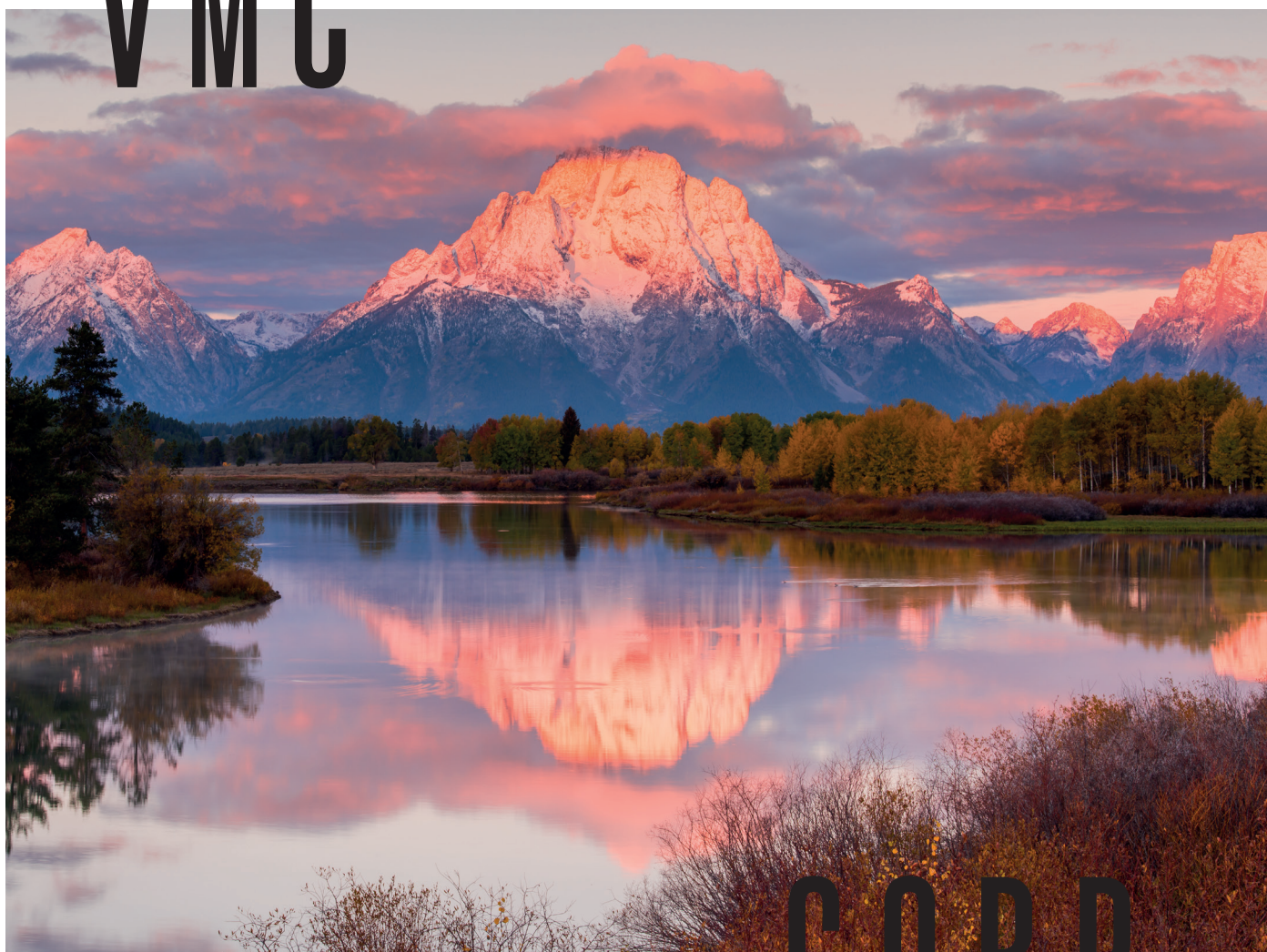


**RAPALA
VMC**



CORP.

FINANCIAL STATEMENTS 2014

RAPALA VMC CORPORATION

FINANCIAL STATEMENTS 2014

Review of the Board of Directors	2
Auditor's Report	6
Consolidated Financial Statements, IFRS	
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	9
Consolidated Statement of Changes in Equity	10
Notes to Consolidated Financial Statements	11
Key Financial Figures	
Scope of Activity and Profitability	46
Share Related Key Figures	47
Definition of Key Figures	48
Parent Company Financial Statements, FAS	
Parent Company Income Statement	49
Parent Company Balance Sheet	49
Parent Company Statement of Cash Flows	50
Parent Company Statement of Changes in Equity	50
Notes to Parent Company Financial Statements	51
Risk Management	57
Shares and Shareholders	59
Board of Directors and Management	61

REVIEW OF THE BOARD OF DIRECTORS

MARKET SITUATION AND SALES

As the Rapala Group's direct distribution operations expand over 35 countries all around the world, the market conditions varied between different regions throughout the year. While many countries in North America, Europe and Asia showed positive economic development, in several markets the overall market conditions remained challenging with ongoing economic, political and overall uncertainties depressing consumer demand and retailers' purchasing behaviour. Similarly weathers had mixed impact on the Group's business, supporting sales in Western Europe and winter businesses in North America, but simultaneously hurting the winter sports sales in Finland. Big and sudden changes in currency exchange rates had impact on the Group's business also in 2014.

Regardless of the turbulent business environment the Group's underlying business was stable, as comparable sales were at last year's level and cash flow and balance sheet remained healthy.

KEY FIGURES

EUR MILLION	2014	2013	2012
Net sales	273.2	286.6	290.7
EBITDA	30.0	33.6	32.7
Operating profit	22.9	26.1	25.9
Profit before taxes	15.7	20.6	21.0
Net profit for the period	10.2	16.1	14.0
Earnings per share	0.24	0.32	0.26
Employee benefit expenses	65.6	64.0	62.6
Average personnel for the period, persons	2 714	2 428	2 127
Research and development expenses	2.0	1.6	2.0
as a percentage of net sales	0.7	0.6	0.7
Net cash generated from operating activities	21.6	15.3	25.2
Total net cash used in investing activities	8.0	10.8	13.6
Net interest-bearing debt at the end of the period	99.9	96.3	89.9
Equity-to-assets ratio at the end of the period	44.1	44.5	42.2
Debt-to-equity ratio (gearing) at the end of the period	73.2	71.2	65.3
Return on equity	7.5	11.8	10.2

BUSINESS REVIEW

The Group's net sales for the year were down 5%. Changes in translation exchange rates explain approximately EUR 12.2 million of the decline in net sales. With comparable translation exchange rates full year net sales were at last year's level.

North America

During 2014 US economy recovered and economic indicators improved throughout the year. The Group's position with retailers was good. Currencies reduced North American sales compared to last year as with comparable rates net sales were down only 1%. During the first half of the year extreme winter weather, late start of spring and rainy summer delayed the sales of summer fishing products, but conversely supported the sales of ice fishing

products in 2013/2014 winter season as well as pre-sales for 2014/2015 winter season. Fourth quarter sales were impacted negatively by customers' year-end buying behavior shifting some sales to 2015.

Nordic

Nordic sales were down 8% with comparable rates. Nordic countries suffered from two consecutive late and mild winters, which impacted negatively the sales of winter sports and ice fishing products especially in Finland. Sales in Norway have developed positively whereas fishing tackle sales in other Scandinavian countries have been more difficult. Hunting sales were good except in Sweden due to loss of a hunting dealership. Sales were positively impacted by Marttiini kitchen knife sales in Finland and foreign exchange impact from currency nominated accounts receivable.

Rest of Europe

Rest of Europe sales were up 2% with comparable rates despite political and economic instability in Russia and Ukraine that had adverse impact on sales in these countries as dramatic devaluation of the currencies increased the prices of imported goods. Currencies, mainly Rouble and Hryvnia, had a clear negative impact on sales in the Rest of Europe compared to last year. Excluding Russian and Ukrainian sales the local currency sales of Rest of Europe improved 5 % from last year supported by growth in France, Poland, UK as well as Spain and Hungary where economies have improved.

Rest of the World

Despite volume growth, net sales declined due to currency impact, most of all South African Rand and Australian Dollar. Local currency sales increased 6% and developed well in South Africa, Australia as well as all Asian and Latin American countries, while reduced in Japan and Brazil. Rest of the World sales were supported above all by Chilean distribution company established in 2012, growth in South Africa and improved export sales of Sufix fishing lines.

EXTERNAL NET SALES BY AREA

EUR MILLION	2014	2013	CHANGE %
North America	86.1	88.4	-3%
Nordic	54.9	60.8	-10%
Rest of Europe	98.7	103.6	-5%
Rest of the world	33.5	33.8	-1%
TOTAL	273.2	286.6	-5%

FINANCIAL RESULTS AND PROFITABILITY

Comparable (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) and reported operating profit decreased from last year. Changes in translation exchange rates decreased operating profit by approximately EUR -1.3 million. With comparable translation exchange rates comparable operating profit was EUR 4.9 million behind last year for the full year.

Comparable operating profit margin was 7.6% (9.5). Decline in profitability was driven by weaker sales and consequently lower gross margin. Development in Russia and Ukraine had significant negative impact on the Group's profitability throughout the year. Closing down manufacturing operations in China and ramp-up of the new factory in Batam was also heavily burdening the Group's full year profitability, while in fourth quarter the results of this operation improved from last year. Last year the Group's profitability was supported by release of accruals.

Respectively reported operating profit margin was 8.4% (9.1). Reported operating profit included net loss of non-recurring items of EUR 1.8 million (1.3) related mainly to direct one-off costs on closing down of the manufacturing operations in China. Mark-to-market valuation of the Group's operative currency derivative position is having significant positive impact on reported operating profit resulting in EUR 3.8 million gain (0.3 gain), led by movements in US Dollar, Russian Rouble and Indonesian Rupiah.

Total financial (net) expenses were EUR 7.2 million (5.5). Financial items were negatively impacted by the (net) foreign exchange expenses of EUR 3.4 million (1.7). Net interest and other financing expenses were at last year's level at EUR 3.8 million (3.7).

Net profit decreased from last year. Earnings per share were 0.24 EUR (0.32). Full year net profit includes a positive tax impact of EUR 1.0 million relating to past years' tax assessments. The effective tax rate was increased by loss making units. The share of non-controlling interest in net profit totalled EUR 1.0 million (3.6). Full year decline was impacted by the development in Russia and Ukraine.

MANAGEMENT ANALYSIS¹⁾

EUR MILLION	2014	2013
Net sales as reported	273.2	286.6
EBITDA as reported	30.0	33.6
Non-recurring items	1.8	1.1
Mark-to-market valuation of derivatives	-3.8	-0.3
Comparable EBITDA ¹⁾	28.0	34.4
Operating profit as reported	22.9	26.1
Reported operating profit margin, %	8.4	9.1
Non-recurring items	1.8	1.3
Mark-to-market valuation of derivatives	-3.8	-0.3
Comparable operating profit ¹⁾	20.9	27.1
Comparable operating profit margin, %	7.6	9.5

1) Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

SEGMENT REVIEW

Group Products

Full year sales of Group Products were burdened by foreign exchange rates and with comparable rates net sales were at last year's level. Full year sales were hurt by lower sales of winter fishing and winter sports products in Europe due to mild winter 2013/2014 and late start of 2014/2015 winter season.

Operating profit for Group Products was below last year. Profitability was impacted by lower sales, especially in winter sports, and losses relating to closing down of the manufacturing unit in China and ramp-up of the Batam unit.

Third Party Products

Net sales declined due to currency impact, especially weakening

of Russian Rouble. Sales of Third Party Products were almost at last year level assuming comparable rates. Sales were negatively impacted by suppliers' delivery problems, economical instabilities in some regions, loss of a hunting dealership in Sweden and weak winter sport sales.

Operating profit for Third Party Products was above last year supported by favourable exchange rates on purchases and UK joint venture result.

Reported profitability of both Group and Third Party Products was positively impacted by the mark-to-market valuation of operative currency derivatives.

NET SALES BY SEGMENT

EUR MILLION	2014	2013	CHANGE %
Group Products	171.3	176.3	-3%
Third Party Products	102.0	110.5	-8%
Eliminations	0.0	-0.1	
TOTAL	273.2	286.6	-5%

OPERATING PROFIT BY SEGMENT

EUR MILLION	2014	2013	CHANGE %
Group Products	15.0	19.4	-22%
Third Party Products	7.9	6.7	17%
TOTAL	22.9	26.1	-12%

FINANCIAL POSITION

Cash flow from operations increased notably from last year's levels. Improvement was driven by positive development in the net working capital as especially receivables released more cash in the fourth quarter.

Net change in working capital amounted to EUR 1.5 million (-10.8). Inventories increased by EUR 3.5 million from last December amounting to EUR 113.8 million (110.3). Currency impact decreased inventories by some EUR 1.0 million. Increase in inventories was driven primarily by lower than expected sales, transfer of production from China to Batam and timing of incoming Third Party Products.

Net cash used in investing activities was EUR 8.0 million (10.8). Normal operative capital expenditure was EUR 8.5 million (10.7). Investing activities included EUR 1.0 million (0.5) of proceeds received related to disposal of the gift business.

Liquidity position of the Group was good. Following an increased focus on cash management, cash and cash equivalents reduced to EUR 12.2 million (16.9) and undrawn committed long-term credit facilities amounted to EUR 78.4 million at the end of the period. Net interest-bearing debt and gearing increased from last year. Equity-to-assets ratio was slightly below last year's level. The Group fulfils all financial covenants related to its credit facilities.

STRATEGY IMPLEMENTATION

Execution of the Rapala Group's strategy is based on three cornerstones: brands, manufacturing and distribution, supported by strong corporate culture. During the year strategy implementation continued in various areas.

Ramp-up of the Group's new ice drill manufacturing unit in Korpilampi, Finland, was finalized in 2014 and the unit is producing

and shipping Mora Ice and Rapala UR branded ice drills and related accessories.

The project to cease own manufacturing in China and transfer the operations to Batam, Indonesia, reached its peak in 2014. Chinese factory closed down its operations in second quarter and exit process continued until end of the year. The new lure manufacturing unit in Batam is intensively focusing on increasing the operative efficiencies and product development efforts, in order to capitalize the benefits of streamlined production processes and cheaper production costs.

Initiatives to streamline the Group's supply chain continued during 2014, focusing on consolidating purchasing and logistics processes in selected third party products in Europe and setting up a new logistics hub in Asia. The Group-level supply chain organization was reorganized and strengthened by appointing Group Supply Chain and Sourcing Director. Reducing the amount of inventories, largely driven by Group's business model, is high on the agenda of the Group.

In September, the Group rearranged its loan and credit facilities in order to decrease interest rate margins, diversify the maturity profile and strengthen the Group's capabilities to finance its strategy.

During third quarter the Group appointed management resources to develop the distribution business in hunting and outdoor distribution categories as the Group is putting more focus on seeking growth in these areas.

Discussions and negotiations regarding acquisitions and business combinations continued throughout the year, as the Group continues to seek also non-organic growth opportunities.

PRODUCT DEVELOPMENT

Continuous product development and consistent innovation are core competences for the Group and major contributor to the value and commercial success of the brands.

New products for 2015 season were successfully presented globally in trade shows during summer 2014. Development process of next season's novelties proceeded according to plans and a new Rapala lure innovation will be first introduced to the US market already early 2015. In addition to product development the Group has put focus on developing the manufacturing processes, in order to further improve efficiency and quality.

Research and development expenses were EUR 2.0 million (EUR 1.6 million).

ORGANIZATION AND PERSONNEL

Average number of personnel was 2 716 (2 428), majority of the increase relating to expansion of lure manufacturing operations in Batam and reduction of outsourcing in China. Batam unit is currently employing 1 200 people. At the end of December, the number of personnel was 2 822 (2 590).

ENVIRONMENTAL AND CORPORATE RESPONSIBILITY

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

During 2014 the Group has developed corporate compliance and responsibility matters, and a global Code of Conduct will be introduced and implemented during 2015.

Environmental, economical and social responsibility issues are

described in more detail in the Corporate Responsibility section of the corporate website (www.rapalavmc.com).

RISK MANAGEMENT

The objective of the Group's risk management is to support the implementation of the Group's strategy and execution of business targets. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by the Group management. The principles of the Group's risk management are described in detail in the section Risk Management included in the consolidated financial statements. During 2014 the Group focused on developing new internal control procedures that will be implemented during 2015.

GOVERNANCE AND SHARE INFORMATION

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

For information on shares, shareholders, share-based payment programs and Board's authorizations, see the section Shares and Shareholders. Related party transactions and top management remuneration are disclosed in the note 28.

In April 2014 a new member, Julia Aubertin, was appointed to the Board of Directors. For more information on members of the Board of Directors and Executive Committee, see the section Board of Directors and Management.

