FINANCIAL STATEMENTS **2022**

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REPORT OF THE BOARD OF DIRECTORS

MARKET ENVIRONMENT

In 2022, trading conditions deteriorated from the comparison period due to the war in Ukraine, cold and late spring in the Northern hemisphere and due to the sharp post-covid market normalization. Consumer spending shifted from outdoor activities to the services sector, which impacted demand at retail level. This together with overstocking, due to long lead times in the beginning of the year, resulted in widespread destocking both at the distributor and retailer level. Additionally, high inflation and high gas prices impacted consumer discretionary spending in the Group's key markets.

KEY FIGURES

EUR million	**2022**	2021	2020
Net sales	**274.4**	294.3	261.3
Operating profit before depreciation and impairments (EBITDA)	**23.6**	42.0	26.2
Operating profit	**12.3**	32.1	10.7
as a percentage of net sales, %	**4.5**	10.9	4.1
Comparable operating profit	**15.3**	32.7	21.5
as a percentage of net sales, %	**5.6**	11.1	8.2
Profit before taxes	**8.8**	28.0	6.6
Net profit/(loss) for the period	**3.7**	19.8	3.4
Earnings per share	**0.10**	0.45	0.04
Employee benefit expenses	**71.5**	71.6	69.4
Average number of personnel, persons	**1 704**	1 792	2 105
Research and development expenses	**1.3**	1.2	1.1
as a percentage of net sales, %	**0.5**	0.4	0.4
Net cash generated from operating activities	**-12.9**	24.4	42.5
Total net cash used in investing activities	**10.7**	22.7	3.8
Net interest-bearing debt at the end of the period	**107.1**	70.6	45.2
Equity-to-assets ratio at the end of the period, %	**41.2**	44.2	52.5
Debt-to-equity ratio (gearing) at the end of the period, %	**77.0**	50.7	31.6
Return on equity, %	**2.7**	14.0	2.3

BUSINESS REVIEW

The Group's net sales for the year were 7% below the exceptional comparison period with reported translation exchange rates. Changes in translation exchange rates had a strong positive impact on the sales and with comparable translation exchange rates, net sales were organically down by 13% from the comparison period.

The implementation of the ONE RAPALA VMC strategy progressed throughout the year. Despite the sharp market normalization, Group Product sales landed above the pre-covid 2019 level. Strong start of the Okuma rods and reels business supported the sales in the tough market environment.

Ice fishing and winter sports season 21/22 was not yet impacted by the deteriorating macroeconomic condition and sell-through was good. Retail stocks remained at a healthy level in these categories, which converted into a strong order book for ice season 22/23.

North America

Sales in North America decreased by 2% from the comparison period with reported translation exchange rates and decreased by 12% with comparable translation exchange rates. Third Party sales included a significant portion of 13 Fishing products sold to DQC International (13 Fishing USA), which are classified as Third Party products as the Group holds a 49% share in the associated company. Excluding this, sales were down 4% with reported translation exchange rates, and down 14% with comparable translation exchange rates.

The decrease in sales was caused by the cold and delayed spring and sharp post-covid market normalization. Retailer destocking amplified the negative impact on sales. Furthermore, high inflation and high gas prices affected purchasing decisions both at retail level and amongst consumers. Destocking trend did not impact the ice fishing category as the inventory pipeline was healthy after good sell-through in the previous season. This category is predominantly based on pre-sales and the Group's strong market share in the ice fishing segment converted to a record-high deliveries towards the end of the year.

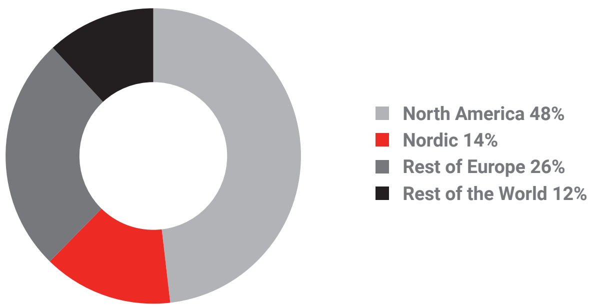
Nordic

Sales in the Nordic market decreased by 15% from the comparison period. With comparable translation exchange rates sales were down by 14%.

Strategic focus on Group Products and the successful launch of Okuma rods and reels business helped to maintain sales of continuing business above last year's level despite the delayed spring. Retailer destocking and consumer cautiousness began to hurt the sales during the latter part of the year. The third consecutive good winter season and strong pre-orders kept winter business sales on a high level. Sales of Third Party products decreased in line with the Group strategy.

EXTERNAL NET SALES BY AREA

EUR million	**2022**	2021	Change %	Comparable change %
North America	**132.2**	134.8	-2%	-12%
Nordic	**38.9**	45.5	-15%	-14%
Rest of Europe	**70.6**	80.6	-12%	-15%
Rest of the World	**32.7**	33.4	-2%	-5%
Total	**274.4**	**294.3**	**-7%**	**-13%**



Rest of Europe

Sales in the Rest of Europe market decreased by 12% from the comparison period. With comparable translation exchange rates sales were down by 15% from the previous year.

The war in Ukraine, delayed spring, and termination of certain Third Party distributions had a negative impact on sales on both halves of the year. Load-in orders in the beginning of the summer fishing season were lower than expected, and further retailer destocking on the second half of the year impacted the sales. Group Product sales were still above the comparison period thanks to the successful launch of the Okuma rods and reels business.

Rest of the World

With reported translation exchange rates, sales in the Rest of the World market decreased by 2% from the comparison period. With comparable translation exchange rates, sales decreased by 5% compared to the previous year.

Sales of Group Products remained solid throughout the year but started to slow down towards the end of the year and landed close to last year's level. Decrease in sales follows the exit of certain Third Party distribution agreements.

FINANCIAL RESULTS AND PROFITABILITY

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit decreased by 17.4 MEUR from the comparison period. Reported operating profit decreased by 19.8 MEUR from the previous year and the items affecting comparability had a negative impact of 3.0 MEUR (0.6) on reported operating profit.

Comparable operating profit margin was 5.6% (11.1) for the year. The decreased profitability compared to the previous year was driven by lower sales in the sharply normalizing open water fishing market. High inflation and freight costs put pressure on margin but the impact was mostly offset by timely price increases in all markets. Operating expenses were scrutinized throughout the year to offset the impact of decreasing sales on profitability.

Reported operating profit margin was 4.5% (10.9) for the year. Reported operating profit included impact of mark-to-market valuation of operative currency derivatives of 0.2 MEUR (-0.2). Net expenses of other items affecting comparability included in the reported operating profit were -3.2 MEUR (-0.4). These included restructuring related write-downs and impairment of the Russian production set-up, as well as expenses related to streamlining of the management structure worldwide.

Total financial (net) expenses were 3.5 MEUR (4.1) for the year. Net interest and other financing expenses were 3.6 MEUR (2.3) and (net) foreign exchange expenses were 0.0 MEUR (1.8).

Net profit for the year decreased by 16.1 MEUR and was 3.7 MEUR (19.8) and earnings per share was 0.10 EUR (0.45). In 2021 the share of non-controlling interest in net profit was 1.5 MEUR.

BRIDGE CALCULATION OF COMPARABLE OPERATING PROFIT

EUR million	2022	2021	Change %
Operating profit	**12.3**	32.1	-62%
Items affecting comparability			
Mark-to-market valuations of operative currency derivatives	**-0.2**	0.2	
Other items affecting comparability			
Russia restructuring	**0.6**		
Organizational restructurings	**2.3**		
Other restructurings	**0.2**	0.4	
Comparable operating profit	**15.3**	**32.7**	**-53%**

SEGMENT REVIEW

Group Products

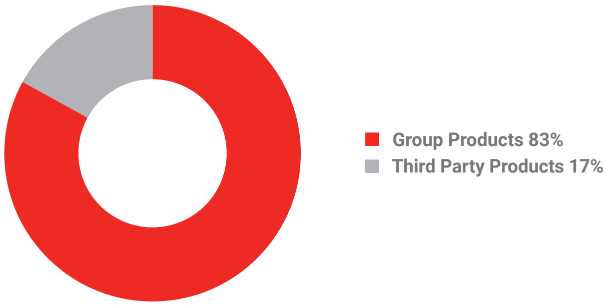
With comparable translation exchange rates, Group Products sales decreased by 15.2 MEUR from the comparison period. Sales decrease was a result of the impact caused by the war in Ukraine, cold and late spring in the Northern hemisphere as well as the sharp post-covid market normalization. In the second half of the year, sales were further burdened by retailer destocking, high inflation, and consumer cautiousness. The drop in sales was seen in most open water fishing product categories. Strong order books in both the ice and ski businesses materialized in high deliveries in the second half of the year, which kept sales of these categories on a high level. Successful launch of Okuma rods and reels business had a positive impact on sales.

Third Party Products

With comparable translation exchange rates, Third Party Products sales were 24.1 MEUR below the comparison period. As expected, the termination of certain Third Party distribution agreements had negative impacts on sales, particularly on the Nordic, Rest of Europe and Rest of the World markets.

NET SALES BY OPERATING SEGMENT

EUR million	2022	2021	Change %	Comparable change %
Group Products	**228.4**	227.7	+0%	-6%
Third Party Products	**46.0**	66.6	-31%	-34%
Total	**274.4**	294.3	-7%	-13%



COMPARABLE OPERATING PROFIT BY OPERATING SEGMENT

EUR million	2022	2021	Change %
Group Products	**15.0**	29.5	-49%
Third Party Products	**0.3**	3.2	-91%
Total comparable operating profit	**15.3**	**32.7**	**-53%**
Items affecting comparability	**-3.0**	-0.6	410%
Total operating profit	**12.3**	**32.1**	**-62%**

FINANCIAL POSITION

Cash flow from operations was -12.9 MEUR (24.4) driven by the decreased profitability and negative impact from the net change in working capital. Compared to the previous year, the net change of working capital decreased by 25.8 MEUR and was -28.7 MEUR (-2.9) in total.

End of the year inventory in 2022 was 99.9 MEUR (86.2). The change in obsolescence allowance decreased inventory value by 1.3 MEUR, and changes in translation exchange rates decreased inventory value by 1.9 MEUR. Inventory landed on a higher level due to the supply chain disruption in the first half of the year, and due to sharp market reset and wide destocking at the retail level. Strong inventory clearance activities were successfully executed in the second half of the year, which brought the inventory down by 17.8 MEUR from June to December.

Net cash used in investing activities decreased from the comparison period amounting to 10.7 MEUR (22.7). Capital expenditure was 11.5 MEUR (14.0) and disposals 0.8 MEUR (1.6). Elevated capital expenditure includes costs related to the production transfers from Russia and from Finland to the Rapala VMC campus in Pärnu, Estonia. Comparison year capital expenditure includes the acquisition of Okuma brand and distribution in Europe and net cash used in investing activities the acquisition of East European distribution non-controlling interest shares.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 20.8 MEUR at the end of the year. Gearing ratio increased and equity-to-assets ratio decreased from last year. The Group has agreed with its lenders to temporarily change financial covenants used in its loan agreements for the periods from Q3/2022 to Q1/2023. The new financial covenants include limits on the amount of available liquidity, net debt to EBITDA and gearing ratio. The Group is currently compliant with all financial covenants and expects to comply with future bank requirements as well. The Group's cash position remains good, and cash and cash equivalents amounted to 29.0 MEUR at December 31, 2022.

