory reduction targets may also have some short-term negative impact on sales and profitability of some product groups.

The increased sales and accordingly increased working capital levels have put pressure on the cash flow covenant of the Group's financing facilities. Covenants are monitored closely on a monthly basis. In the end of 2010 the Group negotiated with its banks commitments to waive the cash flow covenant for the first quarter of 2011.

Even though 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, such as gasoline price, 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 the Group's sales and operations is spreading the market risks caused by the still ongoing uncertainties concerning the recovery of the global economy. Even though development trends seem to have slowly turned positive, the Group is still cautiously monitoring the development in the various markets. Due to these uncertainties in future demand and the length of the Group's internal supply chain, the supply chain management is balancing between risk of shortages and risk of excess production and purchasing and consequent excess inventories in the Group. Also the importance of cash collection and credit risk management has increased and this may affect sales to some customers.

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 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 to currency hedging agreements in accordance with IAS 39, the change in fair value of these unrealized currency hedging agreements has an impact on the Group's operating profit. The continuing strengthening of Chinese renminbi together with possible future strengthening of US dollar is putting pressure on costs. The Group is closely monitoring the situation and considering possibility and feasibility of price increases and hedging actions.

The market prices of some commodity raw materials have started to increase again and this together with other inflation trends would put pressure on pricing of some products in the future.

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