SHORT-TERM OUTLOOK

After challenging year 2014, the outlook for year 2015 is cautiously positive, although the uncertainties concerning development in Russia and Ukraine are shadowing the visibility.

In several markets the general economic situation as well as retail and consumer sentiment has improved, supporting the demand of Group's products. For example in the biggest market USA start of year 2015 has been strong.

After the difficulties of transferring manufacturing from China to Batam, a clear improvement is expected from this unit, supporting Group's profitability improvement in 2015.

Actions to reduce the Group's inventory levels may lower margins, but should support the cash flow.

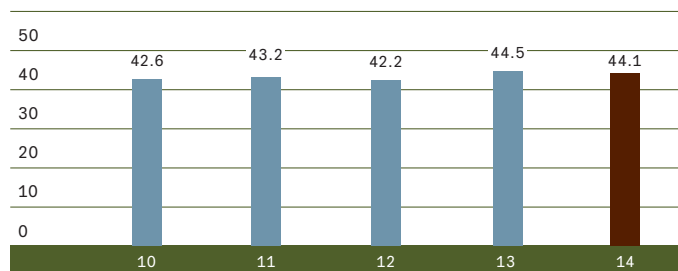
The Group expects full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) to be above 2014 levels.

PROPOSAL FOR PROFIT DISTRIBUTION

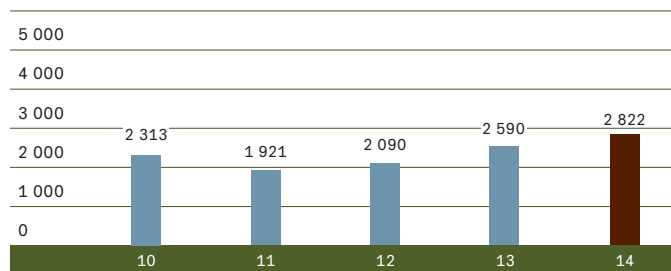
The Board of Directors proposes to the Annual General Meeting that a dividend of 0.20 EUR (0.24 EUR) per share is distributed from the Group's distributable equity and any remaining distributable funds are allocated to retained earnings. At December 31, 2014 the distribution equity of the parent company totaled to EUR 16.1 million.

No material changes have taken place in the Group's financial position after the end of the financial year. The Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

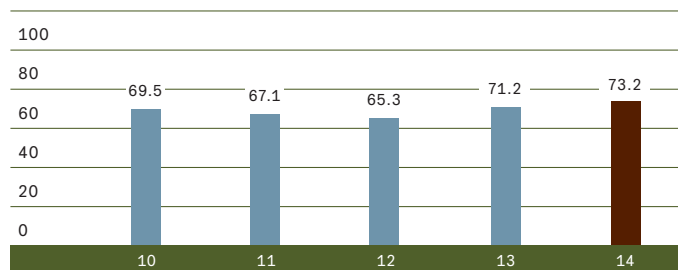
EQUITY-TO-ASSETS RATIO %



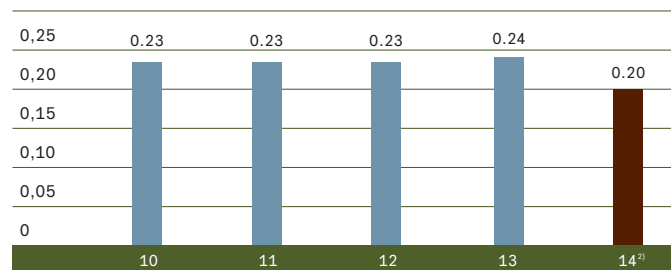
PERSONNEL AT THE END OF THE PERIOD



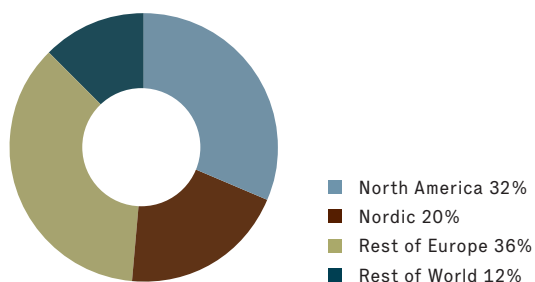
DEBT-TO-EQUITY RATIO (GEARING) %



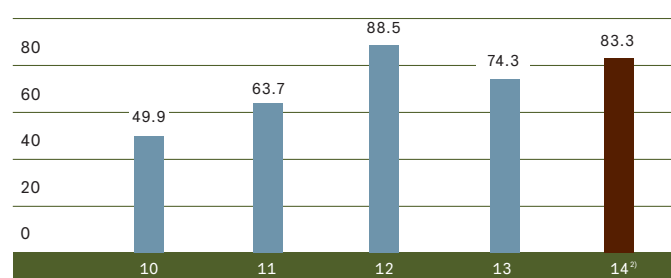
DIVIDEND ¹⁾/SHARE, EUR



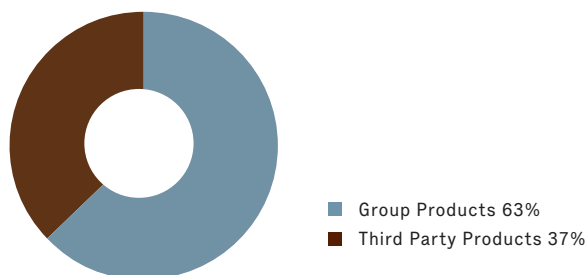
NET SALES BY UNIT LOCATION



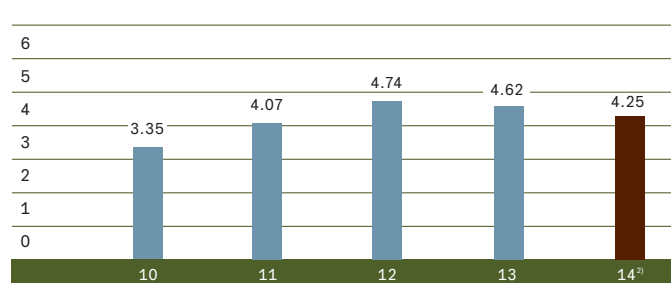
DIVIDEND ¹⁾/EARNINGS RATIO, %



NET SALES BY OPERATING SEGMENTS



EFFECTIVE DIVIDEND YIELD, % ³⁾



1) For the financial years
 2) Board proposal
 3) Share price Dec. 31

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF RAPALA VMC CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rapala VMC Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Helsinki, 3 March 2015

Ernst & Young Oy

Authorized Public Accountant Firm

Mikko Järventausta

Authorized Public Accountant

Ernst & Young Oy, Alvar Aallon katu 5 C, 00100 Helsinki

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR MILLION	2014	2013	NOTE
Net sales	273.2	286.6	2
Other operating income	1.0	0.8	4
Change in inventory of finished products and work in progress	2.8	2.2	
Production for own use	0.1	0.1	
Materials and services	-131.0	-136.7	6
Employee benefit expenses	-65.6	-64.0	7
Other operating expenses	-50.8	-54.9	5
Share of results in associates and joint ventures	0.2	-0.5	13
Operating profit before depreciation and impairments	30.0	33.6	
Depreciation and impairments	-7.1	-7.5	11, 12
Operating profit	22.9	26.1	
Financial income and expenses	-7.2	-5.5	9
Profit before taxes	15.7	20.6	
Income taxes	-5.5	-4.6	10
NET PROFIT FOR THE PERIOD	10.2	16.1	
Attributable to			
Equity holders of the Company	9.2	12.5	
Non-controlling interests	1.0	3.6	14
Earnings per share			30
Earnings per share, EUR	0.24	0.32	
Diluted earnings per share, EUR	0.24	0.32	
Weighted average number of shares, 1 000 shares	38 506	38 660	
Diluted weighted average number of shares, 1 000 shares	38 506	38 660	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	2014	2013
Net profit for the period	10.2	16.1
Other comprehensive income (net of tax) *		
Change in translation differences**	4.7	-7.1
Defined benefit plans	-0.2	0.1
Cash flow hedging**		
Changes during the period	-0.6	-0.1
Reclassification adjustments	0.8	1.0
Cash flow hedging total	0.2	0.9
Net investments and related hedging**		
Changes during the period	0.1	-2.3
Net investments and related hedging total	0.1	-2.3
Other comprehensive income for the period, net of tax *	4.8	-8.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15.1	7.7
Attributable to		
Equity holders of the Company	15.3	5.1
Non-controlling interests	-0.2	2.6

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

** Item that may be reclassified subsequently to the statement of income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR MILLION	2014	2013	NOTE
ASSETS			
Non-current assets			
Goodwill	47.9	44.9	11
Trademarks	22.4	20.9	11
Customer relations	1.4	1.7	11
Other intangible assets	2.7	2.6	11
Land	1.8	1.8	12
Buildings and structures	7.3	7.4	12
Machinery and equipment	16.0	15.1	12
Other tangible assets	5.4	4.6	12
Advance payments and construction in progress	1.5	1.7	12
Investment in associates and joint ventures	1.0	0.8	13
Available-for-sale financial assets	0.3	0.3	15
Interest-bearing receivables ¹⁾	3.0	3.0	16
Non-interest-bearing receivables	1.4	0.9	16
Deferred tax assets	8.7	8.1	10
Total non-current assets	120.8	113.7	
Current assets			
Inventories	113.8	110.3	17
Trade and other non-interest-bearing receivables	60.9	59.2	16
Income tax receivable	1.4	2.9	
Interest-bearing receivables ¹⁾	1.1	1.0	16
Cash and cash equivalents ¹⁾	12.2	16.9	18
Total current assets	189.4	190.3	
TOTAL ASSETS	310.3	304.1	

EUR MILLION	2014	2013	NOTE
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	3.6	3.6	
Share premium fund	16.7	16.7	
Fair value reserve	-1.1	-1.4	
Fund for invested non-restricted equity	4.9	4.9	
Own shares	-5.2	-4.4	
Retained earnings	100.3	91.2	
Net income for the period	9.2	12.5	
Equity attributable to equity holders of the Company	128.3	123.1	18
Non-controlling interests	8.2	12.0	
Total equity	136.5	135.1	
Non-current liabilities			
Interest-bearing liabilities ¹⁾	72.3	39.4	24
Non-interest-bearing liabilities	2.0	2.7	25
Employee benefit obligations	2.3	1.9	20
Deferred tax liabilities	9.0	8.1	10
Provisions		0.1	21
Total non-current liabilities	85.5	52.2	
Current liabilities			
Interest-bearing liabilities ¹⁾	43.9	77.8	24
Trade and other non-interest-bearing payables	42.2	37.9	25
Income tax payable	1.4	1.0	
Provisions	0.6	0.1	21
Total current liabilities	88.2	116.7	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	310.3	304.1	

1) Included in net interest-bearing debt.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR MILLION	2014	2013	NOTE	EUR MILLION	2014	2013	NOTE
Net profit for the period	10.2	16.1		Net cash generated from financing activities			
Adjustments				Dividends paid to parent company shareholders	-9.2	-8.9	
Income taxes	5.5	4.6	10	Dividends paid to non-controlling interest	-3.6		
Financial income and expenses	7.2	5.5	9	Purchase of own shares	-0.9	-1.0	
Reversal of non-cash items				Non-current loan withdrawals	40.0	9.5	
Depreciation and impairments	7.1	7.5	11, 12	Current loan withdrawals	130.1	120.5	
Share based payments		-0.3	7, 29	Non-current loan repayments	-10.0	-48.1	
Exchange rate differences	-3.5	0.5	9	Current loan repayments	-164.4	-97.7	
Share of results in associated companies and joint ventures	-0.2	0.5	13	Payment of finance lease liabilities	-0.1	-0.1	
Gains/losses on disposals of intangible, tangible assets and subsidiaries	0.5	0.1		Total net cash generated from financing activities	-18.1	-25.9	
Other items	0.6	0.2		Adjustments	0.3	1.5	
Total adjustments	17.1	18.6		Change in cash and cash equivalents	-4.2	-19.8	
Financial items				Cash and cash equivalents at the beginning of the period	16.9	38.2	
Interest paid	-2.9	-3.5		Foreign exchange rate effect	-0.5	-1.4	
Interest received	0.4	0.3		CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12.2	16.9	18
Income taxes paid	-3.7	-4.9					
Dividends received	0.0	0.0					
Other financial items, net	-1.1	-0.5					
Total Financial items	-7.3	-8.6					
Change in working capital							
Change in receivables	3.7	-6.7					
Change in inventories	-4.9	-6.3					
Change in liabilities	2.7	2.2					
Total change in working capital	1.5	-10.8					
Net cash generated from operating activities	21.6	15.3					
Net cash used in investing activities							
Acquisition of intangible assets	-0.7	-0.6	11				
Proceeds from sale of tangible assets	0.4	0.2	12				
Acquisition of tangible assets	-7.9	-10.1	12				
Acquisition of Suffix trademark	-0.8	-0.7	3				
Acquisition of other subsidiaries, net of cash	-0.2	0.0	3				
Proceeds from disposal of Willtech Gift, net of cash	1.0	0.5	3				
Change in interest-bearing receivables	0.1	-0.1					
Total net cash used in investing activities	-8.0	-10.8					

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR MILLION	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	SHARE CAPITAL	SHARE PREMIUM FUND	FAIR VALUE RESERVE	FUND FOR INVESTED NON-RESTRICTED EQUITY	OWN SHARES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity on Jan. 1, 2013	3.6	16.7	-2.3	4.9	-3.4	-4.1	112.8	9.4	137.7
Net profit for the period							12.5	3.6	16.1
Other comprehensive income *									
Translation differences						-6.2		-1.0	-7.1
Defined benefit plans							0.1		0.1
Cash flow hedging			0.9						0.9
Net investments and related hedging						-2.3			-2.3
Total comprehensive income			0.9			-8.4	12.6	2.6	7.7
Purchase of own shares					-1.0				-1.0
Dividends paid							-8.9		-8.9
Share based payment							-0.3		-0.3
Other changes							0.0	0.0	0.0
EQUITY ON DEC. 31, 2013	3.6	16.7	-1.4	4.9	-4.4	-12.5	116.2	12.0	135.1
Net profit for the period							9.2	1.0	10.2
Other comprehensive income *									
Translation differences						6.0		-1.3	4.7
Defined benefit plans							-0.2		-0.2
Cash flow hedging			0.2						0.2
Net investment and related hedging						0.1			0.1
Total comprehensive income			0.2			6.1	9.0	-0.2	15.1
Purchase of own shares					-0.9				-0.9
Dividends paid							-9.2	-3.6	-12.8
EQUITY ON DEC. 31, 2014	3.6	16.7	-1.1	4.9	-5.2	-6.5	116.0	8.2	136.5

* Net of tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

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

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2014. The Board of Directors of the company has approved these financial statements for publication at its meeting on February 12, 2015. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

A copy of the consolidated financial statements is available at the Group's website www.rapalavmc.com or from Mäkelänkatu 91, 00610 Helsinki, Finland.

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2014. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation. The Group has not early adopted any new, revised or amended standards or interpretations.

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

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted in 2014 the following revised or amended standards.

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (revised). The new IFRS 10 standard replaces the portion of previous IAS 27 that addresses to the accounting for consolidated financial statements. The new standard changed remarkable the definition of control. The change did not have a material impact on the Group's consolidated financial statements.
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (revised and amended). The new IFRS 11 replaces the current IAS 31 Interest in Joint Ventures. IAS 28 was also amended to include the application of the equity method to investments in joint ventures and associates. IFRS 11 was also amended with accounting specification for acquisitions of interests in joint operations. The changes did not have a material impact on the Group's consolidated financial statements.

- IFRS 12 Disclosures of Interest in Other Entities (revised). The new standard gathers all disclosure requirements related to interest in other entities, and also adds several new disclosure requirements mainly regarding subsidiaries with a material non-controlling interest.

The amendment increased disclosures concerning associates, joint ventures and entities with non-controlling interest. The change has been applied with retrospective note specification and presented in notes 13 and 14.

- IAS 36 Impairment of assets (amendment). The change harmonizes the disclosure requirements concerning recoverable amount of non-financial assets regardless whether the company uses fair value less costs of disposal method or value in use method. The change did not have a material impact on the Group's consolidated financial statements.
- IAS 39 Financial Instruments: Recognition and Measurement (amendment). According to the amendment, hedge accounting can be continued in certain circumstances. The change did not have a material impact on the Group's consolidated financial statements.
- IFRIC 21 Levies (interpretation). Interpretation defines when a levy is recognized as obligation event and liability. The interpretation did not have a material impact on the Group's consolidated financial statements.

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

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN 2015-2018

In 2015, the Group adopted the following new, revised or amended standards and interpretations:

- IAS 19 Defined Benefit Plans – Employee Contributions (amendment). The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment is not expected to have a material impact on the Group's consolidated financial statements.