KEY FIGURES

EUR million	2022	2021	Change %
Net cash generated from operating activities	**-12.9**	24.4	-153%
Net interest-bearing debt at the end of the period	**107.1**	70.6	52%
Debt-to-equity ratio (gearing) at the end of the period, %	**77.0**	50.7	
Equity-to-assets ratio at the end of the period, %	**41.2**	44.2	

STRATEGY IMPLEMENTATION

The strategic target of the Group is to become a united Group Brand and innovation driven sport fishing powerhouse. Current strategic actions aim to utilize the full potential of the Group in the future. The core of the Group's strategy is based on six key building blocks that are all interconnected and shared around the Group in all business units. Future strategies are built upon utilizing and capitalizing the brand portfolio, manufacturing and sourcing platform, research and development knowledge, as well as the broad sales network and strong local presence around the world. The overall strategy execution progressed well during 2022 as several elements of the ONE RAPALA VMC strategy are synergistic between each other.

TEAM & CULTURE - The first strategic building block is associated with the foundation that all business units and functions strive for togetherness as a one strong winning entity. This enables the entire Group culture to become more united, collaborative, dynamic and growth oriented. New managerial changes were carried out during the year to underline that the Group continuously positions team and culture to the forefront of its strategy. With fewer management layers and agile leadership structure, the Group is well positioned in the normalized market conditions to continue strong strategy implementation.

SUSTAINABILITY - We fight together to ensure that future generations get to enjoy fishing and the great outdoors. The aim is to become the leading company in the fishing tackle industry behind concrete sustainability actions from everyone in our team to ensure that we make a real and long-lasting difference. The Group's sustainability initiatives have steadily progressed across all key product categories. As an example, the first-ever plastic-free packaging for Rapala hard bait was introduced in 2022.

CONSUMER - Focus on end-users is a critical part of the strategy. The aim is to lead the market and bring newest trends to the fishing industry by offering innovative and exciting products. The Group continues to put emphasis on improving its e-commerce to provide the best possible customer experience for the continuously growing digitally aware consumer base. During the second half of the year, the new e-commerce platform was successfully launched in Canada with USA planned to be launched in Q1/2023. The new e-commerce platform underlines the Group's ambition to become more directly connected with consumers. During the second half of 2022 the Group also continued to harmonize its product portfolio, SKU's and brands with the main target to have long-term focus on Group branded products and categories.

CUSTOMER - Relationships with key customers and winning position in local markets are emphasized with deep customer and market know-how as well as continuously investing in all sales channels. The Group has invested in premium customer service and having even stronger, fixed foothold on ground in key markets. During the second half of the year the Group continued to deliver strong result with the first full year Okuma sales in Europe.

PD & INNOVATION - R&D and PD&I functions are becoming even stronger competitive advantages for the entire Group at the same time as fishermen around the world demand new innovations to catch more fish. In order to address consumer and customer needs on a global scale, the Group has continued to restructure its PD&I department and made new hires. The new PD&I team is ready to collaborate across other departments and functions to ensure extensive regional product relevance and long-term product planning.

OPERATIONS & FINANCE - The Group continues to invest in its operations to make a step-change in operational excellence, to improve working capital efficiency and profitability. Building an integrated business planning model with global S&OP process is developing and will strengthen capital efficiency and improve availability of key items. During the second half of the year the Group completed its Northern European logistics consolidation to the distribution centre in Estonia with all planned markets being implemented by November 2022. Furthermore, lure production capacity was transferred to Estonia as the Group was driving down its Russian production facility. The Group also continued the downscale its Russian distribution operations and successfully closed local operations in Belarus during the second half of the year.

PRODUCT DEVELOPMENT

A continued emphasis has been placed on strengthening our Category Management structure. This focus continues into 2023 with the hiring of a new Category Director for Fishing lures global, a new Director of Product Development for North America and new Category Director for 13 Fishing International. These dynamic additions to the team bring a tremendous amount of retail, sales and product development expertise to the Group.

From a new products perspective there have been several launches. Rapala has introduced a number of exciting new products but one of the standouts by far is the Rap-V Bladed Jig, which combines elements from multiple types of lures. Other notable lure introductions include additions in the premium level "PXR" Family, as well as launches in the new X-Light Series, OTT's Garage Tiny and two new Elite series lures. New to the Rapala Accessory range were Rapala tackle box, which has driven a lot of excitement among anglers, and a line of premium polarized sunglasses. In rod and reel category there were several Rapala, Okuma and 13 Fishing introductions. In line category, the new Sufix 91 Braid maximizes on the popular G-Core construction, providing both super slippery coating and low elasticity, and allowing for superior casting distance with a strong sink ratio.

We continue to maintain a strong focus on sustainability with a strong emphasis on producing "lead-free" Rapala Wobblers. The important and exciting transition will take place through the calendar year 2023 as new production rolls out the lead-free wobblers one-by-one.

SUSTAINABILITY

The Group's year in sustainability was successful as we advanced our sustainability work significantly on many fronts. More ecological packaging is at the core of our sustainability work, and we were able to make considerable progress on the topic by multiple brands. In the beginning of the year, Rapala introduced the first plastic-free packaging for a hard bait by launching Flash-X Dart and Flash-X Skitter lures. On the other hand, Dynamite Baits has successfully transferred to recyclable packaging for its products. In addition, VMC has introduced more ecological packaging that utilize recycled plastic and more cardboard instead of plastic. Our products are also a vital part of our sustainability work. In the beginning of November, together with WWF Finland, Marttiini launched a knife that utilizes plastic sidestreams obtained from lure production and a completely bio-based biocomposite material procured from an external manufacturer. In the beginning of the year, the carbon footprint analysis conducted for different types of lures supports our product development in designing more ecological lures in the future.

The implementation of our updated Supplier Code of Conduct has proceeded according to the original plan. This is important part of our target to extend our sustainability actions also to our supply chain. Marttiini knife production and Rapala lure manufacturing aim to reduce their carbon footprint during the upcoming years, and to achieve this target we made a significant investment by purchasing solar panels to Vääksy unit. Our Distribution Center in Pärnu also has solar panels. Dynamite Baits factory invested in solar panels in the beginning of the year to cover about 50 % of their electricity consumption. However, the unit decided to make an additional investment on the second half of the year so that the energy produced by the panels would fully cover their electricity use. On top of these actions, Dynamite Baits shifted to fully renewable electricity during the summer.

It is important for us to extend our sustainability work also outside the company. Our co-operation with Keep the Archipelago Tidy Association and Finnish Freshwater Foundation supports our target to provide clean fishing waters also for future generations. Rapala VMC Poland arranged 'I'm eco with Rapala' campaign with an aim to clean the Polish waterways. About 2 800 people attended the campaign, and the volunteers were able to pick up approximately 200 tons of garbage. We continued our co-operation with Finnish Federation for Recreational Fishing (FFRF) and the Finnish 4H Federation to support young anglers. Similar actions have also been done in, for example, Canada and USA. Like previous year, we arranged a lure recycling campaign where we collected excess lures from consumers. If needed, the lures were repaired by FFRF's local fishing organizations, after which they were donated to young anglers.

Rapala VMC is also preparing for the upcoming EU reporting requirements by starting the implementation of Tofuture system for environmental and social responsibility data collection. In addition, we have taken the new requirements into consideration by conducting a double materiality ESG analysis together with our key stakeholders and by doing internal analysis on sustainability-related business risks in our industry.

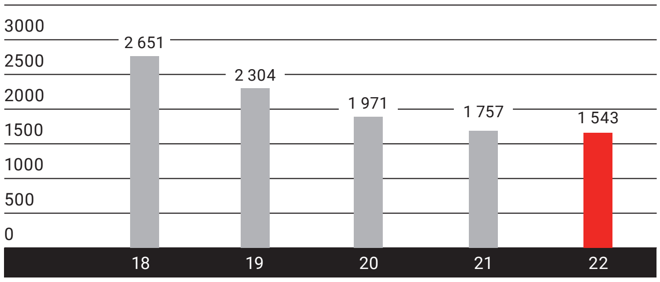
The taxonomy and other NFI information is reported in separate sustainability report.

ORGANIZATION AND PERSONNEL

Average number of personnel was 1 704 (1 792) for the full year and 1 636 (1 765) for the last six months. At the end of December, the number of personnel was 1 543 (1 757), decrease coming mainly from Russia.

Louis d'Alançon was appointed as President and Chief Executive Officer on November 16, 2022.

PERSONNEL AT THE END OF THE PERIOD, persons



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 and in separate remuneration report available in the company website.

SHORT-TERM OUTLOOK AND RISKS

Market outlook for 2023 continues to be challenging in the Group's key markets. Retail inventories in the overall fishing segment continue to be high and due to poor winter weathers, sales of winter business will be affected both in the Nordics and North America. The global macroeconomic situation also affects purchase behavior at retail and consumer level. Consequently, the Group expects 2023 full year comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to decrease from 2022. Cash flow from operations is expected to be on a good level.

Short term risks and uncertainties and seasonality of the business are described in more detail in the end of this report.

PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.04 EUR for 2022 (0.15 EUR) per share is distributed from the Group's distributable equity and remaining distributable funds are carried forward to retained earnings. At December 31, 2022 the distributable equity in Group's parent company totaled 55.9 MEUR.

There have been no material changes in the parent company's financial position since 31 December 2022, the liquidity of the parent company remains good and the proposed dividend does not risk the solvency of the company.

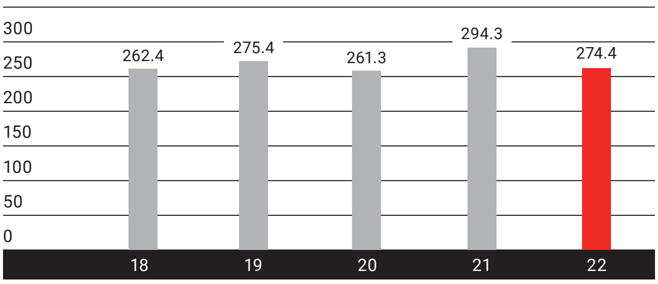
EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are disclosed in the note 31 of the consolidated financial statements.