In 2016 or later, the Group will adopt the following new, revised or amended standards and interpretations:

- IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (amendment, effective for annual periods beginning on or after January, 1 2016). The amendments clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IAS 16 Property Plant and Equipment and IAS 41 Agriculture – Bearer Plants (amendment, effective for annual periods

beginning on or after January, 1 2016). The amendments bring bearer plants into the scope of IAS 16. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.

- IAS 27 Separate Financial Statement – Equity Method in Separate Financial Statement (amendment, effective for annual periods beginning on or after January, 1 2016). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment entities: Applying the Consolidation Exception. (amendment, effective for annual periods beginning on or after January, 1 2016). The amendment addresses the issues in relation to the exemption from consolidation for investment entities. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment, effective for annual periods beginning on or after January, 1 2016). The amendments define the financial statement treatment for asset sales situations between an investor and its associate or joint venture. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IFRS 11 Joint arrangements (amendment, effective for annual periods beginning on or after January, 1 2016). The amendment clarifies the relationship of the standard to IFRS 3 and other relevant standards when accounting for the acquisition of an interest in a joint operation, in circumstances in which the activity of the joint operation constitutes a business. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IAS 1 Presentation of Financial Statements – Disclosure Initiative (amendment, effective for annual periods beginning on or after January, 1 2016). The amendment obligates to assess the relevance and presentation of disclosures. The change is not expected to have a material impact on the Group's consolidated financial statements. The amendment has not yet been approved for application in the EU.
- IFRS 15 Revenue from Contracts with Customers (new, effective for annual periods beginning on or after January, 1 2017). New standard sets a framework for recognizing revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Group investigates the new standard's impact on the Group's consolidated financial statements. This new standard has not yet been approved for application in the EU.
- IFRS 9 Financial Instruments (new, effective for annual periods beginning on or after January 1, 2018). This new standard will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The Group investigates this new standard's impact on the Group's consolidated financial statements. This new standard has not yet been approved for application in the EU.

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the company and its subsidiaries in which it has control. The control is based either to governing power established through direct or indirect holding of over 50% of the voting rights and/or control established through other means. The financial statements of the subsidiaries are prepared for the same accounting period as the company, using consistent accounting policies.

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

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

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

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

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

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in

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

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

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

REVENUE RECOGNITION

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

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

INCOME TAXES

The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in other comprehensive income are similarly recognized. The current tax expense for the financial year is calculated from the

taxable profit based on the valid tax rate of each country. The tax is adjusted with possible taxes related to previous periods. The share of results in associated companies is reported in the income statement as calculated from net profit and thus including the income tax charge.

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

RESEARCH AND DEVELOPMENT COSTS

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

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

GOODWILL

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

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

INTANGIBLE ASSETS

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

lives which vary from 3 to 15 years and adjusted for any impairment charges.

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

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

TANGIBLE ASSETS

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

Depreciation is based on the following expected useful lives:

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

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

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

BORROWING COSTS

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

GOVERNMENT GRANTS

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

IMPAIRMENTS OF TANGIBLE AND INTANGIBLE ASSETS

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

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

ASSETS HELD-FOR-SALE

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

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

ACCOUNTING FOR LEASES

Group as a lessee

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

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of

the finance charge being recognized in the income statement over the lease period. Tangible assets acquired under finance lease contracts are depreciated over the shorter of the estimated useful life of the asset or lease period.

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

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

Group as a lessor

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

FINANCIAL ASSETS

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

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

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

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

Financial assets that are not classified in the preceding categories are classified as available-for-sale. When available-for-sale financial assets are recognized initially, they are measured at fair value by using quoted market rates and market prices, discounted cash flow analyses and other appropriate valuation models. Certain unlisted shares for which fair values cannot be measured reliably are reported at cost less impairment. The fair value changes of available-for-sale financial assets, net of tax, are recognized as other comprehensive income. Changes in fair

value are transferred from the statement of other comprehensive income to the income statement when the instrument is sold or its value has fallen so that an impairment loss has to be recognized for the instrument. Purchases and sales of available-for-sale financial assets are recognized on the trade date.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

In principal, the fair values of derivative instruments are presented in the statement of financial position under short-term or long-term non-interest bearing assets or liabilities based on their maturity. Derivative instruments that are designated and

qualify as fair value hedges of monetary assets or liabilities, are presented in the same group of interest-bearing assets or liabilities as the hedged instrument.

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

FINANCIAL LIABILITIES

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

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

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

INVENTORIES

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

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

OWN SHARES

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

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions

are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view of the time value of the money and the risk relating to the obligation at the time of examination.

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

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

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

EMPLOYEE BENEFITS

Employee benefit obligations

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

For defined benefit plans, costs are assessed using the projected unit credit actuarial valuation method, in which the cost of providing benefit is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan. The benefit obligation is measured as the present value of estimated future cash outflows. Defined benefit liability comprises of the present value of the defined benefit obligation less the fair value of plan assets. All actuarial gains and losses are recognized in other comprehensive income immediately as they occur. The past service cost is recognized as an expense in the income statement. See section 'Adoption of new and amended standards and interpretations' for details.

Share-based payments

Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability. In the cash settled option program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payments programs is recognized in employee benefit expenses.

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The options are valued at fair value using Black-Scholes option-pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement with a corresponding adjustment to the equity or liability.

When the share options are exercised, the proceeds received,

net of any transaction costs, are credited in the fund for invested non-restricted equity.

DIVIDEND

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

EARNINGS PER SHARE

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

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

OPERATING PROFIT

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

CASH FLOW STATEMENT

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

NON-RECURRING ITEMS

In order to improve comparability between reporting periods, the Group classifies certain items as non-recurring in its financial reporting. Non-recurring items include mainly income and expenses

related to restructurings of Group's business operations, non-recurring impairments of assets, external costs related to mergers and acquisitions and other exceptional non-recurring items which materially distort the comparability of the Group's underlying profitability.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Determining fair value of acquisitions

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

Impairment testing

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

Income taxes

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

subsidiaries is in its control and probable, and books a deferred tax accordingly.

Defined benefit obligations

Costs for defined benefit plans are assessed using the projected unit credit actuarial valuation method. Several statistical and other actuarial assumptions are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, future salary increase and annual inflation rate. Statistical information used may differ from actual results. Changes in actuarial assumptions are recognized in other comprehensive income immediately as they occur which could have a slight impact on the Group's statement of comprehensive income.

Share-based payments

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

Provisions

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

Hyperinflation

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

ROUNDING OF FIGURES

The consolidated financial statements are presented in millions of euros. All figures in these accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

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

2 SEGMENT INFORMATION

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

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

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

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

OPERATING SEGMENTS

2014

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	INTRA-SEGMENT SALES	GROUP TOTAL
Net Sales	171.3	102.0	0.0	273.2
Depreciation, amortization and impairment losses	-6.2	-0.9		-7.1
Share of results in associates and joint ventures (included in OP)	0.0	0.2		0.2
Operating Profit	15.0	7.9		22.9
Financial income and expenses				-7.2
Net Profit before taxes				15.7
Non-interest-bearing assets	230.2	62.7		292.9
Investment in associates and joint ventures	0.2	0.9		1.0
Unallocated interest-bearing assets				16.3
Total Assets				310.3
Investments	7.6	1.1		8.7

2013

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	INTRA-SEGMENT SALES	GROUP TOTAL
Net Sales	176.3	110.5	-0.1	286.6
Depreciation, amortization and impairment losses	-6.3	-1.2		-7.5
Share of results in associates and joint ventures (included in OP)	-0.3	-0.2		-0.5
Operating Profit	19.4	6.7		26.1
Financial income and expenses				-5.5
Net Profit before taxes				20.6
Non-interest-bearing assets	215.2	67.1		282.3
Investment in associates and joint ventures	0.4	0.3		0.8
Unallocated interest-bearing assets				21.0
Total Assets				304.1
Investments	9.8	0.9		10.7

GEOGRAPHICAL AND GROUP-WIDE INFORMATION

1) See note 1

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

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

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

External net sales by unit location

EUR MILLION	2014	2013
Finland	23.4	26.7
Other Nordic Countries	31.5	34.1
Nordic Total	54.9	60.8
Russia	30.2	36.4
France	36.4	35.5
Other European Countries	32.0	31.7
Rest of Europe Total	98.7	103.6
USA	70.0	72.5
Other North America	16.2	15.8
North America Total	86.1	88.4
Rest of the World Total	33.5	33.8
TOTAL	273.2	286.6

Non-current assets by unit location

EUR MILLION	2014	2013
Finland	15.7	15.2
Other Nordic Countries	6.2	6.3
Nordic Total	21.9	21.5
Rest of Europe Total	17.1	16.7
USA	29.9	27.3
Other North America	4.2	3.9
North America Total	34.0	31.2
China (incl. Hong Kong)	25.9	25.4
Other countries	8.5	6.6
Rest of the World Total	34.3	32.0
TOTAL	107.4	101.4

3 ACQUISITIONS AND DISPOSALS

CORPORATE ACQUISITIONS IN 2014

In January 2014, the Group acquired 100% of the shares and voting rights of a French coarse fishing attractant manufacturer Mystic s.a.r.l.. The consideration amounted to EUR 0.2 million. The closing accounts were finalized during the first quarter and goodwill of EUR 0.3 million was recognized. The acquisition does not have material impact on the result or financial position of the Group.

The goodwill of EUR 0.3 million for the acquisition is justified by expansion of product assortment as well as utilization of economies of scale in distribution. None of the goodwill is expected to be deductible for income tax purposes. The goodwill was tested for impairment.

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

In 2014 EUR 0.8 million (EUR 0.7 million) was paid related to Sufix trademark acquisition closed in 2008.

CORPORATE ACQUISITIONS IN 2013

In March 2013, the Group purchased a 10% share of the Finnish ski manufacturing unit. This acquisition raised the Group's ownership to 100%. Acquisition had no significant impact on the Group's consolidated financial statements.

In September, the escrow deposit of EUR 1.3 million relating to the acquisition of Dynamite Baits in 2010 was released to the sellers.

CORPORATE DISPOSALS IN 2014

In December 2011 the Group sold 100% of the shares of Willtech Gift Ltd ("Willtech Gift"). Part of the consideration was settled by a guaranteed interest bearing promissory note that matures at the latest in 2016. The third installment of the promissory note was received in December 2014. Impact on the Group cash flow was EUR 1.0 million (EUR 0.5 million).

4 OTHER OPERATING INCOME

EUR MILLION	2014	2013
Other gains from sale of intangible and tangible assets	0.1	0,1
Royalty income	0.3	0,3
Rental income	0.1	0,1
Scrap sales	0.0	0,0
Other income	0.4	0,2
TOTAL	1,0	0,8

5 OTHER OPERATING EXPENSES

EUR MILLION	2014	2013
Selling and marketing expenses	-11.5	-12.3
Rents paid	-8.3	-8.1
Freight	-5.9	-5.6
Maintenance and utility expenses	-5.8	-5.7
Traveling expenses	-4.3	-4.7
Sales commissions	-3.9	-4.1
Consulting expenses	-2.0	-2.3
IT and telecommunication	-2.1	-2.0
Auditors' fees and services	-0.9	-0.8
Currency derivatives	4.8	0.7
Other expenses	-10.8	-9.9
TOTAL	-50.8	-54.9

AUDITORS' FEES AND SERVICES

EUR MILLION	2014	2013
Audit fees	-0.9	-0.8
Fees for tax services	0.0	0.0
Other fees	0.0	0.0
TOTAL	-0.9	-0.8

NON-RECURRING INCOME AND EXPENSES INCLUDED IN OPERATING PROFIT

EUR MILLION	2014	2013
Closure of Chinese lure manufacturing	-1.7	-0.8
Other restructuring costs	0.0	-0.2
Other non-recurring items	-0.1	-0.1
Total included in EBITDA	-1.8	-1.1
Other non-recurring impairments		-0.2
TOTAL INCLUDED IN OPERATING PROFIT	-1.8	-1.3

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

6 MATERIALS AND SERVICES

EUR MILLION	2014	2013
Materials, goods and supplies		
Purchases during the period	-129.3	-135.1
Change in inventory	2.1	4.1
External services	-3.8	-5.7
TOTAL	-131.0	-136.7

7 EMPLOYEE BENEFIT EXPENSES

EUR MILLION	2014	2013
Wages and salaries	-52.4	-51.4
Pension costs - defined contribution plans	-4.2	-4.1
Pension costs - defined benefit plans	-0.2	-0.3
Other long-term employee benefits	-0.2	0.0
Option programs to be settled in shares		0.3
Other personnel expenses	-8.7	-8.5
TOTAL	-65.6	-64.0

The employee benefit expenses in 2014 included EUR 0.2 million employee related restructuring expenses (2013: EUR 0.5 million). For more details on employee benefits for top management and share-based incentive plans, see notes 28 and 29.

AVERAGE PERSONNEL

PERSONS	2014	2013
North America	134	133
Nordic	386	383
Rest of Europe	838	882
Rest of the World	1 356	1 030
TOTAL	2 714	2 428

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 2.0 million recognized as an expense in 2014 (2013: EUR 1.6 million). Group has not capitalized research and development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR MILLION	2014	2013
Foreign exchange gains		
From loans and receivables	11.7	3.6
From financial liabilities measured at amortized cost	1.4	2.4
Foreign exchange losses		
From loans and receivables	-6.6	-6.1
From financial liabilities measured at amortized cost	-11.1	-2.0
Interest and other financial income		
Interest income from loans and receivables	0.3	0.4
Other financial income	0.1	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-2.8	-3.4
Interest rate derivatives - non-hedge accounted	-0.5	0.1
Currency derivatives - non-hedge accounted	1.2	0.4
Other financial expenses	-0.9	-0.8
TOTAL	-7.2	-5.5

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2014	2013
Change in fair value of interest rate derivatives - hedge accounted, net of tax	0.2	0.9
Gains and losses on hedges of net investments, net of tax	0.1	-2.3
TOTAL	0.3	-1.4

EXCHANGE GAINS AND LOSSES IN THE INCOME STATEMENT

EUR MILLION	2014	2013
In net sales	1.4	-0.1
In purchases	-2.7	-1.4
In other operating expenses		
Currency derivatives, non-hedge accounted	4.8	0.7
TOTAL	3.5	-0.8

Derivatives in hedge accounting are presented together with the hedged instrument, if hedge accounting is applied: EUR -0.8 million (2013: EUR -1.0 million) have been recognized in interest expenses and EUR 1.2 million (2013: EUR -0.5 million) in foreign exchanges gains and losses.

In 2014 and 2013, interest rate derivatives, which fulfill IAS 39 effectiveness requirements, had no material income statement effect. Hedging of net investments ended during 2013 and had no material income statement effect.

10 INCOME TAXES**INCOME TAXES IN THE INCOME STATEMENT**

EUR MILLION	2014	2013
Income taxes	-5.5	-5.1
Deferred taxes	0.0	0.5
TOTAL	-5.5	-4.6

INCOME TAX RECONCILIATION

EUR MILLION	2014	2013
Income taxes at Finnish corporate tax rate (20%)	-3.1	-5.1
Effect of different tax rates in foreign subsidiaries	-2.2	-0.2
Non-deductible expenses and tax exempt income	1.8	-0.1
Foreign withholding taxes	-0.4	
Losses for which no deferred tax benefit is recognized	-2.5	-2.3
Taxes for prior years	1.0	1.8
Changes in the carrying amounts of deferred tax assets and liabilities from prior years	-0.1	0.7
Impact of the changes in the tax rates on deferred tax balances	0.0	0.7
Other items	0.0	-0.1
INCOME TAXES IN THE INCOME STATEMENT	-5.5	-4.6

TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME**2014**

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	4.7		4.7
Employee benefits	-0.3	0.1	-0.2
Cash flow hedging	0.3	-0.1	0.2
Net investment and related hedging	0.1	0.0	0.1
TOTAL	4.8	0.1	4.8

2013

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	-7.1		-7.1
Employee benefits	0.2	-0.1	0.1
Cash flow hedging	1.3	-0.4	0.9
Net investment and related hedging	-2.3	0.0	-2.3
TOTAL	-8.0	-0.4	-8.4

MOVEMENT OF DEFERRED TAXES**2014**

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	DEC. 31
Tax losses and credits carried forward	2.0	-0.6		0.0	1.3
Provisions	0.2	-0.1		0.0	0.1
Employee benefits	0.5	0.0	0.1	0.0	0.6
Depreciation difference	0.1	0.0		0.0	0.1
Effect of consolidation and eliminations	4.2	0.6		0.3	5.1
Other temporary differences	1.5	0.2	-0.1	0.1	1.7
TOTAL DEFERRED TAX ASSETS	8.5	0.1	0.0	0.3	9.0
Depreciation difference and other untaxed reserves	2.8	0.1		0.3	3.2
Inventory	2.0	0.2		0.3	2.5
Fair value adjustments for acquired net assets	3.2	0.0		0.1	3.3
Other temporary differences	0.5	-0.1		0.0	0.3
TOTAL DEFERRED TAX LIABILITIES	8.5	0.1		0.7	9.3
NET DEFERRED TAX ASSET	0.1	0.0	0.0	-0.4	-0.3

2013

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	DEC. 31
Tax losses and credits carried forward	2.2	-0.1		-0.1	2.0
Provisions	0.3	0.0		0.0	0.2
Employee benefits	0.5	0.1	-0.1	0.0	0.5
Depreciation difference	0.1	0.0		0.0	0.1
Effect of consolidation and eliminations	4.9	-0.4		-0.3	4.2
Other temporary differences	2.1	-0.2	-0.4	-0.1	1.5
TOTAL DEFERRED TAX ASSETS	10.1	-0.6	-0.4	-0.5	8.5
Depreciation difference and other untaxed reserves	2.8	0.1		-0.1	2.8
Inventory	2.3	-0.2		-0.1	2.0
Fair value adjustments for acquired net assets	4.0	-0.7		-0.1	3.2
Other temporary differences	0.8	-0.3		0.0	0.5
DEFERRED TAX LIABILITIES	9.9	-1.1		-0.4	8.5
NET DEFERRED TAX ASSET	0.1	0.5	-0.4	-0.2	0.1

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2014, the Group had tax losses carried forward of EUR 26.9 million (2013: EUR 15.4 million), for which deferred tax assets have not been recognized in the consolidated financial statements because the realization of the tax benefit is not probable. EUR 21.7 million of these tax losses will expire during the next five years (2013: EUR 11.1 million).

Deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet

because distribution of the earnings is in the control of the Group and such distribution is not probable within the foreseeable future.

The consolidated balance sheet includes deferred tax assets of EUR 1.1 million (2013: EUR 1.4 million) in subsidiaries, which have generated losses in financial year 2014 or 2013. The recognition of these assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

11 INTANGIBLE ASSETS

2014

EUR MILLION	TRADEMARKS	CUSTOMER RELATIONS	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	21.5	3.8	44.9	7.1	77.2
Additions				0.6	0.6
Acquisitions (see note 3)	0.0		0.3		0.3
Disposals				-0.1	-0.1
Reclassifications			0.2	-0.2	
Translation differences	1.5	0.3	2.5	0.2	4.4
ACQUISITION COST DEC. 31	22.9	4.1	47.9	7.6	82.5
Accumulated amortization Jan. 1	-0.5	-2.1		-4.5	-7.2
Disposals				0.1	0.1
Amortization during the period		-0.4		-0.4	-0.8
Translation differences	0.0	-0.2		0.0	-0.2
ACCUMULATED AMORTIZATION DEC. 31	-0.5	-2.6		-4.9	-8.1
CARRYING VALUE JAN. 1	20.9	1.7	44.9	2.6	70.0
CARRYING VALUE DEC. 31	22.4	1.4	47.9	2.7	74.4

2013

EUR MILLION	TRADEMARKS	CUSTOMER RELATIONS	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	22.2	4.1	46.5	6.8	79.6
Additions				0.5	0.5
Disposals			-0.2	-0.3	-0.5
Reclassifications ¹⁾				0.3	0.3
Translation differences	-0.8	-0.3	-1.4	-0.1	-2.6
ACQUISITION COST DEC. 31	21.5	3.8	44.9	7.1	77.2
Accumulated amortization Jan. 1	-0.6	-2.0		-4.5	-7.0
Disposals				0.3	0.3
Reclassifications ¹⁾				-0.1	-0.1
Amortization during the period		-0.4		-0.4	-0.7
Translation differences	0.0	0.2		0.0	0.3
ACCUMULATED AMORTIZATION DEC. 31	-0.5	-2.1		-4.5	-7.2
CARRYING VALUE JAN. 1	21.7	2.2	46.5	2.3	72.6
CARRYING VALUE DEC. 31	20.9	1.7	44.9	2.6	70.0

1) Includes reclassifications between intangible and tangible assets.

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR MILLION	GROUP FISHING PRODUCTS	OTHER GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL
2014				
Goodwill	45.9	0.0	2.0	47.9
Trademarks with indefinite lives	21.8	0.1	0.5	22.4
Discount rate, %	9.0	9.0	9.8	
2013				
Goodwill	42.9	0.0	1.9	44.9
Trademarks with indefinite lives	20.3	0.1	0.5	20.9
Discount rate, %	9.2	9.2	11.1	

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

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

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections, which were used in these calculations, were based on most recent 5-year financial forecasts prepared by the management and approved by the Board. The estimated sales and production volumes are derived from the utilization of existing property, plant and equipment. The most important assumptions on which management has based its cash flow projections are the sales and gross margins. Discount rate is the weighted average pre-tax cost of capital (WACC) which is defined for each cash-generating unit separately. The components of WACC are the risk-free yield rate, market risk premium, industry specific beta, cost of debt, and target capital structure. In the impairment tests prepared in 2014 and 2013, the growth rate used to extrapolate the cash flow beyond the five-year period is 0%. As a result of the performed impairment tests, no impairment losses have been recognized in 2014 or 2013.

Key assumptions

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

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

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

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

Sensitivity analysis

The key sensitivity factors for the impairment test are the estimated EBITDA margin and the discount rate. According to the Group's management in the main business segments Group Fishing Products and Third Party Products no probable change in any of the key sensitivity factors would lead to a situation where the carrying amount would exceed the recoverable amount. Even if the discount rate would be 7 percentage points higher or EBITDA 49 percentage points lower than used in the management's estimates, it would not lead to an impairment loss in these main cash generating units. The corresponding figures for Other Group Productions, which is not significant part of the Group, are lower.

12 TANGIBLE ASSETS

2014

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	1.8	22.9	55.3	13.7	1.7	95.3
Additions	0.0	0.4	3.2	2.1	1.7	7.5
Acquisitions (see note 3)		0.0	0.0	0.0		0.1
Disposals			-1.9	-1.8	0.0	-3.8
Reclassifications		0.2	1.2	0.4	-1.8	
Translation differences	0.1	0.2	0.8	0.6	0.0	1.7
ACQUISITION COST DEC. 31	1.8	23.8	58.6	15.0	1.5	100.8
Accumulated depreciation Jan. 1		-15.5	-40.2	-9.1		-64.7
Acquisitions (see note 3)		0.0	0.0	0.0		-0.1
Disposals			1.7	1.2		2.9
Reclassifications		0.0	0.3	0.2		0.5
Depreciation during the period		-0.8	-3.7	-1.7		-6.2
Impairment		0.0	0.0	-0.4		-0.4
Translation differences		-0.1	-0.4	-0.1		-0.6
ACCUMULATED DEPRECIATION DEC. 31		-16.5	-42.7	-9.7		-68.8
CARRYING VALUE JAN. 1	1.8	7.4	15.1	4.6	1.7	30.6
CARRYING VALUE DEC. 31	1.8	7.3	16.0	5.4	1.5	32.0

2013

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	1.8	22.8	55.1	10.8	0.5	90.9
Additions	0.1	0.4	4.1	2.2	2.7	9.4
Disposals			-1.6	-0.5	-0.1	-2.2
Reclassifications		0.3	-1.1	1.9	-1.4	-0.3
Translation differences	-0.1	-0.6	-1.2	-0.6	0.0	-2.5
ACQUISITION COST DEC. 31	1.8	22.9	55.3	13.7	1.7	95.3
Accumulated depreciation Jan. 1		-14.9	-40.1	-6.5		-61.5
Disposals			1.4	0.5		1.8
Reclassifications			1.4	-1.3		0.1
Depreciation during the period		-0.8	-3.7	-1.7		-6.2
Translation differences		0.3	0.8	0.4		1.5
ACCUMULATED DEPRECIATION DEC. 31		-15.5	-40.2	-9.1		-64.7
CARRYING VALUE JAN. 1	1.8	7.9	15.0	4.2	0.5	29.3
CARRYING VALUE DEC. 31	1.8	7.4	15.1	4.6	1.7	30.6

1) Includes reclassifications between intangible and tangible assets.

Assets leased by finance lease agreements

EUR MILLION	2014		2013	
	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS
Carrying value Jan. 1	0.1	0.1	0.1	0.1
Additions				
Disposals				0.0
Reclassifications			0.0	0.0
Depreciation during the period	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0
CARRYING VALUE DEC. 31	0.0	0.0	0.1	0.1
Accumulated depreciation Dec. 31	-0.3	-0.1	-0.2	-0.1
ACQUISITION COST DEC. 31	0.3	0.1	0.3	0.1

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has a 50% interest in unlisted Shimano Normark UK Ltd domiciled in United Kingdom to distribute Rapala Group and Shimano products in the UK on an exclusive basis. The entity is deemed to fulfill the criteria of a joint venture and is therefore consolidated using the equity method. The carrying amount does not include goodwill or impairments.

The Group has a 33.3% interest in unlisted Lanimo Oü domiciled in Estonia. Its main activity is producing leather-haberdashery. The carrying amount does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the period ending on September 30, due to differences in reporting time schedule. Information for the financial period ending on December 31, 2013 is the following: assets EUR 0.1 million, liabilities EUR 0.1 million, sales EUR 0.1 million and loss EUR 0.0 million.

EUR MILLION	2014	2013
Acquisition cost Jan. 1	0.8	1.3
Share of profit/loss	0.2	-0.5
Translation differences	0.1	0.0
ACQUISITION COST DEC. 31	1.0	0.8

Investments in associates and joint ventures

EUR MILLION	SHIMANO NORMARK UK LTD		LANIMO OÜ	
	2014	2013	2014	2013
Net sales	11.4	9.9	0.2	0.1
Purchases and other expenses	-10.6	-10.8	-0.1	-0.1
Depreciation	-0.1	-0.1	0.0	0.0
Interest income and expenses	0.0	0.0	0.0	0.0
Net profit for the period	0.7	-1.0	0.0	0.0
Comprehensive income for the period	0.7	-1.0	0.0	0.0
Non-current assets	0.1	0.2	0.0	0.0
Current assets	3.2	2.0	0.1	0.1
Of which cash and cash equivalents	2.2	1.4	0.0	0.0
Non-current liabilities			0.0	0.0
Of which financial liabilities			0.0	0.0
Current liabilities	1.2	0.9	0.1	0.0
Net assets of associate/ joint venture	2.1	1.3	0.0	0.0
Net assets belonging to Rapala Group	1.0	0.6	0.0	0.0

14 MATERIAL PARTLY OWNED SUBSIDIARIES

Rapala Group includes one company, where non-controlling interest is material based on Group's consolidated net profit for the period. Group owns 50% of ZAO Normark domiciled in Russia. The other 50% is owned by Shimano Inc. ZAO Normark distributes Rapala Group's and Shimano's products in Russia. Rapala Group has control over the company, based on operative leadership model and a shareholder contract, which gives majority of the voting power to Rapala in the board of a holding company directly owning ZAO Normark. The company is treated as a subsidiary and fully consolidated to the figures of Rapala Group.

Financial information below is based on ZAO Normark's reported figures before intra-Group eliminations.

EUR MILLION	PROFIT (LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		EQUITY BELONGING TO NON-CONTROLLING INTERESTS	
	2014	2013	2014	2013
ZAO Normark	2.0	3.4	2.7	6.4
Other partly-owned subsidiaries	-0.9	0.2	5.6	5.6
TOTAL	1.0	3.6	8.2	12.0

Summarized financial information

EUR MILLION	2014	2013
Net sales	31.5	37.7
Purchases and other expenses	-27.0	-30.5
Depreciation	-0.1	-0.1
Interest income and expenses	-0.5	-0.4
Net profit for the period	4.0	6.7
Comprehensive income for the period	4.0	6.7
Non-current assets	0.2	0.2
Current assets	10.8	16.7
Non-current liabilities	2.6	
Current liabilities	3.1	4.1
Equity	5.4	12.9
Cash flows from operating activities	4.9	5.4
Cash flows from investing activities	-0.1	-0.1
Cash flows from financing activities	-3.5	-5.6

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR MILLION	2014	2013
Carrying value Jan. 1	0.3	0.3
Translation differences	0.0	0.0
CARRYING VALUE DEC. 31	0.3	0.3

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

16 RECEIVABLES

EUR MILLION	2014	2013
Non-current receivables		
Interest-bearing		
Loan receivables	1.8	3.0
Derivatives	1.2	
Other interest-bearing receivables	0.0	0.0
Non-interest-bearing		
Trade receivables	0.5	0.7
Derivatives	0.7	
Other receivables	0.2	0.2
Current receivables		
Interest-bearing		
Loan receivables	1.1	1.0
Non-interest-bearing		
Trade receivables	50.7	51.6
Derivatives	3.5	0.8
VAT receivable	1.6	2.3
Other prepaid expenses and accrued income	2.6	2.7
Other receivables	2.4	1.8
TOTAL	66.5	64.1

Fair values of financial assets are presented in the note 23.

The weighted average interest rate of non-current loan receivables was 5.06% (2013: 3.32%). The weighted average interest rate of current loan receivables at December 31, 2014 was 4.03% (2013: 3.20%).

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR MILLION	2014	2013
Allowance for trade receivables Jan. 1	3.1	3.3
Additions	1.0	0.7
Deductions	-1.2	-0.5
Recovery	-0.3	-0.3
Translation differences	0.0	-0.1
ALLOWANCE FOR TRADE RECEIVABLES DEC. 31	2.5	3.1

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

17 INVENTORIES

EUR MILLION	2014	2013
Raw material	13.9	12.0
Work in progress	9.8	9.9
Finished products	94.2	92.9
Net realizable value provisions	-4.1	-4.5
TOTAL	113.8	110.3

18 CASH AND CASH EQUIVALENTS

EUR MILLION	2014	2013
Cash at bank and in hand	11.9	15.8
Short-term deposits	0.3	1.1
TOTAL	12.2	16.9

19 EQUITY ATTRIBUTABLE TO SHAREHOLDERS

EUR MILLION	2014	2013
Share capital Jan. 1	3.6	3.6
SHARE CAPITAL DEC. 31	3.6	3.6
Share premium fund Jan. 1	16.7	16.7
SHARE PREMIUM FUND DEC. 31	16.7	16.7
Fair value reserve Jan. 1	-1.4	-2.3
Gains and losses on cash flow hedges, net of tax	0.2	0.9
FAIR VALUE RESERVE DEC. 31	-1.1	-1.4
Fund for invested non-restricted equity Jan. 1	4.9	4.9
FUND FOR INVESTED NON-RESTRICTED EQUITY DEC. 31	4.9	4.9
Own shares Jan. 1	-4.4	-3.4
Purchase of own shares	-0.9	-1.0
OWN SHARES DEC. 31	-5.2	-4.4
Retained earnings Jan. 1	103.7	108.7
Defined benefit plans	-0.2	0.1
Translation differences	6.0	-6.2
Net investments and related hedges, net of tax	0.1	-2.3
Dividends paid	-9.2	-8.9
Share-based payments		-0.3
Other changes		0.0
Net income for the period	9.2	12.5
RETAINED EARNINGS DEC. 31	109.5	103.7
EQUITY ATTRIBUTABLE TO SHAREHOLDERS TOTAL	128.3	123.1

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

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

DIVIDENDS

The dividend paid for 2013 was EUR 0.24 per share, totaling EUR 9.2 million. A dividend of EUR 0.20 per share, a total of EUR 7.7 million, is proposed for the Annual General Meeting of Shareholders to be held on March 27, 2015. This dividend payable is not reflected in the financial statements for 2014.

SHARES AND SHARE CAPITAL

SHARES	2014	2013
Number of shares Jan. 1	39 468 449	39 468 449
Cancellation	-468 449	
NUMBER OF SHARES JAN. 31	39 000 000	39 468 449
Own shares Jan. 1	907 308	701 400
Cancellation	-468 449	
Purchase of own shares	167 948	205 908
OWN SHARES JAN. 31	606 807	907 308

On December 31, 2014, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 000 000.

BOARD'S AUTHORIZATIONS

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

SHARE BASED PAYMENTS

For more details on share based payments, see note 29.

20 EMPLOYEE BENEFIT OBLIGATIONS

Most of the Group's pension plans are defined contribution plans. The Group has defined benefit pension plans in France and in some Rest of the World countries. The plans in Rest of the World countries are immaterial as a whole. The retirement benefits are determined based on salary and period of employment. These obligations are unfunded. The Group has no other post-employment benefit obligations. The pension security of the personnel of the Group's Finnish companies is arranged under the Finnish statutory employee pension plan (TYEL) through an external pension insurance company. Employee benefit obligations also include a long-term profit-sharing payable to the employees in France and in some Rest of the World countries.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR MILLION	2014	2013
Current service cost	-0.3	-0.2
Interest cost	-0.1	0.0
TOTAL	-0.3	-0.3

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR MILLION	2014	2013
Rest of Europe	2.1	1.8
Rest of the World	0.2	0.1
PRESENT VALUE OF UNFUNDED OBLIGATIONS	2.3	1.9

BALANCE SHEET RECONCILIATION

EUR MILLION	2014	2013
Obligations Jan. 1	1.9	1.9
Current service cost	0.3	0.2
Interest cost	0.1	0.0
Actuarial gains and losses		
Changes in demographic assumptions		0.0
Changes in financial assumptions	0.3	-0.1
Changes in experience assumptions	0.0	-0.1
Effect of any curtailments or settlements	-0.2	-0.1
Translation differences	0.0	0.0
OBLIGATIONS DEC. 31	2.3	1.9

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation.