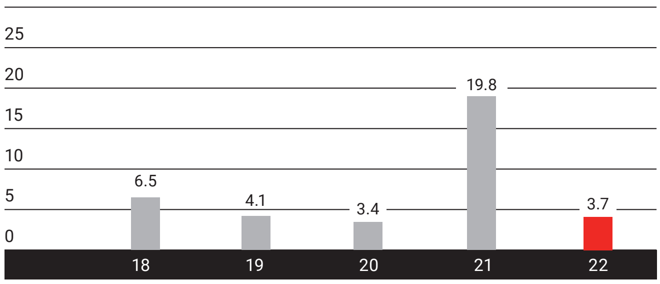
KEY FINANCIAL FIGURES

		2022	2021	2020	2019	2018
Scope of activity and profitability						
Net sales	EUR million	**274.4**	294.3	261.3	275.4	262.4
Operating profit before depreciation and impairments	EUR million	**23.6**	42.0	26.2	26.0	22.4
as a percentage of net sales	%	**8.6**	14.3	10.0	9.4	8.5
Operating profit	EUR million	**12.3**	32.1	10.7	13.4	14.8
as a percentage of net sales	%	**4.5**	10.9	4.1	4.9	5.6
Profit before taxes	EUR million	**8.8**	28.0	6.6	9.8	12.7
as a percentage of net sales	%	**3.2**	9.5	2.5	3.6	4.8
Net profit for the period	EUR million	**3.7**	19.8	3.4	4.1	6.5
as a percentage of net sales	%	**1.4**	6.7	1.3	1.5	2.5
Attributable to						
Equity holders of the Company	EUR million	**3.7**	18.2	2.5	4.4	6.1
Non-controlling interest	EUR million	**-**	1.5	1.0	-0.4	0.4
Capital expenditure	EUR million	**11.5**	14.0	5.0	5.6	6.4
as a percentage of net sales	%	**4.2**	4.8	1.9	2.0	2.4
Research and development expenses	EUR million	**1.3**	1.2	1.1	1.7	1.6
as a percentage of net sales	%	**0.5**	0.4	0.4	0.6	0.6
Net interest-bearing debt at the end of the period	EUR million	**107.1**	70.6	45.2	74.6	70.3
Capital employed at the end of the period	EUR million	**246.1**	209.8	188.2	226.2	217.4
Return on capital employed (ROCE)	%	**5.4**	16.1	5.2	6.0	6.9
Return on equity (ROE)	%	**2.7**	14.0	2.3	2.7	4.5
Equity-to-assets ratio at the end of the period	%	**41.2**	44.2	52.5	52.4	53.2
Debt-to-equity ratio (gearing) at the end of the period	%	**77.0**	50.7	31.6	49.2	47.8
Average personnel for the period	Persons	**1 704**	1 792	2 105	2 604	2 772
Personnel at the end of the period	Persons	**1 543**	1 757	1 971	2 304	2 651

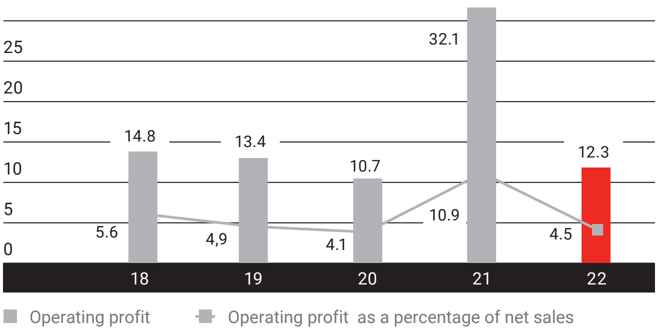
NET SALES, EUR million



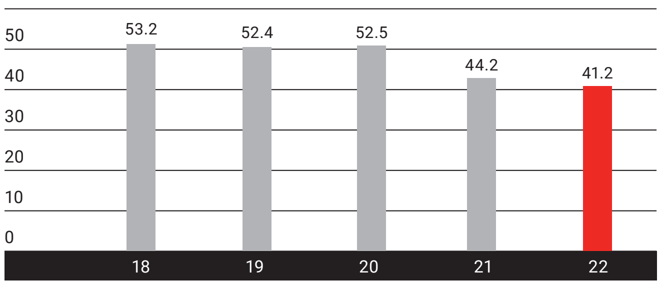
NET PROFIT FOR THE PERIOD, EUR million



OPERATING PROFIT (EUR million), as a percentage of net sales (%)



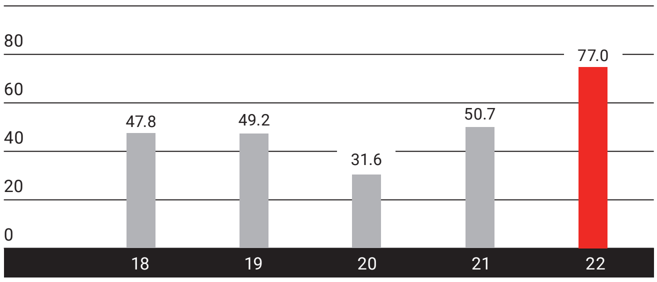
EQUITY-TO-ASSETS RATIO, %



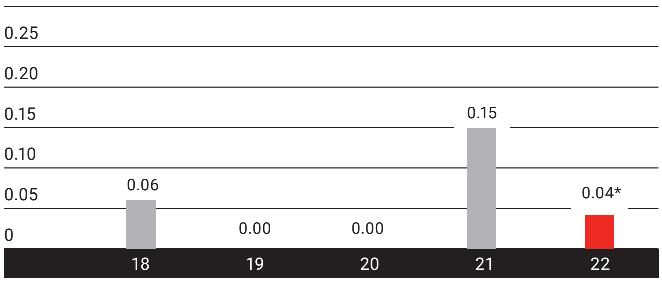
		2022	2021	2020	2019	2018
Share related key figures						
Earnings per share	EUR	**0.10**	0.45	0.04	0.10	0.13
Fully diluted earnings per share	EUR	**0.10**	0.44	0.04	0.10	0.13
Equity per share	EUR	**3.58**	3.58	2.93	3.16	3.05
Dividend per share[1)]	EUR	**0.04**	0.15	-	-	0.06
Dividend/earnings ratio[1)]	%	**41.8**	33.5	-	-	45.8
Effective dividend yield[1)]	%	**0.80**	1.72	-	-	1.97
Price/earnings ratio		**52.2**	19.5	118.4	27.8	23.3
Share price at the end of the period	EUR	**5.00**	8.72	4.36	2.77	3.05
Lowest share price	EUR	**4.08**	4.36	2.15	2.56	2.89
Highest share price	EUR	**9.16**	10.95	4.58	3.43	4.07
Average share price	EUR	**6.46**	7.82	3.04	2.88	3.43
Number of shares traded	Shares	**2 792 052**	5 217 447	6 044 245	4 804 467	1 511 411
Number of shares traded of average number of shares	%	**7.18**	13.47	15.68	12.52	3.94
Share capital	EUR million	**3.6**	3.6	3.6	3.6	3.6
Dividend for the period[1)]	EUR million	**1.6**	5.8	-	-	2.3
Year end market capitalization[2)]	EUR million	**194.4**	339.6	168.1	106.8	116.9
Number of shares at the end of the period excluding own shares[2)]	1 000 shares	**38 876**	38 950	38 548	38 548	38 323
Number of own shares at the end of period	1 000 shares	**124**	50	452	452	677
Weighted average number of shares[2)]	1 000 shares	**38 890**	38 732	38 548	38 387	38 323
Fully diluted number of shares at the end of the period	1 000 shares	**39 000**	39 000	38 548	38 548	38 323
Fully diluted weighted average number of shares	1 000 shares	**39 000**	39 000	38 548	38 387	38 323

[1)] Year 2022 board proposal.
[2)] Excluding own shares.

DEBT-TO-EQUITY RATIO (gearing) at the end of the period, %

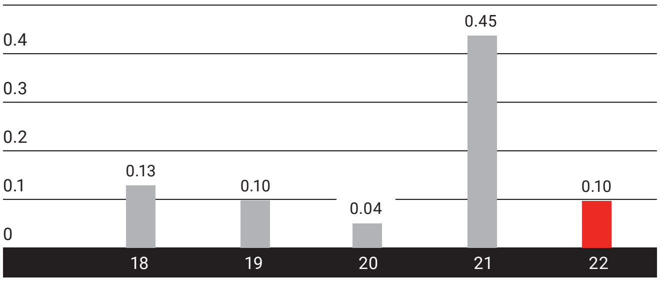


DIVIDEND PER SHARE, EUR

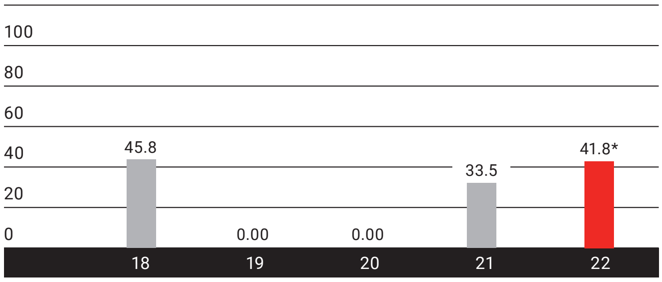


*Board proposal

EARNINGS PER SHARE, EUR



DIVIDEND/EARNINGS RATIO, %



*Board proposal

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2022	2021
Net sales	2	**274.4**	294.3
Other operating income	4	**0.4**	1.6
Change in inventory of finished products and work in progress		**13.1**	14.7
Production for own use		**0.2**	0.1
Materials and services	6	**-138.5**	-148.8
Employee benefit expenses	7	**-71.5**	-71.6
Other operating expenses	5	**-52.3**	-48.4
Share of results in associates and joint ventures	13	**-2.3**	0.2
Operating profit before depreciation, amortization and impairments		**23.6**	42.0
Depreciation, amortization and impairments	11, 12, 27	**-11.3**	-9.9
Operating profit		**12.3**	32.1
Financial income and expenses	9	**-3.5**	-4.1
Profit before taxes		**8.8**	28.0
Income taxes	10	**-5.1**	-8.2
Net profit (loss) for the period		**3.7**	19.8
Attributable to			
Equity holders of the parent company		**3.7**	18.2
Non-controlling interests	14	**-**	1.5
Earnings per share for profit attributable to the equity holders of the parent company	30		
Earnings per share, EUR		**0.10**	0.45
Diluted earnings per share, EUR		**0.10**	0.44
Weighted average number of shares, 1 000 shares		**38 890**	38 732
Diluted weighted average number of shares, 1 000 shares		**39 000**	39 000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2022	2021
Net profit (loss) for the period	**3.7**	19.8
Other comprehensive income, net of tax [1)]		
Items that will not be reclassified to income statement		
Remeasurements of defined benefit liabilities	**0.3**	0.0
Total items that will not be reclassified to income statement	**0.3**	0.0
Items that may be reclassified subsequently to income statement:		
Change in translation differences	**2.4**	7.9
Net investment hedges	**-0.6**	0.5
Total items that may be reclassified subsequently to income statement	**1.8**	8.4
Other comprehensive income for the period, net of tax	**2.1**	8.4
Total comprehensive income for the period	**5.8**	28.2
Attributable to		
Equity holders of the parent company	**5.8**	26.4
Non-controlling interests	**-**	1.8

[1)] The income tax relating to each component of other comprehensive income is disclosed in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	**2022**	2021
ASSETS			
Non-current assets			
Goodwill	11	**50.2**	48.9
Other intangible assets	11	**34.5**	31.9
Tangible assets	12	**28.7**	24.4
Right-of-use-assets	27	**16.0**	10.7
Investments in associates and joint ventures	13	**1.2**	3.6
Other shares	15	**0.2**	0.2
Interest-bearing receivables	16	**11.8**	7.6
Non-interest-bearing receivables	16	**1.2**	0.2
Deferred tax assets	10	**10.5**	10.5
Total non-current assets		**154.3**	138.0
Current assets			
Inventories	17	**99.9**	86.2
Trade and other non-interest-bearing receivables	16	**50.2**	62.7
Income tax receivables		**1.9**	0.8
Interest-bearing receivables	16	**2.8**	-
Cash and cash equivalents	18	**29.0**	27.8
Total current assets		**183.9**	177.5
Total assets		**338.1**	315.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		**3.6**	3.6
Share premium fund		**16.7**	16.7
Fund for invested non-restricted equity		**4.9**	4.9
Own shares		**-3.0**	-2.5
Translation differences		**-7.8**	-9.6
Retained earnings		**124.6**	126.2
Equity attributable to equity holders of the parent company	19	**139.0**	139.3
Total equity		**139.0**	139.3
Non-current liabilities			
Interest-bearing liabilities	24	**41.5**	51.8
Non-interest-bearing liabilities	25	**0.0**	0.0
Right-of-use liabilities	22, 24	**11.8**	7.4
Employee benefit obligations	20	**1.7**	2.4
Deferred tax liabilities	10	**9.2**	8.4
Provisions	21	**0.1**	0.1
Total non-current liabilities		**64.3**	70.1
Current liabilities			
Interest-bearing liabilities	24	**92.9**	43.0
Trade and other non-interest-bearing payables	25	**35.5**	56.7
Right-of-use liabilities	22, 24	**4.6**	3.7
Income tax payables		**1.5**	2.3
Provisions	21	**0.3**	0.4
Total current liabilities		**134.8**	106.2
Total shareholders' equity and liabilities		**338.1**	315.5