EUR MILLION	2014	2013
Within one year	0.1	0.1
1-5 years	0.3	0.5
5-10 years	0.5	0.3
Later than 10 years	1.5	1.0
TOTAL	2.3	1.9

ASSUMPTIONS

Rest of Europe	2014	2013
%		
Discount rate	1.8	3.1
Future salary increase	2.6	2.6
Annual inflation rate	2.0	2.0

Rest of the World	2014	2013
%		
Discount rate	3.1 - 4.0	4.1 - 4.4
Future salary increase	7.0	7.0 - 8.0

The discount rate and the future salary increase are identified as significant actuarial assumptions. Changes in these assumptions do not cause material impact on the net defined benefit obligation.

The Group expects that there will be no contributions to its defined benefit pension plans in 2015.

21 PROVISIONS

EUR MILLION	2014	2013
Restructuring provisions		
Provisions Jan. 1		
Additions	0.5	
PROVISIONS DEC. 31	0.5	
Other provisions		
Provisions Jan. 1	0.1	0.1
Translation differences	0.0	0.0
PROVISIONS DEC. 31	0.1	0.1
Non-current		0.1
Current	0.6	0.1
TOTAL PROVISIONS	0.6	0.1

22 FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

In 2014, the Group continued to develop its risk management processes. Group Risk Management, consisting of the Group CFO and Group Treasurer, review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. Global economy and financial markets were in uncertain conditions in 2014 and Group Risk Management continued monitoring and management of foreign exchange, interest rate, liquidity and counterparties' solvency risks.

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

MARKET RISKS

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

1. Foreign exchange risk

Major part of the Group's sales and expenses are in euros and US dollars. Group Risk Management monitors regularly the balance between Group's foreign currency sales and expenses as well as the development of the key currencies. Income and expenses within different currencies net each other out to some extent, creating an effective natural hedge in this respect. The Group's Board of Directors has defined a foreign exchange risk management policy. According to the policy, FX transactions of the following 12-15 months are systematically hedged.

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

Group does not apply hedge accounting (IAS 39) for the currency derivatives made to fix exchange rates of sales and purchases, but the derivatives are used for the purpose of reducing adverse impacts of market price changes on net earnings and cash flow. All derivatives are revalued at fair value on each

balance sheet date. The underlying hedged foreign currency denominated transaction will however take place at a later date. As hedge accounting is not applied, these derivatives cause timing differences between the Group's exchange gains/losses and sales/purchases.

Currency derivatives used by the Group at the end of 2014 were forward contracts and option instruments. The fair values of the derivatives are computed using regular valuation models by the Group. Changes in fair value of currency derivatives to hedge purchases and sales are recognized in the income statement. In 2014, these operative currency derivatives had an income statement effect of EUR 4.8 million (2013: EUR 0.7 million). Fair values of currency derivatives are summarized under section 4. Derivatives.

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

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

The Group has its external debt portfolio partly in different currencies and it aims to use them to partially hedge foreign exchange impacts from intra-group loans. Also currency derivatives are used for hedging foreign exchange impacts from intra-group loans. The purpose of these hedges is to reduce the adverse impact of currency movements on the Group's net income and equity.

The Group has net investments in subsidiaries whose equity is in foreign currency and thus exposed to foreign exchange rate movements when translated into euro. In 2014 the Group did not hedge any of its net investments in foreign currency subsidiaries. During 2013 the USD based net investment was discontinued (EUR -0.1 million was booked in translation difference in equity).

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

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

Exposure to foreign exchange risk from transactions

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

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

2014

EUR MILLION	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	38.5		0.2
Foreign currency trade payables Dec. 31.	-33.2	-0.4	-2.6
Foreign currency loans receivable Dec. 31.	70.4	0.3	3.0
Foreign currency loans payable Dec. 31.	-86.0		-5.7
Foreign currency cash and cash equivalents Dec. 31.	2.4	0.1	1.6
NET EXPOSURE IN BALANCE SHEET DEC. 31.	-7.9	0.0	-3.4
Actual foreign currency sales and purchases Jan. 1 - Dec. 31	40.9	0.3	-11.4
Actual foreign currency expenses Jan. 1 - Dec. 31	-63.5	-7.2	-11.9
NET EXPOSURE IN THE INCOME STATEMENT JAN. 1 - DEC. 31	-22.6	-6.9	-23.4
Operative hedges, foreign currency derivatives Dec. 31.12.	9.4		
Monetary hedges, foreign currency derivatives Dec. 31.12.	3.1	0.5	
NET EXPOSURE ¹⁾	-17.9	-6.4	-26.8

2013

EUR MILLION	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	18.3		0.1
Foreign currency trade payables Dec. 31.	-19.9	-2.4	-3.2
Foreign currency loans receivable Dec. 31.	47.2	0.3	4.9
Foreign currency loans payable Dec. 31.	-58.8		-10.0
Foreign currency cash and cash equivalents Dec. 31.	4.8	0.4	0.4
NET EXPOSURE IN BALANCE SHEET DEC. 31.	-8.5	-1.8	-7.8
Actual foreign currency sales and purchases Jan. 1 - Dec. 31	52.8	0.3	-10.3
Actual foreign currency expenses Jan. 1 - Dec. 31	-77.1	-14.3	-12.4
NET EXPOSURE IN THE INCOME STATEMENT JAN. 1 - DEC. 31	-24.3	-14.0	-22.7
Operative hedges, foreign currency derivatives Dec. 31.12.	15.5		
Monetary hedges, foreign currency derivatives Dec. 31.12.	6.1		
NET EXPOSURE ¹⁾	-11.2	-15.8	-30.4

1) According to Group hedging policy currency positions for pegged currencies are combined together

Sensitivity analysis

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

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

to the analyzed currency (so called translation impact). The analysis takes into account the currency forward contracts in place at Dec. 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.

- The sensitivity analysis includes the effect of valuation of the most significant financial assets and liabilities included in the balance sheet as per Dec. 31 in companies whose functional currency is other than the analyzed currency. The balance sheet items include both Group's external and internal items.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per Dec. 31 in subsidiaries, whose reporting currency equals to the analyzed currency.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate. Translation differences in equity do not include any tax effect.
- Below are analyzed the effect of most relevant currencies.

2014

EUR MILLION	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	2.9	0.0	0.7	-0.6	-0.7	-1.4	-0.6	-2.4
Net income (net of tax)	3.4	0.0	0.4	-0.4	-0.4	-0.9	-0.5	-2.3
Equity (net of tax) ²⁾	-3.3	-2.9	0.0	-0.4	-0.3	-1.2	-0.4	-0.3

2013

EUR MILLION	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	0.2	0.1	1.6	-0.4	-0.3	-0.9	-0.4	-2.4
Net income (net of tax)	0.7	0.1	1.2	-0.3	-0.2	-0.7	-0.7	-1.9
Equity (net of tax) ²⁾	-2.5	-2.6	0.0	-0.4	-0.3	-1.1	-0.4	-0.7

2) Without the effect of net income.

A 10% strengthening would have a deviant opposite effect due to currency derivatives. The opposite effect on operating profit would be the following for USD: EUR 0.3 million smaller.

2. Interest rate risk

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

EUR MILLION	2014		2013	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Loans from financial institutions with fixed interest rate	0.0	0.0	0.0	0.0
Pension loans with fixed interest rate				0.1
Loans from financial institutions with variable interest rate	72.3	22.9	39.1	30.1
Commercial paper program with variable interest rate		21.0		47.5

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

Most of the Group's interest-bearing liabilities have an interest period of less than one year. EUR 0.1 million of the Group's loans payable is connected to fixed interests or interest periods of 12-month or longer (2013: EUR 0.2 million).

The interest rate risk may also be managed by using interest rate swaps, where the Group pays a fixed rate and receives a variable rate. As of Dec. 31 the Group had several interest rate swaps, which were designated and effective as cash flow hedges in accordance with IAS 39. The market price based fair values of interest rate derivatives are received from issuer bank. In 2014, interest rate derivatives had an equity effect of EUR 0.2 million (2013: EUR 0.9 million) and income statement effect of EUR -1.3 million (2013: EUR -0.9 million). Fair values of interest rate derivatives are summarized under section 4. Derivatives.

Sensitivity analysis

Below is presented the effect of liabilities with variable interest rate and interest rate swaps on net income and equity if there was a 1% increase in interest rates. The sensitivity analysis is based on following assumptions and factors:

- All other variables, in particular foreign exchange rates, are assumed to remain unchanged.
- The sensitivity is analyzed against interest rates applicable on Dec. 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on Dec. 31.
- The sensitivity analysis of interest rate swaps is based on calculations received from the bank.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate.

EUR MILLION	2014		2013	
	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) ³⁾	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) ³⁾
Loans from financial institutions with variable interest rate	-0.6	1.5	-0.5	1.5
Commercial paper program with variable interest rate	-0.1		-0.4	

3) Without the effect of net income.

3. Other market price risks

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

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

4. Derivatives

EUR MILLION	2014		2013	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Operative hedges				
Foreign currency derivatives	44.1	3.8	49.4	0.0
Monetary hedges				
Foreign currency derivatives	30.6	-0.7	24.6	0.1
Interest rate derivatives ⁴⁾	101.4	-0.7	69.5	-2.0

4) Includes also two cross-currency swaps.

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

All foreign currency derivatives mature within the next 24 months. Interest rate swaps, which are effective and mature between 2015 and 2019, generate following non-discounted cash flows, calculated based on forward interest rates and forward foreign exchange rates prevailing as per Dec. 31: EUR -0.5 million during year 2015, EUR -0.6 million during year 2016, EUR 0.1 million during year 2017, EUR 0.1 million during 2018 and EUR 0.1 million during year 2019.

Changes in unrealized mark-to-market valuations for operative foreign currency derivatives

EUR MILLION	2014	2013
Included in operating profit	3.8	0.3

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the accounting period. The underlying foreign currency transactions will realize in future periods.

Maturity of the group's financial liabilities

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

2014

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES ¹⁾	CONTRACTUAL CASH FLOWS	2019					TOTAL
				2015	2016	2017	2018	ONWARDS	
Interest-bearing liabilities									
Loans from financial institutions	95.2	95.2	99.3	24.1	11.0	15.8	15.7	32.5	99.3
Pension loans									
Commercial paper program	21.0	21.0	21.0	21.0					21.0
Finance lease	0.0	0.0	0.0	0.0					0.0
Other interest-bearing liabilities	0.0	0.0	0.0	0.0					0.0
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	41.1	30.4	30.4	30.3	0.1				30.4
Derivatives, net settled ²⁾									
Interest rate and currency derivatives, hedge accounted	0.3	0.3	0.6	0.4	0.4	-0.2	0.0	0.0	0.6
Interest rate derivatives, non-hedge accounted	0.4	0.4	0.5	0.2	0.2	0.1			0.5
Currency derivatives, non-hedge accounted	-3.0	-3.0	-3.0	-2.3	-0.7				-3.0
TOTAL	155.0	144.3	148.8	73.7	11.0	15.8	15.7	32.5	148.8

2013

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES ¹⁾	CONTRACTUAL CASH FLOWS	2014	2015	2016	2017	2018 ONWARDS	TOTAL
Interest-bearing liabilities									
Loans from financial institutions	69.3	69.3	72.4	31.0	10.2	0.6	10.5	20.1	72.4
Pension loans	0.1	0.1	0.1	0.1					0.1
Commercial paper program	47.5	47.5	47.5	47.5					47.5
Finance lease	0.1	0.1	0.1	0.1					0.1
Other interest-bearing liabilities	0.0	0.0	0.0	0.0					0.0
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	38.0	26.9	26.9	26.0	0.8	0.1			26.9
Derivatives, net settled ²⁾									
Interest rate and currency derivatives, hedge accounted	1.9	1.9	1.5	0.8	0.5	0.1	0.1		1.5
Interest rate derivatives, non-hedge accounted	0.1	0.1	0.1	0.1	0.1	0.0	-0.1		0.1
Currency derivatives, non-hedge accounted	0.0	0.0	0.0	0.0					0.0
TOTAL	157.0	145.9	148.6	105.6	11.5	0.8	10.5	20.1	148.6

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

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

CREDIT AND DEFAULT RISK

The Group followed actively credit and default risks associated with customers and other counterparties in 2014. The Group's credit and default risk portfolio did not significantly change during the course of the year. The proportional amount of Group's trade receivables, which are past due date, stayed almost at same levels as in 2014. Credit loss net allowances for trade receivables decreased from 2013 to 2014.

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

Group Risk Management manages most of the credit and default risk related to financial instruments. It seeks to reduce these risks by limiting the counterparties to banks, which have a

good credit standing. Majority of the Group's bank deposits and forward contracts have been made with the Group's leading banks (Nordea Bank Finland Plc, Pohjola Bank Plc, Skandinaviska Enskilda Banken AB (publ) and Danske Bank A/S). Nordea Bank Finland Plc has credit ratings of Aa3 (Moody's) and AA- (Standard&Poor's), Pohjola Bank Plc has credit ratings of Aa3 (Moody's) and AA- (Standard&Poor's), Skandinaviska Enskilda Banken (pub) has credit ratings of A1 (Moody's) and A+ (Standard&Poor's) and Danske Bank A/S has credit ratings of A3 (Moody's) and A (Standard&Poor's). Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance, commercial paper investments are not made.

The Group's maximum credit and default risk is the carrying amount of all financial assets which are disclosed in note 23.

For information on allowance for trade receivables, see note 16. An allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for allowances is done locally in each business unit on case-by-case basis.

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

Analysis of trade receivables that where due but not impaired

EUR MILLION	2014	2013
Neither past due or impaired	40.0	41.6
Past due but not impaired		
Less than 1 month	4.9	4.3
1–3 months	2.8	3.0
3–6 months	1.7	1.5
Over 6 months	1.7	1.9
TOTAL	51.1	52.2

CAPITAL MANAGEMENT

Rapala Group's strategic objective is profitable growth. The objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and to maximize shareholder value.

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

Group's objective for capital management is to keep:

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

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

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

For definitions of key figures, see page 48.

	TARGET	2014	2013
Gearing %	below 150%	73.2	71.2
Net interest-bearing debt to EBITDA	below 3.8	3.3	2.9

23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR MILLION	2014		2014		2013		NOTE
	CARRYING VALUE	FINANCIAL ASSETS AND LIABILITIES *	FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES *	CARRYING VALUE	FINANCIAL ASSETS AND LIABILITIES *	FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES *	
FINANCIAL ASSETS							
Loans and receivables¹⁾							
Non-current financial assets							
Loan receivables	1.8	1.8	1.8	3.0	3.0	3.0	16
Other interest-bearing receivables	0.0	0.0	0.0	0.0	0.0	0.0	16
Non-interest-bearing receivables	0.7	0.7	0.7	0.9	0.9	0.9	16
Current financial assets							
Cash and cash equivalents	12.2	12.2	12.2	16.9	16.9	16.9	18
Loan receivables	1.1	1.1	1.1	1.0	1.0	1.0	16
Trade and other non-interest-bearing receivables	57.4	55.7	55.7	58.3	55.9	55.9	16
Available-for-sale financial assets							
Available-for-sale investments	0.3	0.3	0.3	0.3	0.3	0.3	15
Financial assets at fair value through income statement - held-for-trading							
Currency derivatives - non-hedge accounted	4.2	4.2	4.2	0.8	0.8	0.8	16, 22
Hedge accounted derivatives							
Currency derivatives - fair value hedges	1.2	1.2	1.2				16, 22
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement - held-for-trading							
Interest rate and currency derivatives - non-hedge accounted	1.6	1.6	1.6	0.9	0.9	0.9	22, 25
Hedge accounted derivatives							
Interest rate derivatives - cash flow hedges	1.4	1.4	1.4	1.7	1.7	1.7	22, 25
Currency derivatives - fair value hedges				0.3	0.3	0.3	22, 24
Financial liabilities measured at amortized cost¹⁾							
Non-current financial liabilities							
Loans from financial institutions	72.3	72.3	72.7	39.1	39.1	39.7	24
Finance lease				0.0	0.0	0.0	24
Other non-interest-bearing liabilities	0.1	0.1	0.1	0.9	0.9	0.9	25
Current financial liabilities							
Loans from financial institutions	22.9	22.9	22.9	30.1	30.1	30.1	24
Commercial paper program	21.0	21.0	21.0	47.5	47.5	47.5	24
Pension loans				0.1	0.1	0.1	24
Finance lease	0.0	0.0	0.0	0.1	0.1	0.1	24
Other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	24
Trade and other non-interest-bearing payables	41.0	30.3	30.3	37.1	26.0	26.0	25

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

1) Fair value hierarchy level 2.

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

EUR MILLION	2014				2013			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS AT FAIR VALUE								
Available-for-sale financial assets								
Available-for-sale investments	0.3			0.3	0.3			0.3
Financial assets at fair value through income statement - held-for-trading								
Currency derivatives - non-hedge accounted	4.2		4.2		0.8		0.8	
Hedge accounted derivatives								
Currency derivatives - fair value hedges	1.2		1.2					
TOTAL	5.7		5.4	0.3	1.1		0.8	0.3
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement - held-for-trading								
Currency and interest derivatives - non-hedge accounted	1.6		1.6		0.9		0.9	
Hedge accounted derivatives								
Interest rate derivatives - cash flow hedges	1.4		1.4		1.7		1.7	
Currency derivatives - fair value hedges					0.3		0.3	
TOTAL	3.1		3.1		2.8		2.8	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**Fair value hierarchy levels**

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

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

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

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

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

Available-for-sale investments

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

Derivatives

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

Finance leases

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

Current financial assets and liabilities

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

Non-current financial assets

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

Non-current interest-bearing liabilities

On December 31, 2014, 21.9% (2013: 50.0%) of non-current loans based on floating rates was connected to one-month euribor, libor or similar and the rest to maximum six-month euribor, libor or similar. Therefore, the fair value of non-current loans based on floating rates is regarded as equaling their book value. A part of non-current loans on floating rates is hedged with separate interest rate derivatives which are described in note 22. The fair value of non-current loans on fixed rates is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current non-interest-bearing liabilities

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

24 INTEREST-BEARING LIABILITIES

EUR MILLION	AVERAGE INTEREST RATE 2014, % ¹⁾	2014		2013
Non-current interest-bearing liabilities				
Loans from financial institutions	1.16	72.3	39.1	
Pension loans				
Finance lease				0.0
Derivatives				0.3
Current interest-bearing liabilities				
Loans from financial institutions	1.28	12.6	20.1	
Current portion of non-current loans from financial institutions	1.86	10.3	10.0	
Commercial paper program	0.61	21.0	47.5	
Pension loans				0.1
Finance lease	4.04	0.0	0.1	
Other current liabilities		0.0	0.0	
TOTAL		116.2	117.2	

1) Some of the loans are subject to interest rate swaps. Average interest rates are calculated without the effect of the interest rate swaps. More information in note 22.

Fair values of financial liabilities are presented in the note 23.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR MILLION	NON-CURRENT	2014		2013	
		CURRENT	NON-CURRENT	CURRENT	CURRENT
Loans from financial institutions					
EUR	34.5	14.1	9.5	10.1	
USD	21.8	3.3	9.8	14.6	
GBP	15.9	5.3	19.8	5.0	
AUD	0.0	0.0		0.0	
ZAR		0.2		0.4	
Pension loans and commercial paper program					
EUR		21.0		47.6	
Finance lease					
GBP		0.0		0.0	
Other		0.0		0.0	
TOTAL	72.3	43.9	39.1	77.9	

FINANCE LEASE

EUR MILLION	2014		2013	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	0.0	0.0	0.1	0.1
1-3 years	0.0	0.0	0.0	0.0
TOTAL MINIMUM LEASE PAYMENTS	0.1	0.1	0.1	0.1
Less future finance charges	0.0		0.0	
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	0.1	0.1	0.1	0.1

25 NON-INTEREST-BEARING LIABILITIES

EUR MILLION	2014	2013
Non-current non-interest-bearing liabilities		
Derivatives	1.9	1.9
Other non-current liabilities	0.1	0.9
Current non-interest-bearing liabilities		
Trade payables	20.8	17.2
Accrued employee-related expenses	9.2	9.8
VAT payable	1.5	1.4
Derivatives	1.2	0.7
Advances received	0.5	0.5
Other accrued expenses and deferred income	6.4	6.3
Other current liabilities	2.7	2.0
TOTAL	44.2	40.6

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

Fair values of financial liabilities are presented in the note 23.

26 COMMITMENTS AND CONTINGENCIES

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

Group's lease commitments are presented in note 27.

DISPUTES AND LITIGATIONS

In 2013 the Group received a decision from the Supreme Administrative Court concerning the decision made by Finnish tax authorities in 2007 to adjust the parent company's taxation in years 2004-2005. The process to amend the parent company's taxation in years 2006-2013 following the decision of the Supreme Administrative Court was finalized during the year.

Following the amendment process, the Group's request to remove double taxation concerning years 2004-2013 was filed at Finnish tax authority. The removal process is dependent on the outcome of the mutual agreement process (MAP) between the tax authorities based on the tax treaty between Finland and Estonia. The outcome of the process does not have immediate impact on the tax position of the Group.

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

27 LEASE CONTRACTS

THE GROUP AS A LESSEE

Future minimum rental payable under non-cancellable operating lease commitments

EUR MILLION	2014	2013
Within one year	5.2	4.9
1-3 years	5.9	6.1
3-5 years	3.8	3.7
Later than 5 years	1.5	2.1
TOTAL	16.4	16.8

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

THE GROUP AS A LESSOR

Future minimum rental receivable under non-cancellable operating leases

EUR MILLION	2014	2013
Within one year	0.1	0.1
TOTAL	0.1	0.1

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

28 RELATED PARTY TRANSACTIONS

The Group's related parties include subsidiaries, associates, top management and entities with significant influence. Subsidiaries owned directly or indirectly by the parent company as well as associates and foreign branches are listed in note 32. Related party transactions between Group companies have been eliminated. Entities with significant influence are specified in section 'Shares and Shareholders'.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR MILLION	SALES AND OTHER INCOME	PURCHASES	PAID RENTS	OTHER EXPENSES	RECEIVABLES	PAYABLES
2014						
Joint venture Shimano Normark UK Ltd.	3.2			0.0	0.1	0.0
Associated company Lanimo Oü	0.0	0.1			0.0	
Entity with significant influence over the Group ¹⁾			0.2	0.1	0.0	0.0
Management			0.3		0.0	0.0
2013						
Joint venture Shimano Normark UK Ltd.	3.0				0.1	
Associated company Lanimo Oü	0.0	0.1			0.0	
Entity with significant influence over the Group ¹⁾			0.2	0.1	0.0	
Management			0.3			0.0

1) Lease agreement for the real estate for the consolidated operations in France and a service fee. Entity with significant influence is Viellard Migeon & Cie, who's shareholding alone and together with its subsidiary is presented in section 'Shares and Shareholders'.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR MILLION	2014	2013
Salaries and other short-term employee benefits	-3.3	-3.1
Costs for share rewards		0.1
TOTAL	-3.3	-3.0

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. In December 2013 Isabelle De Bardies resigned from the Board of Directors due to her new executive position outside the company. In 2014 one new member, Julia Aubertin, was appointed to the Board of Directors.

On December 31, 2014, the members of the Board and the Executive Committee held directly a total of 3 000 Company shares (on December 31, 2013: 3 000). Top management owned 0.0% (0.0%) of the issued share capital and voting rights of the company on December 31, 2014.

In 2014 and 2013, no share-based incentive plans were granted to top management. For more information on share-based payments, see note 29 and the section 'Shares and Shareholders'. Details of top management shareholdings are given in the section 'Board and Management'.

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

EMPLOYEE BENEFITS FOR CHIEF EXECUTIVE OFFICER

EUR MILLION	2014	2013
Salaries and other short-term employee benefits ²⁾	-0.7	-0.5
Costs for share rewards		0.0
TOTAL	-0.7	-0.5

2) Excluding compensation for being a member of the Board which is presented in section employee benefits for Board of Directors.

In 2014, CEO's annual base salary and benefits amounted to EUR 344 952, of which EUR 44 952 was paid in cash and EUR 300 000 as personal supplementary pension insurance policy. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus paid in 2014 totaled EUR 110 875 accruing from year 2013. Bonus accrued for 2014 amounted to EUR 110 433. The CEO's pension security is no arranged under the statutory Finnish contribution based employee pension plan. Therefore in addition to the annual salary, CEO was paid in 2014 EUR 57 050 to arrange a pension security corresponding to the Finnish statutory employee pension plan. The retirement age corresponds to the Finnish employee pension plan. In addition, CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement, related to which the CEO was in 2014 retroactively paid previously unpaid payments of 126 000 EUR. Being a member of the board, the CEO is entitled to the same compensation as the other board members, which totals to EUR 45 000 for the year 2014.

The company shall give notice at any time or using 24 months notice period and CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the company without cause, CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR MILLION	2014	2013
Salaries and other short-term employee benefits	-2.3	-2.2
Costs for share rewards		0.1
TOTAL	-2.3	-2.1

In addition to the monthly salary members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the

result and cash flow targets are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the relevant financial year are known and the second after a predetermined vesting period of a few months, to encourage retention of senior management.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR MILLION	2014	2013
Salaries and other short-term employee benefits	-0.4	-0.4
TOTAL	-0.4	-0.4

Chairman of the Board is paid an annual remuneration of EUR 100 000 and other Members of the Board of Directors an annual remuneration of EUR 45 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are reimbursed for travel expenses following the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 370 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2014 (2013: EUR 370 000).

29 SHARE-BASED PAYMENTS

During the period the Group did not have any share-based incentive programs.

In 2013 the Group had one share-based incentive program (2012). The original earning period (from April 1, 2012 to June 30, 2013) was prolonged by 6 months to end on December 31, 2013. The potential reward was based on the development of Rapala Group's inventory levels and EBITDA. The program ended at the end of December and no rewards materialized. The gross value of the program corresponded to the value maximum total of 235 000 company shares. The share price at the grant date was EUR 4.86.

SHARE-BASED PAYMENT RECOGNITION IN THE INCOME STATEMENT

EUR MILLION	2014	2013
Employee benefit expenses		
Share-based payment programs to be settled in shares		0.3
Social security expense liability for share-based payments		0.0
Deferred taxes		0.0
TOTAL	0.3	

SHARE-BASED PAYMENT RECOGNITION IN THE BALANCE SHEET

EUR MILLION	2014	2013
Assets		
Deferred tax assets		0.0
Equity and liabilities		
Equity		0.0
Social security expense liability for share-based payments ¹⁾		0.0

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

30 EARNINGS PER SHARE

EUR MILLION	2014	2013
Net profit for the period attributable to the equity holders of the Company, EUR million	9.2	12.5
Weighted average number of shares, 1 000 shares	38 506	38 660
Diluted weighted average number of shares, 1 000 shares	38 506	38 660
Earnings per share, EUR	0.24	0.32
Diluted earnings per share, EUR	0.24	0.32

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

31 EVENTS AFTER THE BALANCE SHEET DATE

The Group has no knowledge of any significant events after the balance sheet date that would have a material impact on the financial statements for 2014. Material events after the balance sheet date have been discussed in the Review of the Board of Directors.

32 GROUP COMPANIES

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Nordic				
Normark Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Normark Sport Finland Oy	*	Finland	100	Sourcing
Normark Suomi Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	100	Manufacturing
Rapala Shimano East Europe Oy	2)	Finland	50	Administration
Rapala VMC Iceland ehf	*	Iceland	100	Distribution
Normark Norway AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Mora Ice AB		Sweden	100	Sourcing
Normark Scandinavia AB	*	Sweden	100	Distribution
Rest of Europe				
FLLC Normark	2)	Belarus	50	Distribution
Rapala Finance N.V.	*	Belgium	100	Administration
Normark S.r.o.	2)	Czech Republic	50	Distribution
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Mystic s.a.r.l.	1)	France	100	Manufacturing
Rapala France SAS	*	France	100	Distribution
VMC Pêche SA	*	France	100	Manufacturing
Normark Hungary Ltd	*	Hungary	66.6	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Normark UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Normark Polska Sp.z.o.o.	*	Poland	100	Distribution
Normark Portugal SA		Portugal	100	Distribution
SC Normark Sport Romania S.r.l.		Romania	66.6	Distribution
OOO Raptech	*	Russia	100	Manufacturing
ZAO Normark	2)	Russia	50	Distribution
Normark Spain SA	*	Spain	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
ACE Ltd.		UK	100	Administration
Dynamite Baits Ltd.	*	UK	100	Manufacturing
Normark Sport Ltd.		UK	100	Administration
VMC-Water Queen Ukraine	2)	Ukraine	50	Distribution
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing
VMC Inc.		USA	100	Distribution

1) Acquired in 2014

2) Controlled by the Rapala Group

* Shares owned by the parent company

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Rest of the World				
Rapala VMC Australia Pty Ltd	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Normark Chile Ltd		Chile	100	Distribution
Kentec Gift (Shenzhen) Ltd		China	100	Distribution
Rapala VMC China Co.	*	China	100	Distribution
Rapala VMC (ShenZhen) Ltd		China	100	Manufacturing
Rapala VMC (Hong Kong) Ltd	*	Hong Kong	100	Sourcing
Willtech (PRC) Ltd.		Hong Kong	100	Manufacturing
PT Rapala Indonesia	*	Indonesia	100	Distribution
PT Rapala VMC Batam		Indonesia	100	Manufacturing
PT VMC Fishing Tackle Indonesia		Indonesia	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Normark Kazakhstan LLP	2)	Kazakhstan	50	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC Mexico S. de R.L. de C.V		Mexico	100	Distribution
Rapala VMC South-Africa Distribu- tors Pty Ltd.	*	South Africa	70	Distribution
Rapala VMC Korea Co., Ltd	*	South Korea	100	Distribution
Rapala VMC Singapore Pte. Ltd.		Singapore	100	Administration
Rapala VMC (Thailand) Co., Ltd.	*	Thailand	100	Distribution

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

FOREIGN BRANCHES

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

1) Acquired in 2014

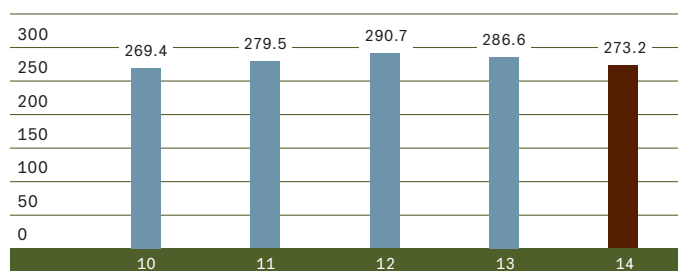
2) Controlled by the Rapala Group

* Shares owned by the parent company

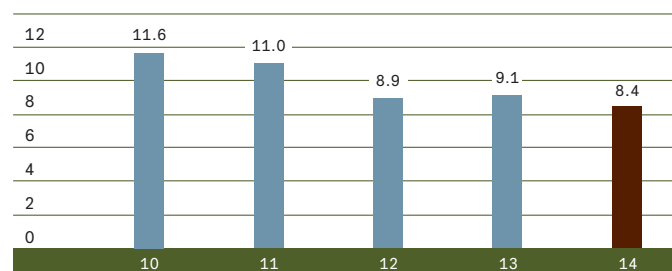
KEY FINANCIAL FIGURES

		2014	2013	2012	2011	2010
Scope of activity and profitability						
Net sales	EUR million	273.2	286.6	290.7	279.5	269.4
Operating profit before depreciation and impairments	EUR million	30.0	33.6	32.7	37.7	37.4
as a percentage of net sales	%	11.0	11.7	11.2	13.5	13.9
Operating profit	EUR million	22.9	26.1	25.9	30.7	31.3
as a percentage of net sales	%	8.4	9.1	8.9	11.0	11.6
Profit before taxes	EUR million	15.7	20.6	21.0	25.2	29.5
as a percentage of net sales	%	5.8	7.2	7.2	9.0	10.9
Net profit for the period	EUR million	10.2	16.1	14.0	17.2	20.7
as a percentage of net sales	%	3.7	5.6	4.8	6.2	7.7
Attributable to						
Equity holders of the Company	EUR million	9.2	12.5	10.1	14.0	18.0
Non-controlling interest	EUR million	1.0	3.6	3.8	3.2	2.8
Capital expenditure	EUR million	8.7	10.7	14.4	10.0	12.7
as a percentage of net sales	%	3.2	3.7	5.0	3.6	4.7
Research and development expenses	EUR million	2.0	1.6	2.0	2.1	2.1
as a percentage of net sales	%	0.7	0.6	0.7	0.7	0.8
Net interest-bearing debt at the end of the period	EUR million	99.9	96.3	89.9	91.1	89.9
Capital employed at the end of the period	EUR million	236.5	231.4	227.5	226.9	219.1
Return on capital employed (ROCE)	%	9.8	11.4	11.4	13.8	15.3
Return on equity (ROE)	%	7.5	11.8	10.2	13.0	17.2
Equity-to-assets ratio at the end of the period	%	44.1	44.5	42.2	43.2	42.6
Debt-to-equity ratio (gearing) at the end of the period	%	73.2	71.2	65.3	67.1	69.5
Average personnel for the period	Persons	2 714	2 428	2 127	2 208	2 317
Personnel at the end of the period	Persons	2 822	2 590	2 090	1 921	2 313