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	**2022**	2021
Net profit for the period		**3.7**	19.8
Adjustments			
Income taxes	10	**5.1**	8.2
Financial income and expenses	9	**3.5**	4.1
Reversal of non-cash items			
Depreciation and impairments	11, 12, 27	**11.3**	9.9
Share based payments	7, 29	**0.2**	0.9
Exchange rate differences	9	**-0.6**	0.1
Share of results in associated companies and joint ventures	13	**2.3**	-0.2
Gains/losses on disposals of intangible, tangible assets and subsidiaries		**0.0**	-0.6
Other items		**1.1**	-6.0
Total adjustments		**22.9**	16.3
Financial items			
Interest paid		**-3.9**	-2.4
Interest received		**0.1**	0.7
Income taxes paid		**-6.2**	-6.8
Other financial items, net		**-0.9**	-0.3
Total Financial items		**-10.8**	-8.9
Change in working capital			
Change in receivables		**8.8**	-6.9
Change in inventories		**-13.1**	-12.9
Change in liabilities		**-24.4**	16.8
Total change in working capital		**-28.7**	-2.9
Net cash generated from operating activities		**-12.9**	24.4
Net cash used in investing activities			
Acquisition of intangible assets	11	**-1.1**	-6.7
Proceeds from sale of tangible assets	12	**0.8**	1.6
Acquisition of tangible assets	12	**-10.4**	-7.4
Transactions with non-controlling interests	3	**-**	-10.3
Change in interest-bearing receivables		**0.0**	0.2
Total net cash used in investing activities		**-10.7**	-22.7
Net cash generated from financing activities			
Dividends paid to parent company shareholders		**-5.8**	-
Purchase of own shares		**-0.5**	-0.7
Directed issue of own shares		**-**	3.1
Non-current loan withdrawals		**-**	36.0
Current loan withdrawals		**228.6**	33.8
Non-current loan repayments		**0.0**	-27.2
Current loan repayments		**-190.6**	-16.7
Payments of right-of-use liabilities		**-5.3**	-5.8
Hybrid bond		**-**	-26.3
Total net cash generated from financing activities		**26.3**	-3.9
Change in cash and cash equivalents		**2.7**	-2.2
Cash and cash equivalents at the beginning of the period		**27.8**	27.9
Foreign exchange rate effect		**-1.4**	2.0
Cash and cash equivalents at the end of the period	18	**29.0**	27.8

CHANGES IN LIABILITIES INCLUDED CASH FLOW FROM FINANCING ACTIVITIES

EUR million	
Liabilities Jan 1, 2022	**94.8**
Drawdowns	**228.6**
Repayments	**-189.2**
Other changes	**0.3**
Unrealized foreign exchange differences*	**-**
Liabilities Dec 31, 2022	**134.4**
Drawdowns and repayments of loans in statement of cash flows	
Drawdowns and repayments of loans	**39.3**
Derivatives and other realized foreign exchange on financial activities	**-1.4**
Drawdowns and repayments of loans, net	**38.0**

* Unrealized foreign exchange differences from loans are not included in cash flow statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
EUR million	Share capital	Share premium fund	Hedging fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interest	Hybrid bond	**Total equity**
Equity on Jan 1, 2021	3.6	16.7	0.0	4.9	-4.9	-18.9	111.4	5.2	25.0	**143.0**
Net profit for the period							18.2	1.5		**19.8**
Other comprehensive income *										
Translation differences						7.6		0.3		**7.9**
Defined benefit plans							0.0			**0.0**
Net investment hedges						0.5				**0.5**
Total comprehensive income						**8.1**	**18.2**	**1.8**		**28.2**
Directed issue of own shares					-0.7					**-0.7**
Dividends paid					3.1					**3.1**
Transactions with non-controlling interests							-3.3	-7.1		**-10.3**
Repayment of hybrid bond									-25.0	**-25.0**
Hybrid bond expenses							-1.1			**-1.1**
Dissolvement of subsidiary						1.2				**1.2**
Share-based payments							0.9			**0.9**
Other changes							0.0	0.0		**0.0**
Equity on Dec 31, 2021	**3.6**	**16.7**	**0.0**	**4.9**	**-2.5**	**-9.6**	**126.2**	**0.0**		**139.3**
Net profit for the period							3.7			**3.7**
Other comprehensive income*										
Translation differences						2.4	0.0			**2.4**
Defined benefit plans							0.3			**0.3**
Net investment hedges						-0.6				**-0.6**
Total comprehensive income						**1.8**	**4.0**			**5.8**
Purchase of own shares					-0.5					**-0.5**
Dividends paid							-5.8			**-5.8**
Share-based payments							0.2			**0.2**
Equity on Dec 31, 2022	**3.6**	**16.7**	**0.0**	**4.9**	**-3.0**	**-7.8**	**124.6**			**139.0**

* Net of tax

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

Company's background

Rapala VMC Corporation ("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 Corporation 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, 2022. The Board of Directors of the company has approved these financial statements for publication at its meeting on February 10, 2023. 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 87, 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, 2022. 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.

Adaptation of new and reviewed IFRS standards

The Group has applied the following amendments as of 1 January 2022:

- Improvements to IFRS (2018–2020): Improvement to IFRS 9 – Financial instruments -standard, applicable from January 1, 2022. Amendment clarifies Fees in the "10 percent" Test for Derecognition of Financial Liabilities, when an entity assess, whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only fees paid or received between the borrower and the lender.
- Amendments to IAS 16 – Property, Plant and Equipment -standard, applicable from January 1, 2022. The amendment prohibits companies deducting from the acquisition cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items and the costs of producing those items, in profit or loss. The amendment did not result in any restatement of previously published figures.
- Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 January 2022). The amendments add an exception to the recognition principle in IFRS 3 to avoid gains or losses on the acquisition of any liabilities after the acquisition date. The exception requires the Group to apply the criteria in IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendment also clarifies IFRS 3 to the extent that contingent assets do not qualify for recognition.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for accounting periods beginning on or after 1 January 2022). The amendments clarify which type of costs are included in the cost of fulfilling a contract when assessing whether a contract is onerous. The cost of fulfilling a contract include both incremental costs and an allocation of other direct costs.

Other new or amended standard, annual improvements or interpretations applicable from January 1, 2022 don't have have a material impact on Rapala VMC's consolidated financial statements.

Applied new and amended standards and interpretations

The International Accounting Standards Board has announced the following new or amended standards and interpretations, which the Group has not yet adopted. The Group will apply each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the accounting period, as of the beginning of the financial year following the effective date. New standards and amendments to existing standards coming into effect in the fiscal year starting 1.1.2023 or later are the following:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements, applicable from January 1, 2023. Significant accounting policies will be replaced by material accounting policies. The amendment aims to help companies to disclose those accounting policies, which are material for users to understand the information in the company's financial statements.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, applicable from January 1, 2023. The amendments clarify the distinction between the changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments to IAS 12 Income taxes, applicable from January 1, 2023. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction will be recognized separately. The amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented in the financial statements. The amendment narrows the scope of the initial recognition exception of deferred taxes so that it no longer applies to transactions which give rise to an equal temporary difference between taxable and deductible taxes. It would apply to assets and liabilities arising from individual transactions, such as right-of-use assets and lease liabilities or decommissioning obligations and corresponding asset components, if their deferred taxes are not equal.
- Amendments to IAS 1 Presentation of Financial Statements, applicable January 1, 2024. The amendment clarifies the requirements for classifying liabilities as current or non-current, by specifying for example what is meant by a right to defer settlement of a liability at the end of the reporting period, if it meets the conditions specified on that date. The classification of a liability as current or non-current is unaffected by the likelihood that the group will exercise its deferral right.

The standards listed above or other standards that take effect on January 1, 2023 or later are not expected to have a material impact on Rapala VMC's consolidated financial statements.

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. Revenue is recognized when the performance obligation is satisfied, and customer obtains control of that asset. Mainly, revenue is recognized on products, when they are delivered to the customer in compliance with the contract terms, and the point of time of transferring the control is identified in customer specific delivery terms in purchase orders and/or frame agreements. The costs of shipping and distributing products are included in other operating expenses. Revenues from services are recorded when the service has been performed. Customer contracts include several different types of afterwards granted discounts, credits tied to volume and/or value of the deliveries or sales volumes of specified product groups. The impact of these variable considerations on the transaction price requires estimation at the point in time of the revenue recognition.

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, inventory allowances 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.

Accounting treatment of government grants (IAS 20) due to COVID-19

As a response to the COVID-19 pandemic, governments around the world implemented support measures to help businesses and economies in 2020. Government assistance comes in many forms and therefore Rapala VMC Corporation specified its accounting policy concerning grants received in 2020.

The Group continues to recognize government grants or subsidies when there is reasonable assurance that it will comply with all conditions attached and the grant will be received. Government grants are recognised in statement of income over the periods in which Group recognises the expenses which the grants are intended to compensate. However, the accounting treatment for grants depends on nature and type of the grant.

In 2020 the Group was granted government-backed loans which amounted to 12.2 MEUR and for which the terms differ from market-based terms. The remaining part of these loans amount to 0.9 MEUR in December 2022.

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.

Accounting for Leases

Group as a lessee

Group's capitalised lease agreements consist mainly of buildings as production facilities, office premises and warehouses, also the Group has several vehicle lease agreements. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost. The Group applies the two available exemptions, which relate to short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are expensed to other operating expenses.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments are discounted using the lessee´s incremental borrowing rate. The incremental borrowing rates used are relevant interbank rates and the Group's internal finance margins. The incremental borrowing rates are currency specific.

The initial measurement of the lease payments does not include possible variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income. The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgment based on realistic estimates is used when determining the lease term, especially concerning lease agreements containing termination and purchase options and lease agreements with indefinite lease terms.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets and variable payments are presented in the cash flow from operating activities. Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification and a termination of a lease agreement is recognised in other operating income or other operating expenses in the statement of income.

Group as a lessor

IFRS 16 did not modify substantially how a lessor recognizes lease agreements. Those leases under which the Group is a lessor are classified as operating leases. Leased assets are presented in the 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. The Group acting as a lessor is not material to the Group consolidated financial statements.

Financial assets

Financial assets are initially measured at fair value at trade date. Subsequently, financial assets are classified and measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit and loss.

Financial assets are measured at amortized cost when business model is hold-to-collect and cash flows are solely payments of principal and interest. Financial assets at amortized cost include non-derivative financial assets such as cash and cash equivalents, trade receivables and loan receivables.

Loan and trade receivables are measured at amortized cost using the effective interest rate method less any expected credit losses. 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 measured at fair value through profit and loss are assets which are derivatives not in hedge accounting.

Financial assets measured at fair value through other comprehensive income are equity instruments where entity has done an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss.

Impairment of financial assets is assessed regularly and when the carrying value exceeds the fair value or recoverable value of discounted cash flows, appropriate impairment is recognized in the income statement.

For trade receivables Rapala applies IFRS 9 expected credit loss assessment. See note 22.

Derivative financial instruments and hedge accounting

When hedge accounting is applied it is fulfilled according to IFRS 9. 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 received from the respective bank or calculated to match the current market price. 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 hedg¬ing 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 initially recognized at fair value at trade date. After initial recognition, the financial liabilities are subsequently measured and categorized at amortized cost, at fair value through profit and loss, or as derivatives designated at hedging instruments in an effective hedge. 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 are recognized at trade date. A financial asset or a financial liability is recognized on the balance sheet only when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized 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 only when it is extinguished, that the obligation specified in the contract is discharged or cancelled or expires.

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. Inventories are presented net of net realizable value allowance recognized for obsolete and slow-moving inventories.

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.

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 operative 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 are presented on a separate row before cash and cash equivalents at the end of period, separate from cash generated from (used in) operating, investing and financing activities.

Comparable operating profit and items affecting comparability

In order to reflect the underlying business performance and to enhance comparability between financial periods, the Group presents alternative performance measures. Comparable operating profit is operating profit excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability, which include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

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 when needed 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.

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 hyperinflatory 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 Hyperinflatory 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 manufacturing, sourcing and distributing of mainly fishing tackle equipment as well as outdoor and winter sports equipment. The base unit of the Group's management is a single subsidiary engaged in one or several activities within the integrated supply chain. Each subsidiary and business is represented by a member in the Executive committee. The Group does not have any structure of independently led divisions, but the Group is managed as a whole. The Group's CEO, together with the Board is the ultimate decision maker.

Despite the integrated nature of the Group's operations, the type and source of products being processed by the units creates difference in the 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 the 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 the Group's operating segments.

The 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 the Group's brands. Group Fishing Products include 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 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 has changed the measurements of segment performance by excluding items affecting comparability from operating profit. The Group measures segment performance based on sales, comparable operating profit and assets. Comparable operating profit is adjusted by mark-to-market valuations of operative currency derivatives and other items affecting comparability including material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items. Definitions of the alternative performance measures are presented in Definitions of Key Figures on page 44. All the other segment reporting is consistent with IFRS accounting principles. Reportable segments are consistent with those in the financial statements 2021.

Pricing of inter-segment transactions is based on market prices.

REPORTABLE SEGMENTS

2022

EUR million	Group Products	Third Party Products	Total reportable segments
Net sales	**228.4**	**46.0**	**274.4**
Depreciation, amortization and impairment losses	**-10.4**	**-0.9**	**-11.3**
Share of results in associates and joint ventures (included in OP)	**0.0**	**-2.3**	**-2.3**
Comparable operating profit	**15.0**	**0.3**	**15.3**
Segment assets			
Non-interest-bearing assets	**272.5**	**20.7**	**293.2**
Investment in associates and joint ventures	**0.0**	**1.2**	**1.2**
Total segment assets	**272.5**	**22.0**	**294.5**
Investments	**11.2**	**0.3**	**11.5**

2021

EUR million	Group Products	Third Party Products	Total reportable segments
Net sales	**227.7**	**66.6**	**294.3**
Depreciation, amortization and impairment losses	-8.6	-1.4	-9.9
Share of results in associates and joint ventures (included in OP)	0.0	0.2	0.2
Comparable operating profit	**29.5**	**3.2**	**32.7**
Segment assets			
Non-interest-bearing assets	252.5	24.1	276.6
Investment in associates and joint ventures	0.0	3.6	3.6
Total segment assets	**252.5**	**27.7**	**280.1**
Investments	13.6	0.4	14.0

RECONCILIATIONS

EUR million	2022	2021
Net sales		
Total sales for reportable segments	**274.4**	294.3
Group net sales	**274.4**	**294.3**
Comparable operating profit		
Total comparable operating profit for reportable segments	**15.3**	32.7
Mark-to-market valuations of operative currency derivatives	**0.2**	-0.2
Other items affecting comparability	**-3.2**	-0.4
Group total operating profit	**12.3**	**32.1**
Group financial income and expenses	**-3.5**	-4.1
Group profit before taxes	**8.8**	**28.0**
Other items affecting comparability		
Russia restructuring	**0.6**	-
Organizational restructurings	**2.3**	-
Other restructurings	**0.2**	0.4
Total other items affecting comparability	**3.2**	**0.4**
Assets		
Total assets for reportable segments	**294.5**	280.1
Unallocated interest-bearing assets	**43.7**	35.4
Group total assets	**338.1**	**315.5**

GEOGRAPHICAL AND GROUP-WIDE INFORMATION

The Group operates in four geographical areas which are North America, Nordic, 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	2022	2021
Finland	34.7	30.9
Other Nordic Countries	4.3	14.6
Nordic total	**38.9**	**45.5**
Russia	11.0	12.8
France	30.6	32.4
Other European Countries	29.0	35.4
Rest of Europe Total	**70.6**	**80.6**
USA	115.0	116.6
Other North America	17.1	18.2
North America total	**132.2**	**134.8**
Rest of the World total	**32.7**	**33.4**
Total	**274.4**	**294.3**

NON-CURRENT ASSETS BY UNIT LOCATION

EUR million	2022	2021
Finland	33.7	28.5
Other Nordic Countries	1.9	1.8
Nordic total	**35.6**	**30.3**
Russia*	0.3	1.1
Other countries	26.3	20.4
Rest of Europe total	**26.6**	**21.5**
USA	35.8	34.1
Other North America	0.8	3.2
North America total	**36.6**	**37.4**
China (incl. Hong Kong)	28.6	27.1
Other countries	3.2	3.2
Rest of the World total	**31.7**	**30.3**
Total	**130.6**	**119.5**

*Russia's current assets include EUR 2.9 million of cash and cash equivalents which contain transfer restrictions.

3 ACQUISITIONS AND DIVESTMENTS

Acquisitions in 2022

No acquisitions were carried out in 2022.

Acquisitions in 2021

The Group acquired the non-controlling interest from Shimano regarding joint ownership Rapala VMC distribution companies situated in Russia, Kazakhstan, Czech Republic, Belarus, Hungary, Romania and Croatia. The non-controlling interest acquired was 50% from Russia, Kazakhstan, Czech Republic and Belarus, and 33% regarding Hungary, Romania and Croatia. The acquisition was due to negotiations with Shimano Europe BV to end the distribution of Shimano branded products and joint ownership. The acquisition date was November 8, 2021 and now the Group has 100% stake from the mentioned companies. The purchase price totaled 10.3 MEUR.

Divestments in 2022

No divestments were carried out in 2022.

Divestments in 2021

No divestments were carried out in 2021.

4 OTHER OPERATING INCOME

EUR million	2022	2021
Royalty income	-	0.0
Rental income	0.0	0.2
Gains from sale of intangible and tangible assets	0.0	0.6
Insurance compensations	-	0.1
Other income	0.4	0.8
Total	**0.4**	**1.6**

5 OTHER OPERATING EXPENSES

EUR million	2022	2021
Selling and marketing expenses	-10.7	-9.0
Rents paid (outside of IFRS 16)	-1.4	-0.9
Freight out	-9.4	-7.7
Maintenance and utility expenses	-7.5	-7.7
Traveling expenses	-2.9	-1.8
Sales commissions	-4.8	-4.6
Consulting expenses	-1.3	-1.9
IT and telecommunication	-3.6	-3.1
Auditors' fees and services	-0.8	-0.8
Outsourced logistics	-0.8	-0.9
Currency derivatives	-0.5	-0.7
Losses on sale of tangible and intangible assets	-0.0	-
Other expenses	-8.5	-9.2
Total	**-52.3**	**-48.4**

AUDITORS' FEES AND SERVICES

EUR million	2022	2021
Audit fees	-0.7	-0.6
Fees for tax services	-0.1	-0.2
Non-audit fees	0.0	0.0
Total	**-0.8**	**-0.8**

6 MATERIALS AND SERVICES

EUR million	2022	2021
Materials, goods and supplies		
Purchases during the period	-132.7	-148.3
Change in inventory	-1.2	2.3
External services	-4.6	-2.8
Total	**-138.5**	**-148.8**

7 EMPLOYEE BENEFIT EXPENSES

EUR million	2022	2021
Wages and salaries	-56.7	-56.4
Pension costs - defined contribution plans	-4.5	-4.5
Pension costs - defined benefit plans	-0.3	-0.1
Other long-term employee benefits	0.0	-0.4
Option programs to be settled in shares	-0.2	-0.9
Other personnel expenses	-9.7	-9.2
Total	**-71.5**	**-71.6**

The employee benefit expenses in 2022 included EUR 2.3 million employee related restructuring expenses (2021: EUR 0.5 million). For more details on employee benefits for top management and possible share-based incentive plans, see notes 28 and 29.

AVERAGE PERSONNEL

Persons	2022	2021
North America	131	136
Nordic	317	321
Rest of Europe	943	1 012
Rest of the World	313	323
Total	**1 704**	**1 792**

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 1.3 million recognized as an expense in 2022 (2021: EUR 1.2 million). Group has not capitalized development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR million	2022	2021
Foreign exchange gains and losses		
From financial assets	1.4	2.3
From financial liabilities measured at amortized cost	-0.3	-3.7
From right-of-use liabilities	0.0	0.0
Interest and other financial income		
Interest income from financial assets measured at amortized cost	0.8	0.5
Interest rate derivatives - non-hedge accounted	1.1	0.0
Other financial income	0.0	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-3.6	-1.8
Currency derivatives - non-hedge accounted	-1.1	-0.5
Interest expenses on right-of-use liabilities	-0.5	-0.4
Other financial expenses	-1.3	-0.7
Total	**-3.5**	**-4.1**

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR million	2022	2021
Gains and losses on hedges of net investments, net of tax	-0.6	0.5
Total	**-0.6**	**0.5**

EXCHANGE GAINS AND LOSSES IN OPERATING PROFIT

EUR million	2022	2021
In net sales	1.9	1.3
In purchases	-0.6	-0.6
In other operating expenses		
Currency derivatives, non-hedge accounted	-0.5	-0.7
Total	**0.8**	**-0.1**

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2022	2021
Current taxes	-4.4	-7.5
Deferred taxes	-0.7	-0.8
Total income taxes	**-5.1**	**-8.2**

INCOME TAX RECONCILIATION

EUR million	2022	2021
Profit before taxes	8.8	28.0
Income taxes at Finnish statutory tax rate (20%)	-1.8	-5.6
Difference between Finnish and foreign tax rates	-0.4	-0.7
Prior year income taxes	-0.6	0.8
Foreign withholding taxes	-0.2	-0.1
Effect of deferred taxes not recognized	-1.1	-0.3
Benefit arising from previously unrecognized deferred tax asset	0.3	0.9
Income taxes on undistributed earnings	0.2	-3.1
Effect of changes of tax rates	-0.3	0.2
Share of results of associated companies	-0.5	0.0
Other items	-0.7	-0.3
Income taxes in the income statement	-5.1	-8.2