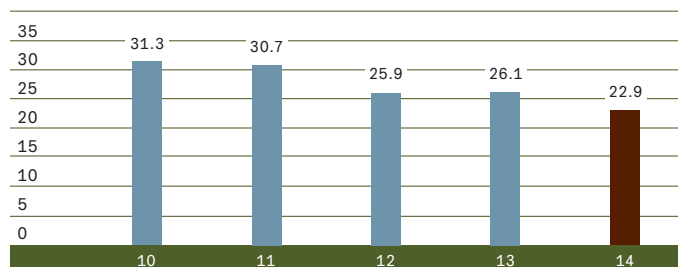
NET SALES, EUR MILLION



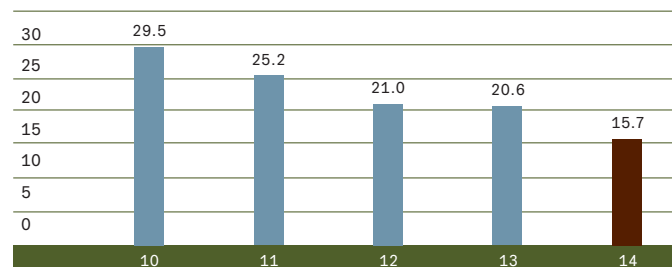
OPERATING PROFIT MARGIN, %



OPERATING PROFIT, EUR MILLION



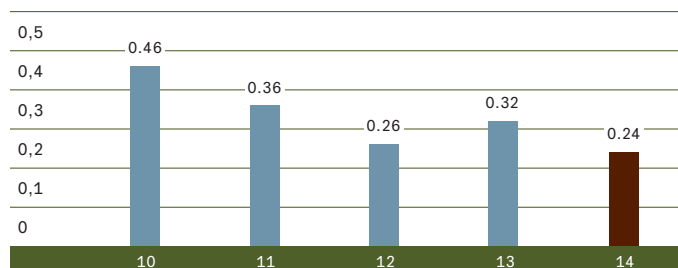
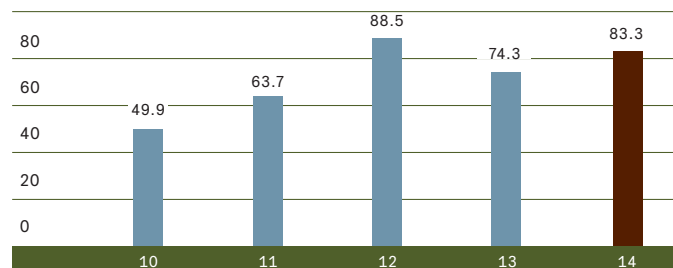
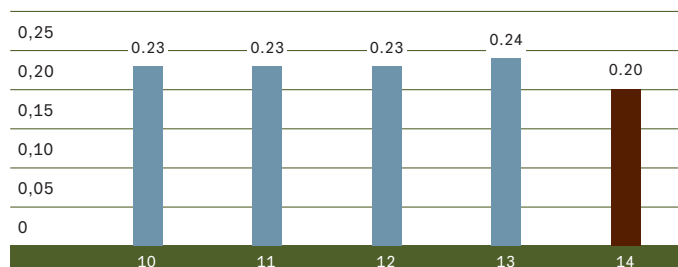
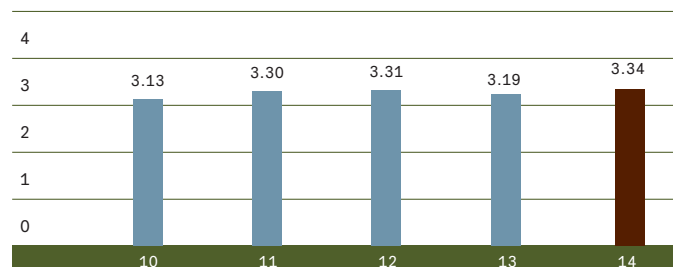
PROFIT BEFORE TAXES, EUR MILLION



		2014	2013	2012	2011	2010
Share related key figures						
Earnings per share	EUR	0.24	0.32	0.26	0.36	0.46
Fully diluted earnings per share	EUR	0.24	0.32	0.26	0.36	0.46
Equity per share	EUR	3.34	3.19	3.31	3.30	3.13
Dividend per share ¹⁾	EUR	0.20	0.24	0.23	0.23	0.23
Dividend/earnings ratio ¹⁾	%	83.3	74.3	88.5	63.7	49.9
Effective dividend yield ¹⁾	%	4.25	4.62	4.74	4.07	3.35
Price/earnings ratio		19.6	16.1	18.7	15.7	14.9
Share price at the end of the period	EUR	4.71	5.20	4.85	5.65	6.86
Lowest share price	EUR	4.69	4.56	4.52	4.86	4.80
Highest share price	EUR	6.00	5.50	6.50	7.38	6.86
Average share price	EUR	5.17	4.88	5.50	6.23	5.75
Number of shares traded	Shares	1 065 880	3 122 353	5 679 621	6 479 735	4 051 489
Number of shares traded of average number of shares	%	2.77	8.08	14.61	16.65	10.38
Share capital	EUR million	3.6	3.6	3.6	3.6	3.6
Dividend for the period ¹⁾	EUR million	7.7	9.3	8.9	8.9	9.0
Year end market capitalization ²⁾	EUR million	180.8	200.5	188.0	219.9	267.0
Number of shares at the end of the period excluding own shares ²⁾	1 000 shares	38 393	38 561	38 767	38 916	38 928
Number of own shares at the end of period	1 000 shares	607	907	701	552	540
Weighted average number of shares ²⁾	1 000 shares	38 506	38 660	38 885	38 928	39 038
Fully diluted number of shares at the end of the period ²⁾	1 000 shares	38 393	38 561	38 767	38 916	38 928
Fully diluted weighted average number of shares ²⁾	1 000 shares	38 506	38 660	38 885	38 928	39 038

1) Year 2014 board proposal.

2) Excluding own shares.

EARNINGS PER SHARE, EUR**DIVIDEND/EARNINGS RATIO, %****DIVIDEND PER SHARE, EUR****EQUITY PER SHARE, EUR**

DEFINITION OF KEY FIGURES

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

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT

EUR	2014	2013	NOTE
Net sales	32 985 612	31 840 744	2
Other operating income	27 838	47 505	3
Change in inventory of finished products and work in progress	-805 454	431 950	
Production for own use	80 551	69 247	
Materials and services	-12 426 657	-13 241 290	5
Employee benefit expenses	-8 725 266	-8 919 671	6
Other operating expenses	-1 015 050	-5 447 167	4
Operating profit before depreciation and impairments	10 121 573	4 781 317	
Depreciation and impairments	-1 163 661	-1 159 006	7
Operating profit	8 957 912	3 622 312	
Financial income and expenses	-8 695 911	683 283	8
Profit before extraordinary items	262 001	4 305 595	
Extraordinary items	900 000	1 000 000	9
Profit before appropriations and taxes	1 162 001	5 305 595	
Appropriations	-72 698	-107 051	10
Income taxes	801 258	1 263 239	11
NET PROFIT FOR THE PERIOD	1 890 562	6 461 782	

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	2014	2013	NOTE
Non-current assets			
Intangible assets	539 536	668 936	12
Tangible assets	6 663 740	6 379 806	13
Investments	180 234 386	179 961 865	14
Interest-bearing receivables	3 788 133	343 265	16
Non-interest-bearing receivables	2 391 091	1 397 118	16
Total non-current assets	193 616 886	188 750 989	
Current assets			
Inventories	6 532 531	7 105 504	15
Current financial assets			
Interest-bearing	26 325 910	18 276 726	16
Non-interest-bearing	12 202 817	13 304 023	16
Cash and cash equivalents	255 604	1 077 362	
Total current assets	45 316 862	39 763 614	
TOTAL ASSETS	238 933 748	228 514 603	

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	2014	2013	NOTE
Shareholders' equity			
Share capital	3 552 160	3 552 160	
Share premium fund	16 680 961	16 680 961	
Fair value reserve	-1 433 036	-1 694 767	
Fund for invested non-restricted equity	4 914 371	4 914 371	
Own shares	-5 220 639	-4 360 358	
Retained earnings	15 980 038	18 766 558	
Net income for the period	1 890 562	6 461 782	
Total shareholders' equity	36 364 417	44 320 707	
Appropriations	1 336 926	1 264 229	
Non-current liabilities			
Interest-bearing	73 637 901	40 837 227	
Non-interest-bearing	1 969 813	1 942 641	
Total non-current liabilities	75 607 714	42 779 868	17
Current liabilities			
Interest-bearing	97 258 774	108 803 672	
Non-interest-bearing	28 365 917	31 346 128	
Total current liabilities	125 624 690	140 149 800	17
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	238 933 748	228 514 603	

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR THOUSAND	2014	2013	NOTE
Net profit for the period	1 891	6 462	
Adjustments			
Income taxes	-801	-1 263	11
Financial income and expenses	8 696	-683	8
Reversal of non-cash items			
Depreciation and impairments	1 164	1 159	7
Other items	-4 618	-1 197	
Total adjustments	4 440	-1 984	
Financial items			
Interest paid	-3 081	-3 608	
Interest received	1 093	895	
Income taxes paid	1 933	1 464	
Dividends received	1	4 138	
Other financial items, net	-557	176	
Total financial items	-611	3 065	
Change in working capital			
Change in receivables	2 396	2 358	
Change in inventories	573	-362	
Change in liabilities	-3 813	1 129	
Total change in working capital	-844	3 125	
Net cash generated from operating activities	4 875	10 668	
Net cash used in investing activities			
Purchases of intangible assets	16		12
Proceeds from disposal of tangible assets	66	42	13
Purchases of tangible assets	-1 421	-1 335	13
Investments to subsidiaries and acquisitions of subsidiaries	-272	-18 468	14
Repayment of capital		8 237	14
Change in interest-bearing receivables	-10 525	3 591	
Total net cash used in investing activities	-12 136	-7 933	
Net cash generated from financing activities			
Dividends paid	-9 248	-8 902	
Purchase of own shares	-860	-1 005	
Loan withdrawals	196 895	143 935	
Loan repayments	-181 552	-144 738	
Group contributions received	1 000	1 900	
Total net cash generated from financing activities	6 235	-8 810	
Change in cash and cash equivalents	-1 026	-6 075	
Cash and cash equivalents at the beginning of the period	1 077	7 262	
Foreign exchange rate effect	205	-110	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	256	1 077	

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR	2014	2013
Share capital Jan. 1	3 552 160	3 552 160
SHARE CAPITAL DEC. 31	3 552 160	3 552 160
Share premium fund Jan. 1	16 680 961	16 680 961
SHARE PREMIUM FUND DEC. 31	16 680 961	16 680 961
Fair value reserve Jan. 1	-1 694 767	-2 991 473
Gains and losses on cash flow hedges	261 731	1 296 706
FAIR VALUE RESERVE DEC. 31	-1 433 036	-1 694 767
Fund for invested non-restricted equity Jan. 1	4 914 371	4 914 371
FUND FOR INVESTED NON- RESTRICTED EQUITY DEC. 31	4 914 371	4 914 371
Own shares Jan. 1	-4 360 358	-3 355 093
Purchase of own shares	-860 281	-1 005 266
OWN SHARES DEC. 31	-5 220 639	-4 360 358
Retained earnings Jan. 1	25 228 340	27 668 412
Dividends paid	-9 248 302	-8 901 854
Net income for the period	1 890 562	6 461 782
RETAINED EARNINGS DEC. 31	17 870 600	25 228 340
DISTRIBUTABLE EQUITY		
DISTRIBUTABLE FUNDS	2014	2013
Retained earnings	25 228 340	27 668 412
Dividends paid	-9 248 302	-8 901 854
Purchase of own shares	-5 220 639	-4 360 358
Gains and losses on cash flow hedges	-1 433 036	-1 694 767
Net income for the period	1 890 562	6 461 782
DISTRIBUTABLE EARNINGS	11 216 925	19 173 215
Other distributable equity		
Fund for invested non-restricted equity	4 914 371	4 914 371
TOTAL DISTRIBUTABLE EQUITY	16 131 296	24 087 586
PARENT COMPANY SHARE CAPITAL		
	2014	2013
Shares	39 000 000	39 468 449
EUR	3 552 160	3 552 160

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

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

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

Foreign currency transactions

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

Revenue recognition

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

Research and development costs

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

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

Inventories

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

Tangible and intangible assets

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

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

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

Pension arrangements

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

Valuation of financial derivatives

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

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

Own shares

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

Cash flow statement

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

2 NET SALES

EUR THOUSAND	2014	2013
By destination		
North America	17 382	16 402
Nordic	2 632	2 583
Rest of Europe	8 854	8 722
Rest of the World	4 118	4 134
TOTAL	32 986	31 841

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

3 OTHER OPERATING INCOME

EUR THOUSAND	2014	2013
Rental income	20	20
Other income	8	28
TOTAL	28	48

4 OTHER OPERATING EXPENSES

EUR THOUSAND	2014	2013
Maintenance	-1 362	-1 404
Selling and marketing expenses	-723	-625
Traveling expenses	-481	-595
IT and telecommunication	-354	-433
Rents paid	-275	-289
Auditors fees and services	-105	-111
Freight	-75	-89
Sales commissions	-87	-119
Losses on disposals of intangible and tangible assets	-21	
Other expenses	2 469	-1 781
TOTAL	-1 015	-5 447

AUDITORS' FEES AND SERVICES

EUR THOUSAND	2014	2013
Audit fees	-105	-110
Other fees		-1
TOTAL	-105	-111

5 MATERIALS AND SERVICES

EUR THOUSAND	2014	2013
Materials, goods and supplies		
Purchases during the financial year	-12 614	-13 085
Change in inventory	232	-70
External services	-45	-87
TOTAL	-12 427	-13 241

6 EMPLOYEE BENEFIT EXPENSES

EUR THOUSAND	2014	2013
Wages and salaries	-7 076	-7 269
Pension costs	-1 173	-1 159
Other personnel expenses	-476	-492
TOTAL	-8 725	-8 920
Average personnel for the period	158	166

The remuneration of the Board of Directors amounted to EUR 370 thousand (2013: EUR 370 thousand).