TAXES IN OTHER COMPREHENSIVE INCOME

2022

EUR million	Before tax	Tax expense/ benefit	Net of tax
Translation differences	2.4	-	2.4
Remeasurement of defined benefit liabilities	0.4	-0.1	0.3
Net investment hedges	-0.6	0.0	-0.6
Total	**2.1**	**-0.0**	**2.1**

2021

EUR million	Before tax	Tax expense/ benefit	Net of tax
Translation differences	7.9	-	7.9
Remeasurement of defined benefit liabilities	0.0	0.0	0.0
Net investment hedges	0.7	-0.1	0.5
Total	**8.5**	**-0.1**	**8.4**

DEFERRED TAXES

EUR million	2022	2021
Tax losses and credits carried forward	4.6	5.0
Provisions	1.1	1.4
Employee benefits	0.4	0.5
Depreciation differences	1.4	1.1
Inventories	4.4	3.8
Other temporary differences	0.3	0.4
Total	12.2	12.2
Offset against deferred tax liabilities	-1.8	-1.7
Total deferred tax assets	**10.5**	**10.5**
Depreciation differences and other untaxed reserves	2.6	2.1
Fair value allocations for acquired net assets	4.9	4.3
Undistributed earnings	3.3	3.3
Other temporary differences	0.3	0.4
Total	11.0	10.1
Offset against deferred tax assets	-1.8	-1.7
Total deferred tax liabilities	**9.2**	**8.4**
Net deferred tax assets (+) / liabilities (-)	**1.2**	**2.1**

MOVEMENT IN THE NET DEFERRED TAX BALANCE

EUR million	2022	2021
Net deferred tax assets (+) and liabilities (-) at January 1	2.1	2.8
Recognized in income statement	-0.7	-0.8
Recognized in other comprehensive income	-0.0	-0.1
Recognized in equity	-	0.3
Translation differences	-	-0.1
Net deferred tax assets (+) and liabilities (-) at December 31	1.4	2.1

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31. 2022. the Group had tax losses carried forward of EUR 35.1 million (2021: EUR 29.9 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 1.4 million of these tax losses will expire during the next five years (2021: EUR 2.1 million).

Deferred tax liability on undistributed earnings of subsidiaries has been recognized in the consolidated balance sheet to the extent that distribution is probable within the foreseeable future.

The consolidated balance sheet includes deferred tax assets of EUR 3.8 million (2021: EUR 3.2 million) in group companies. which have generated losses in financial year 2022 or 2021. The recognition of these assets is based on profit estimates. which indicate that the realization of these deferred tax assets is probable.

11 INTANGIBLE ASSETS

2022

EUR million	Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Acquisition cost Jan 1	**48.9**	**31.7**	**4.0**	**8.6**	**93.2**
Additions		**1.7**		**0.8**	**2.5**
Disposals		**0.0**		**-1.0**	**-1.0**
Reclassifications [1]		**0.1**		**0.2**	**0.3**
Translation differences	**1.3**	**0.5**	**0.1**	**0.0**	**1.7**
Acquisition cost Dec 31	**50.2**	**33.9**	**4.0**	**8.7**	**96.7**
Accumulated amortization Jan 1		**-0.9**	**-3.7**	**-7.8**	**-12.4**
Disposals		**0.0**		**0.9**	**0.9**
Reclassifications 1)				**0.0**	**0.0**
Amortization during the period			**-0.1**	**-0.4**	**-0.5**
Translation differences		**0.0**	**0.0**	**0.0**	**0.0**
Accumulated amortization Dec 31		**-0.9**	**-3.8**	**-7.3**	**-12.0**
Carrying value Jan 1	**48.9**	**30.8**	**0.3**	**0.8**	**80.8**
Carrying value Dec 31	**50.2**	**33.0**	**0.2**	**1.3**	**84.7**

2021

EUR million	Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Acquisition cost Jan 1	47.0	23.8	3.8	8.8	**83.4**
Additions		6.6		0.3	**6.9**
Disposals				-0.6	**-0.6**
Reclassifications [1]				0.0	**0.0**
Translation differences	1.9	1.3	0.2	0.1	**3.4**
Acquisition cost 31.12.	**48.9**	**31.7**	**4.0**	**8.6**	**93.2**
Accumulated amortization Jan 1		-0.9	-3.5	-7.9	**-12.2**
Disposals				0.6	**0.6**
Amortization during the period			0.0	-0.5	**-0.5**
Translation differences		0.0	-0.2	-0.1	**-0.3**
Accumulated amortization Dec 31		**-0.9**	**-3.7**	**-7.8**	**-12.4**
Carrying value Jan 1	**47.0**	**23.0**	**0.3**	**1.0**	**71.2**
Carrying value Dec 31	**48.9**	**30.8**	**0.3**	**0.8**	**80.8**

[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**
2022				
Goodwill	48.6	0.1	1.5	**50.2**
Trademarks with indefinite lives	32.5	0.0	0.5	**33.0**
Discount rate, %	9.8	9.8	11.1	
2021				
Goodwill	45.4	0.1	1.6	**47.0**
Trademarks with indefinite lives	22.5	0.0	0.4	**23.0**
Discount rate, %	9.2	9.2	11.0	

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

The Group is led as a whole and not organized nor managed in independent divisions. 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 profitability. 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 2022 and 2021, 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 2022 or 2021.

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 historical sales growth development, 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 1.2 percentage points higher in Group Fishing Products and 11.1 percentage points in Third Party Products or EBITDA 13.0 percentage lower than used in the management's estimates in Group Fishing Products and 70.0 percentage points in Third Party Products, it would not lead to an impairment loss in these main cash generating units.

12 TANGIBLE ASSETS

2022

EUR million	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	2.0	26.7	60.1	17.4	2.5	108.6
Additions		0.3	2.8	1.1	6.4	10.7
Disposals		0.0	-1.4	-1.1	-0.3	-2.8
Reclassifications [1]		0.6	3.4	1.2	-5.4	-0.3
Translation differences	0.0	0.2	0.2	0.4	-0.2	0.6
Acquisition cost Dec 31	2.0	27.8	65.1	19.0	3.0	117.0
Accumulated depreciation Jan 1		-19.0	-50.6	-14.6	-	-84.2
Disposals		0.2	1.2	0.9	-	2.3
Reclassifications [1]		0.0	0.0	0.0	-	0.0
Depreciation during the period		-0.9	-2.8	-1.2	-	-4.8
Impairments		-0.5	-0.3	-	-	-0.9
Translation differences		-0.1	-0.1	-0.4	-	-0.6
Accumulated depreciation Dec 31		-20.3	-52.7	-15.3	-	-88.3
Carrying value Jan 1	2.0	7.7	9.5	2.8	2.5	24.4
Carrying value Dec 31	2.0	7.5	12.4	3.8	3.0	28.7

2021

EUR million	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	1.9	25.7	61.1	20.5	1.3	110.5
Additions		0.4	1.7	1.1	4.4	7.6
Disposals		-0.9	-4.7	-5.2	-0.7	-11.5
Reclassifications [1]		0.9	1.4	0.3	-2.6	0.0
Translation differences	0.1	0.6	0.6	0.7	0.0	2.1
Acquisition cost Dec 31	2.0	26.7	60.1	17.4	2.5	108.6
Accumulated depreciation Jan 1		-18.4	-51.6	-17.9	-	-87.9
Disposals		0.6	4.2	5.1	-	9.9
Reclassifications [1]		0.0	0.1	0.0	-	0.0
Depreciation during the period		-0.8	-2.7	-1.1	-	-4.6
Impairments		-	-0.1	-	-	-0.1
Translation differences		-0.3	-0.5	-0.7	-	-1.5
Accumulated depreciation Dec 31		-19.0	-50.6	-14.6	-	-84.2
Carrying value Jan 1	1.9	7.3	9.5	2.6	1.3	22.6
Carrying value Dec 31	2.0	7.7	9.5	2.8	2.5	24.4

[1] Includes reclassifications between intangible and tangible assets and inventories.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group owns 49% of the share capital and voting rights of DQC International Corp, an unlisted company domiciled in the USA. DQC International Corp. is known for its 13 Fishing -branded rods and reels.

The Group has a 33.3% interest in associate Lanimo Oü, an unlisted company 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.

Associated companies are consolidated according to the equity method.

EUR million	2022	2021
Acquisition cost Jan 1	**3.6**	3.4
Share of profit/loss	**-2.3**	0.2
Translation differences	**0.0**	-0.1
Acquisition cost Dec 31	**1.2**	**3.6**

INFORMATION ON ASSOCIATES AND JOINT VENTURES

	Lanimo Oü		DQC International Corp.	
EUR Million	2022	2021	2022	2021
Net sales	**0.2**	0.2	**21.5**	20.5
Purchases and other expenses	**-0.2**	-0.2	**-24.9**	-19.2
Depreciation	**0.0**	0.0	**-0.4**	-0.3
Interest income and expenses	**0.0**	0.0	**-0.5**	-0.3
Net profit for the period	**0.0**	0.0	**-4.3**	0.7
Non-current assets	**0.0**	0.0	**2.7**	1.6
Current assets	**0.0**	0.1	**13.0**	12.6
Of which cash and cash equivalents	**0.0**	0.0	**0.1**	0.3
Non-current liabilities	**0.0**	0.0	**13.6**	12.1
Of which financial liabilities	**0.0**	0.0		
Current liabilities	**0.0**	0.0	**2.0**	5.2
Net assets of associate/ joint venture	**0.0**	0.0	**0.1**	-3.1
Net assets belonging to Rapala Group	**0.0**	0.0	**0.0**	-1.5

14 MATERIAL PARTLY OWNED SUBSIDIARIES

Rapala Group included until November 15, 2021 one company, where non-controlling interest was material based on Group's consolidated net profit for the period. Group owned 50% of JSC Normark domiciled in Russia. The other 50% was owned by Shimano Inc.JSC Normark distributes Rapala Group's and Shimano's products in Russia. Rapala Group had control over the company, based on operative leadership model and a shareholder contract, which gave majority of the voting power to Rapala in the board of a holding company directly owning JSC Normark. The company has been treated as a subsidiary and has been fully consolidated to the figures of Rapala Group. On November 15, 2021 Rapala VMC acquired from Shimano Inc. the remaining 50% non-controlling interest and at the end of the year non-controlling interest is zero in the company.

	Profit (loss) allocated to non-controlling interests		Equity belonging to non-controlling interests	
EUR Million	2022	2021	2022	2021
AO Normark	**-**	0.2	**-**	-
Other partly-owned subsidiaries	**-**	1.3	**-**	-
Total	**-**	**1.5**	**-**	**-**

15 OTHER SHARES

EUR million	2022	2021
Carrying value Jan 1	**0.2**	0.2
Translation differences	**0.0**	0.0
Carrying value Dec 31	**0.2**	**0.2**

Other shares comprise of unlisted shares. The most significant is As Oy Tahkon Eagle.

16 RECEIVABLES

EUR million	2022	2021
Non-current receivables		
Interest-bearing		
Loan receivables	**11.8**	7.6
Other interest-bearing receivables	**0.0**	0.0
Non-interest-bearing		
Trade receivables	**0.0**	0.0
Derivatives	**1.1**	0.0
Other receivables	**0.1**	0.1
Current receivables		
Interest-bearing		
Loan receivables	**2.8**	-
Non-interest-bearing		
Trade receivables	**37.2**	48.0
Derivatives	**0.1**	0.1
VAT receivable	**1.8**	1.8
Other prepaid expenses and accrued income	**5.1**	8.2
Other receivables	**6.0**	4.6
Total	**66.0**	**70.5**

Fair values of financial assets are presented in the note 23.
The average interest rate of non-current loan receivables was 6.07% (2021: 4.87%). The average interest rate of current loan receivables was 9.05% (2021: -).

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR Million	2022	2021
Allowance for trade receivables Jan 1	**1.5**	3.1
Additions	**0.8**	0.4
Deductions	**-0.2**	-1.6
Recovery	**-0.4**	-0.5
Translation differences	**0.0**	0.0
Allowance for trade receivables Dec 31	**1.7**	**1.5**

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.

17 INVENTORIES

EUR million	2022	2021
Raw material	**12.1**	13.3
Work in progress	**10.8**	9.6
Finished products	**83.7**	68.6
Net realizable value allowance	**-6.6**	-5.4
Total	**99.9**	**86.2**

18 CASH AND CASH EQUIVALENTS

EUR million	2022	2021
Cash at bank and in hand	**29.0**	27.8
Total	**29.0**	**27.8**

19 SHARE CAPITAL AND EQUITY FUNDS

EUR million	2022	2021
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**
Fund for invested non-restricted equity Jan 1	**4.9**	4.9
Fund for invested non-restricted equity Dec 31	**4.9**	**4.9**

SHARES AND SHARE CAPITAL

Shares	2022	2021
Number of shares Jan 1	**39 000 000**	39 000 000
Number of shares Dec 31	**39 000 000**	**39 000 000**
Own shares Jan 1	**50 236**	452 208
Purchase of own shares	**73 655**	86 043
Directed issue of own shares	**-**	-488 015
Own shares Dec 31	**123 891**	**50 236**

On December 31, 2022, 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.

For more information on shares and share capital, see the section '*Shares and Shareholders*'.

EQUITY FUNDS

Share premium fund includes the premiums received on exercise of share options and other share issues under the old Finnish Companies Act. Fund for invested non-restricted equity includes subscription prices for shares to the extent that it is specifically not to be credited to share capital and other types of equity investments.

Translation differences contain exchange differences arising from the currency translation of foreign subsidiaries' financial statements and exchange differences arising from monetary items that form part of net investments in foreign companies. Hedging fund includes movements in the fair values of derivative instruments used for cash flow hedging.

HYBRID BOND

On November 15, 2021, Group redeemed its hybrid loan of 25 MEUR, issued in November 2019, following the permitting conditions of the bond. Accrued interest 1.1 MEUR was recognized as a deduction from Group's equity.

DIVIDENDS

A dividend of 0.15 EUR per share was paid for 2021. The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on March 29, 2023 that for 2022 a dividend of 0.04 EUR per share will be distributed from Group's distributable equity and that remaining distributable funds are carried forward to retained earnings.

BOARD'S AUTHORIZATIONS

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

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	2022	2021
Current service cost	0.2	-0.1
Interest cost	0.0	-0.2
Total	**0.1**	**-0.4**

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR million	2022	2021
Rest of Europe	1.7	2.3
Rest of the World	0.0	0.0
Present value of unfunded obligations	**1.7**	**2.4**

BALANCE SHEET RECONCILIATION

EUR million	2022	2021
Obligations Dec 31	2.4	3.5
Restatement of actuarlial calculation method	-	-0.3
Obligations Jan 1	2.4	3.3
Current service cost	-0.2	0.4
Interest cost	0.0	0.0
Actuarial gains and losses		
Changes in demographic assumptions	0.0	-0.1
Changes in financial assumptions	-0.4	-0.1
Changes in experience assumptions	0.1	0.2
Effect of any curtailments or settlements	-	-1.2
Paid contributions	0.0	-0.1
Translation differences	-0.1	0.0
Obligations Dec 31	**1.7**	**2.4**

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

EUR million	2022	2021
Within one year	-	0.3
1-5 years	0.3	0.1
5-10 years	1.0	0.5
Later than 10 years	0.4	1.5
Total	**1.7**	**2.4**

ASSUMPTIONS

Rest of Europe

%	2022	2021
Discount rate	3.0	0.8
Future salary increase	1.6-3.5	2.5-3.0
Annual inflation rate	2.0	1.8

Rest of the World

%	2022	2021
Discount rate	2.6	2.0
Annual inflation rate	3.0	3.0

21 PROVISIONS

EUR million	2022	2021
Warranty provisions		
Provisions Jan 1	**0.1**	0.3
Reversal of unutilized provisions	**-0.0**	-0.2
Acquisitions	**-0.0**	-0.1
Translation differences	**0.0**	0.0
Provisions Dec 31	**0.0**	**0.1**
Other provisions		
Provisions Jan 1	**0.5**	1.1
Additions	**0.0**	0.1
Unused amounts reversed	**-**	-0.0
Utilized provisions	**-0.1**	-0.7
Translation differences	**-0.0**	0.0
Provisions Dec 31	**0.4**	**0.5**
Non-current	**0.1**	0.1
Current	**0.3**	0.4
Total provisions	**0.4**	**0.5**

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 Chief Financial Officer, for development and implementation of financial risk management procedures.

Group Risk Management review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. 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

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense is denominated in a foreign currency, financing, when debt is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries.

The Group's foreign exchange risk is managed by the business units and Group Risk Management in accordance with the Foreign Exchange Risk Management policy approved by the Board of Directors.

Foreign exchange transaction risk

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or noncurrent.

As a result of sales and purchases in foreign currencies as well as operations in several jurisdictions, the Group has foreign currency denominated receivables and payables that are exposed to movements in foreign exchange rates. Income and expenses within different currencies net each other out to some extent, creating thus an effective natural hedge. The remaining, estimated 12-15 month commercial net exposure is then systematically hedged by using derivative instruments. Depending on whether foreign currency monetary receivables and payables relate to sales and purchases or financial items, the foreign exchange gains and losses are recognized in the income statement either above or below operating profit.

The Group has also intra-group loans denominated in currencies that exposes the Group to currency risk that is not fully eliminated on consolidation. Depending on whether these loans are classified as net investments on foreign operations or loan receivables, the foreign exchange gains and losses are recognized in the other comprehensive income or income statement. 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.

Group Risk Management is responsible for monitoring the Group's consolidated currency risk exposure and when needed, enters into derivative transactions with group external counterparties.

Derivative instruments that are used for hedging purposes are mainly short term and can include forward contracts, option contracts and structured instruments. Because the Group does not apply hedge accounting on currency derivatives, the income statement effect arising from fair value changes of derivative instruments is recognized partly or entirely in different financial periods than exchange rate gains and losses arising from the hedged cash flows.

In 2022 currency derivatives that are used for operative hedging purposes had an income statement effect of EUR -0.5 million (2021: EUR -0.7 million). Fair values and nominal values of currency derivatives are summarized under section *4. Derivatives.*

At the end of 2022 and 2021 the following currencies represent a significant portion of the currency mix outstanding:

2022

EUR million	USD	CAD	IDR	CLP	RUB
Transaction risk and hedging					
Transaction exposure*	**-3.9**	**11.1**	**6.3**	**5.4**	**6.5**
Hedges	**0.3**	**-3.1**	**-0.9**		

2021

EUR million	USD	CAD	IDR	CLP	RUB
Transaction risk and hedging					
Transaction exposure*	-0.5	9.5	-9.3	5.6	9.2
Hedges	-15.9	-2.6	0.9	-0.5	-0.0

*If US dollar and Hong Kong dollar peg would be taken into account in this analysis, the combined USD and HKD transaction exposure would be 10.6 MEUR (2021: 17.7 MEUR).

Foreign exchange translation risk

The group is exposed to currency translation risk through its investments in foreign subsidiaries, joint ventures and associated companies with equities' denominated in foreign currencies. The most significant translation exposures are in USD, HKD, IDR, CAD and RUB, which comprise approximately 78.9% of the total translation exposure. In the Group consolidation equity changes resulting from movements in foreign exchange rates are presented as translation differences within the equity.

The Group Risk Management monitors regularly the amounts of net investments denominated in foreign currencies and when needed, enters into hedging transactions in order to reduce the volatility in equity in the consolidated balance sheet. During 2022 the Group did not hedge any equity exposure.

The total non-euro denominated equity excluding net income of the Group's subsidiaries and associated companies was EUR 110.9 million as of December 31, 2022 (2021: EUR 90.4 million). The most significant translation exposures are summarized in the following table.

Group translation exposure

EUR million	2022 Net Investments	2021 Net Investments
USD	**62.5**	47.5
HKD	**5.2**	1.6
IDR	**6.6**	9.5
CAD	**7.4**	6.3
RUB	**5.8**	2.9
Total	**87.5**	**67.8**

Sensitivity analysis

Sensitivity analysis is 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 balance sheet conversion rates prevailing at December 31, 2022.
- The analysis includes the effect of income statement transactions made in the analyzed currency between January 1 and December 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 December 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per December 31 in subsidiaries, whose reporting currency equals to the analyzed currency.

Group transaction risk sensitivity analysis

The effect of a 10% weakening of most significant foreign currencies (against euro) in euros:

2022

EUR million	USD	CAD	IDR	CLP	RUB
Operating profit	**-0.9**	**-0.8**	**0.1**	**-0.7**	**-0.6**
Equity*	**-6.2**	**-0.7**	**-0.7**	**-0.2**	**-0.6**

2021

EUR million	USD	CAD	IDR	CLP	RUB
Operating profit	-2.5	-1.5	0.1	-0.7	-0.9
Equity*	-4.7	-0.6	-1.0	-0.1	-0.3

* Without the effect of net income.

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's interest-bearing liabilities have mainly an interest period length shorter than one year.

The Group's funding, and consequently also interest rate risk, is managed centrally by the Group's parent company. Interest rate risk, covering cash flow and fair value risk, is analyzed regurarly by the Group Risk Management who is also responsible of taking the actions needed to change the Group's risk position. These actions include changing the currency split of the external loan portfolio, selection between different sources of financing, changing the interest rate duration as well as entering into transactions in derivative financial instruments.

Derivative instruments that are used for hedging purposes consist of interest rate swaps, where the Group pays fixed rate interest and receives a variable rate interest. Fair values and nominal values of interest rate swaps are presented under section *4. Derivatives.*

Interest rate 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 one percentage point 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 December 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on December 31.

EUR million	2022 Net income (net of tax)	2022 Equity (net of tax) [3]	2021 Net income (net of tax)	2021 Equity (net of tax) [3]
Loans from financial institutions with variable interest rate	**-0.3**	**-**	0.3	-

[3] Without the effect of net income.

3. Other market price risks

The Group purchases certain raw-materials, which are priced on global financial markets. The value of these purchases is relatively low and actions regarding the management of price risk are decided on an performed locally in each manufacturing unit. Group Risk Management also monitors the development of raw-material prices. The Group does not currently hedge commodity price risk.

The amount of the Group's investments in available-for-sale financial assets is insignificant and consists of investments in real estate and other unquoted shares for which reliable market values are not obtainable.

4. Derivatives

The Group uses derivative instruments, such as forward contracts, option contracts, interest rate swaps and structured instruments, to manage foreign exchange and interest rate risk in accordance with the guidelines set by the The Group's Risk Management policy.