7 DEPRECIATION AND IMPAIRMENTS

EUR THOUSAND	2014	2013
Depreciation of intangible assets		
Trademarks	-92	-92
Other intangible assets	-53	-57
Depreciation of tangible assets		
Buildings	-135	-143
Machinery and equipment	-801	-867
Other tangible assets	-82	
TOTAL	-1 164	-1 159

8 FINANCIAL INCOME AND EXPENSES

EUR THOUSAND	2014	2013
Dividend income from subsidiaries		4 137
Dividend income from third parties	1	1
Foreign exchange gains	4 864	4 208
Foreign exchange losses	-13 093	-3 136
Impairment losses		
Investments in Group companies		-1 525
Interest and other financial income		
Interest income	877	801
Other financial income	2 833	202
Interest and other financial expenses		
Interest expense	-3 032	-3 558
Other financial expenses	-1 147	-447
TOTAL	-8 696	683

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR THOUSAND	2014	2013
Dividend income from subsidiaries		4 137
Interest and other financial income		
Interest income	873	796
Other financial income	205	202
Interest and other financial expenses		
Interest expense	-271	-277
TOTAL	807	4 859

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR THOUSAND	2014	2013
Translation differences recognized in net sales	814	-14
Translation differences included in purchases and other expenses	12	-106
Foreign exchange gains and losses in financial income and expenses	-8 229	1 072
TOTAL	-7 402	951

9 EXTRAORDINARY ITEMS

EUR THOUSAND	2014	2013
Group contributions received	900	1 000
TOTAL	900	1 000

10 APPROPRIATIONS

EUR THOUSAND	2014	2013
Change in depreciation difference		
Intangible assets	21	3
Buildings	39	48
Machinery and equipment	-133	-158
TOTAL	-73	-107

11 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR THOUSAND	2014	2013
Income taxes		
Income taxes on extraordinary items	-180	-245
Income taxes on operating activities	-46	-380
Taxes from previous financial years	1 027	1 888
TOTAL	801	1 263

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

12 INTANGIBLE ASSETS

2014

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	924	1 765	2 689
Disposals		16	16
ACQUISITION COST DEC. 31	924	1 780	2 704
Accumulated amortization Jan. 1	-378	-1 642	-2 020
Amortization during the period	-92	-53	-145
ACCUMULATED AMORTIZATION DEC. 31	-470	-1 695	-2 165
Book value Jan. 1	546	122	669
Book value Dec. 31	454	85	539

2013

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	924	2 065	2 989
Disposals		-300	-300
ACQUISITION COST DEC. 31	924	1 765	2 689
Accumulated amortization Jan. 1	-286	-1 886	-2 172
Disposals		300	300
Amortization during the period	-92	-57	-149
ACCUMULATED AMORTIZATION DEC. 31	-378	-1 642	-2 020
Book value Jan. 1	639	179	818
Book value Dec. 31	546	122	669

13 TANGIBLE ASSETS

2014

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	106	4 532	16 561	1 316	411	22 925
Additions		6	91		1 285	1 382
Disposals				-65	-24	-88
Reclassifications		108	471	252	-823	8
ACQUISITION COST DEC. 31	106	4 646	17 123	1 504	849	24 227
Accumulated depreciation Jan. 1		-3 706	-12 048	-791		-16 545
Depreciation during the period		-135	-801	-82		-1 018
ACCUMULATED DEPRECIATION DEC. 31		-3 841	-12 849	-873		-17 563
Book value Jan. 1	106	826	4 513	525	411	6 380
Book value Dec. 31	106	805	4 273	630	849	6 664

2013

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	106	4 272	17 505	44	393	22 319
Additions			80	83	1 246	1 409
Disposals			-765		-38	-803
Reclassifications		260	-259	1 189	-1 190	
ACQUISITION COST DEC. 31	106	4 532	16 561	1 316	411	22 925
Accumulated depreciation Jan. 1		-3 563	-12 655			-16 218
Disposals			682			682
Reclassifications			708	-708		
Depreciation during the period		-143	-783	-83		-1 009
ACCUMULATED DEPRECIATION DEC. 31		-3 706	-12 048	-791		-16 545
Book value Jan. 1	106	709	4 850	44	393	6 101
Book value Dec. 31	106	826	4 513	525	411	6 380

14 INVESTMENTS

2014

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	178 116	1 612	234	179 962
Additions	273			273
BOOK VALUE DEC. 31	178 388	1 612	234	180 234

2013

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	169 410	1 612	234	171 256
Additions	18 468			18 468
Repayment of capital	-8 237			-8 237
Impairment losses	-1 525			-1 525
BOOK VALUE DEC. 31	178 116	1 612	234	179 962

15 INVENTORIES

EUR THOUSAND	2014	2013
Raw material	2 252	2 020
Work in progress	3 147	3 384
Finished products	1 133	1 702
TOTAL	6 533	7 106

16 RECEIVABLES

EUR THOUSAND	2014	2013
Non-current receivables		
Interest-bearing		
Loan receivables	2 627	343
Derivatives	1 162	
Non-interest-bearing		
Derivatives	727	
Other receivables	1 664	1 397
Current receivables		
Interest-bearing		
Loan receivables	26 326	18 277
Non-interest-bearing		
Trade receivables	6 295	8 930
Prepaid expenses and accrued income	798	1 829
Other receivables	1 603	1 725
Derivatives	3 507	821
TOTAL	44 708	33 321

RECEIVABLES FROM SUBSIDIARIES

EUR THOUSAND	2014	2013
Non-current receivables		
Interest-bearing		
Loan receivables	2 627	343
Non-interest-bearing		
Other receivables	1 664	1 397
Current receivables		
Interest-bearing		
Loan receivables	26 326	18 277
Non-interest-bearing		
Trade receivables	6 180	8 764
Prepaid expenses and accrued income	24	12
Other receivables	1 603	1 725
Derivatives		2
TOTAL	38 424	30 520

17 LIABILITIES

EUR THOUSAND	2014	2013
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	72 688	39 635
Derivatives		252
Other non-current liabilities	950	950
Non-interest-bearing		
Other liabilities	97	91
Derivatives	1 873	1 852
Current liabilities		
Interest-bearing		
Loans from financial institutions	21 805	28 429
Commercial paper program	21 000	47 500
Pension loans		125
Other current liabilities	54 453	32 749
Non-interest-bearing		
Derivatives	1 288	743
Advances received	6	6
Trade payables	24 228	27 832
Accrued liabilities and deferred income	2 844	2 765
TOTAL	201 232	182 930

LIABILITIES TO SUBSIDIARIES

EUR THOUSAND	2014	2013
Non-current liabilities		
Interest-bearing		
Other non-current liabilities	950	950
Current liabilities		
Interest-bearing		
Other non-current liabilities	54 453	32 749
Non-interest-bearing		
Trade payables	23 232	23 286
Accrued liabilities and deferred income	3	23
TOTAL	78 639	57 009

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

18 LEASE CONTRACTS

PARENT COMPANY AS A LESSEE

Repayment Schedule of Non-Cancellable Operating Lease Commitments

EUR THOUSAND	2014	2013
Within one year	380	223
1-3 years	1055	902
3-5 years	231	277
TOTAL	1666	1402

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR THOUSAND	2014	2013
On own behalf and on behalf of subsidiaries		
Guarantees	6 517	7 623
TOTAL	6 517	7 623

Guarantees consist of subsidiaries' lease agreements and of other guarantees given on behalf of subsidiaries. The company's loan facilities are unsecured and include normal financial covenants.

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

20 DERIVATIVES

EUR THOUSAND	2014	2013
Currency derivatives with bank		
Fair value	3 029	9
Nominal value	74 650	75 005
Currency derivatives with subsidiaries		
Fair value	-85	2
Nominal value	659	645
Interest rate derivatives		
Fair value	-711	-2 037
Nominal value	101 436	69 521

In 2014, currency derivatives had an income statement effect of EUR 2 936 thousand (2013: EUR 279 thousand) and interest rate derivatives 1 064 thousand (2013: EUR -364 thousand). Hedge accounting is applied for some of the interest rate derivatives, and the change in fair value of interest rate derivative under hedge accounting has been directly booked to fair value reserve in equity.

RISK MANAGEMENT

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

APPROACH TO RISK MANAGEMENT

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

The importance of risk management has increased as the Group has continued to expand its operations. Risk management continued to receive management attention in 2014. The focus of Group level risk management in 2014 was on foreign exchange risk management as well as risk management activities on liquidity, interest rate and hazard risks. Other emphasized areas were Group wide insurance programs and strategic supply chain management.

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

STRATEGIC RISKS

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

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

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

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

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

The Rapala Group has a limited amount of global competitors. The biggest competitors have significant power in their home

markets, but globally the geographical scope of their operations is smaller. The Group's global distribution network is unique in the industry and difficult to imitate. Within each market, the Group's competitors are often local fishing tackle producers and distributors operating with a limited range of products and narrow geographical scope.

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

The Group's production is spread out in several countries. Some of these countries have higher political risks but simultaneously provide access to competitive labor cost. The Group monitors the country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs. The establishment of the world's biggest lure factory in Batam, Indonesia, will secure moderate production costs for the Group in the future.

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

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

The Group's customer base is geographically and quantitatively well diversified. Customers are mostly country-specific and not operating globally. The Group is not critically dependent on any single customer: even the biggest single customer represents around 4 % of the Group's net sales. The Group is not largely engaged in direct consumer retailing. This is not considered to be a risk as consumer demand is largely driven by brand consciousness and alternative routes to market can be established when needed.

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

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

OPERATIONAL AND HAZARD RISKS

The fishing tackle business has traditionally been relatively resilient to increased uncertainties and downturns in the general economic climate. The truly global nature of the Group's sales and operations spreads the market risks caused by uncertainties in the global economy.

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

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

There is a high level of dependency between the Group's manufacturing and distribution units and interruption at earlier stage of the supply chain could have knock-on effects throughout the rest of the Group. The importance of proper order forecasting and production planning has increased. The related risks are managed with high level of co-operation between manufacturing and distribution units, safety stocks and extensive insurance coverage. The Group-wide supply chain and logistics initiatives continued in 2014 and mitigated these risks relating to operational efficiencies.

The Group's sales prices are primarily fixed annually or bi-annually, normally before each season. Sudden changes in raw material prices or foreign exchange rates may have significant impact on costs of some products. The Group aims to push increases in costs to the sales prices immediately or during a period of time. The Group's market risks and mitigation actions are analyzed in more detail in the section "Financial Risks" and in note 22 to the consolidated financial statements.

In respect of manufacturing activities, the Group is not critically dependent on any single external production factor supplier. Availability of competent production labor is essential and the Group aims to maintain good employer reputation and labor relations.

There are significant dependencies between the Group's manufacturing units, which could cause supply challenges e.g. in case of fire or other hazard. Such hazard could lead to property damages but also to business interruption losses throughout the supply chain. Therefore, the Group emphasizes hazard

risk management. The Group has together with its insurance company continued to conduct annually several hazard prevention reviews to Group's key factories and distribution warehouses. Group management has also continued to build risk awareness throughout the organization.

The Group constantly develops the global insurance programs, which cover most of the Group companies. Global insurance policies, which take into account the Group's interdependency, are in place for property damage and business interruption, transportation as well as general and product liabilities. The Group has increased its focus on mitigating fraud risk by widening the utilization of Group monitored cash pools and increased attention on internal controls.

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

FINANCIAL RISKS

The Group's financial risks consist of market risks, credit and default risks and liquidity risks. The Board evaluates financial risks several times during the year and Group management monitors and manages them continuously. Financial risks are discussed in detail, as required by IFRS 7, in note 22 of the consolidated financial statements.

SHARES AND SHAREHOLDERS

Rapala VMC Corporation's shares have been traded on the Nasdaq Helsinki since 1998. In 2014, the shares traded between EUR 4.69 and 6.00 with an average price of EUR 5.17.

Shares and Voting Rights

On December 31, 2014, the share capital fully paid and reported in the Trade Register was EUR 3 552 160.41 and the total number of shares was 39 000 000. Each share is entitled to one vote.

In the beginning of the financial year, the total number of shares was 39 468 449. On April 10, 2014 the Board decided to cancel 468 449 treasury shares. The cancellation did not have an effect on the share capital. The cancellation was registered with the Trade Register on April 28, 2014. After the cancellation, the number of Rapala VMC Corporation's shares is 39 000 000. The average number of shares during the financial year was 39 151 030.

Board's Authorizations

The issuance of New Shares, Transfer of the Company's Own Shares and the Issuance of Options and Special Rights

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

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

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

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

Share Repurchases

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

or other arrangements, to settle the company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki Oy at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki Oy and applicable rules regarding the payment period and other terms of the payment. The authorization is in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2015.

Own Shares

In accordance with the authorization granted by the AGM, a total of 167 948 shares were repurchased in 2014 at the average price of EUR 5.12. At the end of December 2014, the company held 606 807 own shares, representing 1.6% of the total number and the total voting rights of shares. The average share price of all repurchased own shares held by the company was EUR 4.85.

On April 10, 2014 Rapala VMC Corporation's Board of Directors has decided to cancel 468 449 treasury shares. Cancellation was registered on April 28, 2014.

Shareholder Register

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

Share-Based Incentive Plans

In 2014, no new share-based incentive plans were granted and there are no plans in place.

Management Shareholding

On December 31, 2014, the members of the Board and the Executive Committee held directly a total of 3 000 company shares and corresponding to 0.0% of all shares and voting rights. Details of management shareholdings are given on page 61.

Trading and Performance of the Company's Shares

The company share (RAP1V) is quoted on the Nasdaq Helsinki. The 2014 closing price on December 31 was EUR 4.71. The highest price in 2014 was EUR 6.00, the lowest price EUR 4.69 and the average price EUR 5.17. A total 1 065 880 company's shares were traded in 2014. This represents 2.7% of all shares on December 31, 2014.

At the end of 2014, the market capitalization of all outstanding shares, excluding own shares, was EUR 180.8 million. Earnings per share (basic) were EUR 0.24 (EUR 0.32 in 2013). For more share related key figures see page 47.

Dividend

The Board proposes to the AGM that a dividend of EUR 0.20 per share will be paid for the financial year 2014.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2014

SHAREHOLDERS	NUMBER OF SHARES	%
Viellard Migeon & Cie*	13 219 038	33.9
Sofina S.A.	7 500 000	19.2
Nordea Funds	4 232 999	10.9
Odin funds	1 353 987	3.5
The State Pension Fund	1 290 000	3.3
Shimano Singapore Private Limited	889 680	2.3
Evli Funds	485 000	1.2
Tapiola Funds	445 000	1.1
Ilmarinen pension insurance company	408 899	1.0
Taalariitehdas Micro Markka Equity	280 000	0.7
Rapala VMC Oyj (own shares)	606 807	1.6
Administrative registrations	5 449 526	14.0
Other shareholders total	2 839 064	7.3
TOTAL NUMBER OF SHARES	39 000 000	100.0

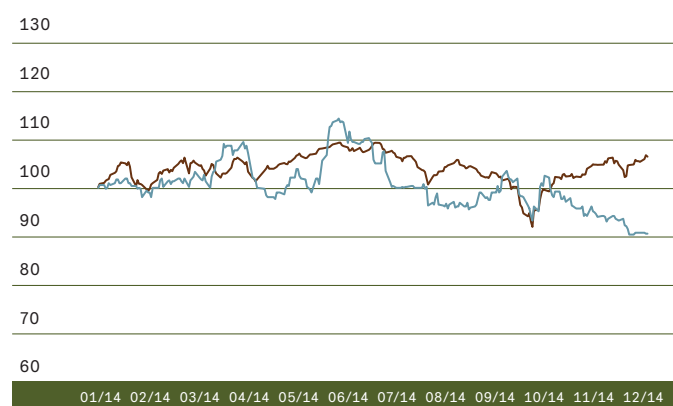
* Viellard Migeon & Cie's holds together with its subsidiary De Pruines Industries 13 324 348 shares, representing 34.2% of total number and the total voting rights of shares.

SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2014

SHAREHOLDER CATEGORY	NUMBER OF SHARES	%
Private and public corporations	1 252 194	3.2
Financial and insurance companies	5 330 299	13.7
Public institutions	1 853 899	4.8
Non-profit organizations	61 595	0.2
Individuals	1 654 015	4.2
International shareholders	23 398 472	60.0
Administrative registrations	5 449 526	14.0
TOTAL	39 000 000	100.0

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2014

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	TOTAL SHARES	%
1 - 100	924	32.0	61 582	0.2
101 - 500	1 241	43.0	344 914	0.9
501 - 1 000	391	13.5	321 698	0.8
1 001 - 10 000	280	9.7	779 291	2.0
10 001 - 1 000 000	45	1.6	5 574 764	14.3
1 000 001 -	8	0.3	31 917 751	81.8
TOTAL	2 889	100	39 000 000	100.0

SHARE PRICE DEVELOPMENT IN 2010-2014, EUR**SHARE PRICE IN 2014, %**

■ Rapala VMC Corporation
■ OMX Nordic Mid Cap

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

EMMANUEL VIELLARD

Chairman

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

JORMA KASSLIN

President and Chief Executive Officer

Board member since 1998
 M.Sc. (Eng.)
 Year of birth: 1953
 Shareholding and options*: -

EERO MAKKONEN

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

JAN-HENRIK SCHAUMAN

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

CHRISTOPHE VIELLARD

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

MARC SPEECKAERT

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

JULIA AUBERTIN

Board member since April 10, 2014
 Deputy Managing Director, Good Goût Babyfood
 M.Sc. (EDHEC)
 Year of birth 1979
 Shareholding and options*: -

EXECUTIVE COMMITTEE

JORMA KASSLIN

President and Chief Executive Officer (CEO)

Executive Committee member since 1998
 See information in section "Board of Directors"

JUSSI RISTIMÄKI

Chief Financial Officer (CFO)

Executive Committee member since 2010
 Shareholding and options*: -

OLLI AHO

Company Counsel, Secretary of the Board and Investor Relations

Executive Committee member since 1998
 Shareholding and options*: -

JUHANI PEHKONEN

Head of Lure Business

Executive Committee member since 1998
 Shareholding and options*: -

STANISLAS DE CASTELNAU

Head of the Fishing Hook Business and Distribution in France

Executive Committee member since 2002
 Shareholding and options*: -

TOM MACKIN

Head of Distribution in the US

Executive Committee member since 2007
 Shareholding*: 3 000
 Options*: -

LARS OLLBERG

Head of Fishing Line and Accessory Business, Head of Distribution in China and Korea

Executive Committee member since 2008
 Shareholding and options*: -

VICTOR SKVORTSOV

Head of Distribution in Russia, Belarus and Kazakhstan

Executive Committee member since 2013.
 Shareholding and options*:-

* Shareholdings and options on December 31, 2014.

CONTACTS

RAPALA VMC CORPORATION

Mäkelänkatu 91
FI-00610 HELSINKI
FINLAND

JUSSI RISTIMÄKI

Chief Financial Officer

Tel: +358 9 7562 5435
E-mail: jussi.ristimaki@rapala.fi

OLLI AHO

Company Counsel and Investor Relations

Tel: +358 9 7562 540
E-mail: olli.aho@rapala.fi

www.rapalavmc.com