Foreign currency derivatives are used to reduce the uncertainty in the fair value of future cash flows that is created by changes in foreign exchange rates. The fair values of the foreign currency derivatives that do not qualify as hedging instruments in accordance with IFRS 9, are recognized based on their nature either in operative costs, if the hedge item is an operative transaction, or in financial income and expenses, if the hedged item is a monetary transaction. Because hedge accounting is not applied, the P&L effect arising from foreign currency derivatives is recognized partly or entirely in different financial period than exchange rate gains and losses arising from the hedged cash flows.

Interest rate derivatives, consisting of interest rate swaps, are used to reduce the volatility of interest expenses in the income statement and to adjust the duration of the debt portfolio.

Cash flow hedges

Following tables summarizes the nominal values and fair values of the Group's derivative instruments as at December 31, 2022.

	2022		2021	
EUR million	Nominal value	Fair value	Nominal value	Fair value
Non-hedge accounting derivative financial instruments				
Interest rate swaps, 1 to 5 years	**35.0**	**1.1**	25.0	0.0
Currency forwards, less than 12 months	**18.1**	**0.1**	34.9	-0.1
Total	**53.1**	**1.1**	**59.9**	**-0.1**

LIQUIDITY RISK

Liquidity risk is defined as financial distress or extraordinarily high financing cost arising due to a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value, or not being able to execute the transaction at all, within a specific period of time.

The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value, in order to avoid uncertainty related to financial distress at all times.

Generally, the seasonality of the Group's cash flow is fairly predictable and Group Treasury monitors Group's liquidity position using the cash pooling system as well as regular cash flow and liquidity reporting.

The Group's interest bearing funding is mainly managed centrally by the Group Treasury. The Group seeks to reduce liquidity and refinancing risks with balanced maturity profile of loans as well as by keeping sufficient amount of credit lines available. The Group has a EUR 80 million domestic commercial paper program, which together with Group's credit limits is utilized to balance the seasonality of the Group's cash flow. The size and maturity of issued commercial papers is decided by Group Treasury, based on forecasted cash flows, status of commercial paper markets and applicable interest rates. The renewal of commercial papers upon maturity creates certain liquidity risk, which is managed by maintaining sufficient other liquidity reserves available at the maturity dates. During 2022 the commercial paper program was used as part of Group funding and competitively priced debt was acquired through this market.

The Group has agreed with its lenders to temporarily change financial covenants used in its loan agreements for the periods from Q3/2022 to Q1/2023. The new financial covenants include limits on the amount of available liquidity, net debt to EBITDA and gearing ratio. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group is currently compliant with all financial covenants and expects to comply with future bank requirements as well.

Below are presented the Group's unutilized credit limits as of December 31, 2022. Group's domestic commercial paper program not sold at December 31, 2022 was EUR 36.5 million (2021 EUR 48.0 million).

Committed unutilized credit facilities

EUR million	2022	2021
Overdraft facilities, expiring within one year	**22.2**	22.0
Revolving credit facility, expiring within one year	**14.0**	-
Revolving credit facility, expiring beyond one year	**20.8**	59.9
Total	**57.0**	**81.9**

CREDIT AND DEFAULT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk is limited to the carrying value of the financial assets as included in the consolidated statement of financial position. The carrying value of financial assets is disclosed in note 23.

The Group follows actively credit and default risks associated with customers and other counterparties. The Group's credit and default risk portfolio did not significantly change during the course of the financial period. The proportional amount of Group's trade receivables which are past due, increased from 2021 levels. Net allowance for credit losses related to trade receivables increased by EUR 0.2 million from 2021.

Business related credit risk

The Group's accounts receivables are generated by a large number of customers worldwide and do not include any significant concentrations of credit risk by customer or by geographical area.

The management of credit risk 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. Each business unit is responsible for setting credit limits and monitoring it's credit customers' financial situation. Customers' payment behavior is monitored regularly and delays in payments can 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 Group's finance management before taking final decisions. In exceptional cases, payment terms may be renegotiated.

Group recognizes credit loss of trade receivables by applying simplified approach of expected credit loss according to IFRS 9, which uses a lifetime expected loss allowance. Group has estimated based on previous year's credit losses by aging category and nature as well as macroeconomic outlook in the near future, the expected credit loss provision. Trade receivables are monitored in client segment and location information.

Estimate on expected credit losses is based on management's best judgement.

More information on allowance for trade receivables is presented in note 16.

In the table below is presented analysis of trade receivables that were past due but not impaired.

Analysis of trade receivables that were past due but not impaired

EUR Million	2022	2021
Neither past due nor impaired	**26.5**	39.1
Past due but not impaired		
Less than 1 month	**4.9**	5.4
1-3 months	**4.0**	2.6
3-6 months	**0.6**	0.8
Over 6 months	**1.2**	0.1
Total	**37.2**	**48.0**

Trade loss provision from expected credit loss model, %

%	2022
Neither past due nor impaired	**0.2**
Past due but not impaired	
Less than 1 month	**0.9**
1-3 months	**6.0**
3-6 months	**11.0**
Over 6 months	**20-100**

Financial credit risk

Financial instruments contain an element of risk resulting from changes in market price of such instruments due to counterparties becoming less creditworthy or risk of loss due to counterparties being unable to meet their obligations. This risk is measured and monitored centrally by the Group Risk Management.

Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions and monitoring the credit worthiness and exposure size continuously as well as through entering into collateral agreements with certain counterparties.

The Group reduces credit risk by executing treasury transactions only with approved counterparties. All significant counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance, the Group does not have investments in commercial papers.

Maturity of the group's financial liabilities

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

2022

EUR million	Carrying value	Financial liabilities [4]	Contractual cash flows	2023	2024	2025	2026 onwards	Total
Interest-bearing liabilities								
Loans from financial institutions	90.9	90.9	90.9	49.4	41.4	0.1		90.9
Commercial paper program	43.5	43.5	43.5	43.5				43.5
Right-of-use liabilities	16.3	16.3		4.6	11.8			
Non-interest-bearing liabilities								
Trade and other non-interest-bearing payables	35.4	12.5	12.5	12.5				12.5
Derivative liabilities and receivables								
Interest rate derivatives, non-hedge accounted	-1.1	-1.1	-1.2	-0.7	-0.5	0.0	-0.0	-1.2
Currency derivatives, non-hedge accounted	-0.1	-0.1						
Total	**185.0**	**162.1**	**145.7**	**104.7**	**40.9**	**0.1**	**0.0**	**145.7**

2021

EUR million	Carrying value	Financial liabilities [4]	Contractual cash flows	2022	2023	2024	2025 onwards	Total
Interest-bearing liabilities								
Loans from financial institutions	62.8	62.8	64.6	11.9	11.0	41.6	0.1	**64.6**
Commercial paper program	32.0	32.0	32.0	32.0				**32.0**
Right-of-use liabilities	11.1	11.1						
Non-interest-bearing liabilities								
Trade and other non-interest-bearing payables	56.5	23.2	23.2	23.2				**23.2**
Derivative liabilities and receivables								
Interest rate derivatives, non-hedge accounted	0.0	0.0	0.0	-0.0	0.0	0.0		**0.0**
Currency derivatives, non-hedge accounted	0.1	0.1						
Total	**162.5**	**129.2**	**119.8**	**67.0**	**11.0**	**41.6**	**0.1**	**119.8**

4) The proportion of the carrying values which are classified as financial liabilities according to IFRS 9.

CAPITAL MANAGEMENT

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 achievement of the objectives for capital management are presented in the table below.

For definitions of key figures, see page 43.

	Target	**2022**	2021
Gearing %	below 150%	**77.0**	50.7
Net interest-bearing debt to EBITDA	below 3.8	**4.5**	1.7

Definitions of the alternative performance measures are presented on page 43.

23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

		2022			2021		
EUR million	Note	Carrying value	Financial assets and liabilities 1)	Fair value of financial assets and liabilities 1)	Carrying value	Financial assets and liabilities 1)	Fair value of financial assets and liabilities 1)
FINANCIAL ASSETS							
Financial liabilities measured at amortized cost2)							
Non-current financial assets							
Loan receivables	16	**11.8**	**11.8**	**11.8**	7.6	7.6	7.6
Other interest-bearing receivables	16	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Trade and other non-interest-bearing receivables	16	**0.1**	**0.0**	**0.0**	0.1	0.0	0.0
Current financial assets							
Cash and cash equivalents	18	**29.0**	**29.0**	**29.0**	27.8	27.8	27.8
Trade and other non-interest-bearing receivables	16	**50.1**	**37.2**	**37.2**	62.6	48.0	48.0
Fair value through other comprehensive income							
Other shares	15	**0.2**	**0.2**	**0.2**	0.2	0.2	0.2
Financial assets at fair value through income statement							
Currency and interest derivatives - non-hedge accounted	16, 22	**1.2**	**1.2**	**1.2**	0.2	0.2	0.2
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement							
Interest rate and currency derivatives - non-hedge accounted	22, 25	**0.1**	**0.1**	**0.1**	0.3	0.3	0.3
Financial liabilities measured at amortized cost2)							
Non-current financial liabilities							
Loans from financial institutions	24	**41.5**	**41.5**	**41.5**	51.8	51.8	51.9
Other non-interest-bearing liabilities	25	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Current financial liabilities							
Loans from financial institutions	24	**49.4**	**49.4**	**49.4**	11.0	11.0	11.0
Commercial paper program	24	**43.5**	**43.5**	**43.5**	32.0	32.0	32.0
Trade and other non-interest-bearing payables	25	**35.4**	**12.5**	**12.5**	56.5	23.2	23.2

1) The proportion of the carrying value which is classified as financial assets and liabilities according to IFRS 9.

2) Fair value hierarchy level 2.

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

	2022				2021			
EUR million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT FAIR VALUE								
Fair value through other comprehensive income								
Other shares	**0.2**			**0.2**	0.2			0.2
Financial assets at fair value through income statement								
Currency and interest derivatives - non-hedge accounted	**1.2**		**1.2**		0.2		0.2	
Total	**1.4**		**1.2**	**0.2**	**0.4**		**0.2**	**0.2**
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement								
Currency and interest derivatives - non-hedge accounted	**0.1**		**0.1**		0.3		0.3	
Total	**0.1**		**0.1**		**0.3**		**0.3**	

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.

Other shares

Other shares 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.

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, 2022, 0.0% (2021: 0.0%) of non-current loans based on floating rates was connected to one-month euribor or similar and the rest to maximum six-month Euribor 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 2022, % [1]	2022	2021
Non-current interest-bearing liabilities			
Loans from financial institutions	5.31	**41.5**	51.8
Right-of-use liabilities	3.27	**11.8**	7.4
Current interest-bearing liabilities			
Loans from financial institutions	4.00	**39.0**	11.0
Current portion of non-current loans from financial institutions	4.41	**10.4**	-
Commercial paper program	3.04	**43.5**	32.0
Right-of-use liabilities	3.73	**4.6**	3.7
Total		**150.7**	**105.9**

[1] 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

	2022		2021	
EUR million	**Non-current**	**Current**	Non-current	Current
Loans from financial institutions				
EUR	**41.5**	**49.4**	51.8	11.2
Commercial paper program				
EUR	**-**	**43.5**	-	32.0
Total	**41.5**	**92.9**	**51.8**	**43.2**

25 NON-INTEREST-BEARING LIABILITIES

EUR million	2022	2021
Non-current non-interest-bearing liabilities		
Derivatives	**-**	0.0
Other non-current liabilities	**0.0**	0.0
Current non-interest-bearing liabilities		
Trade payables	**12.5**	23.2
Accrued employee-related expenses	**10.9**	12.6
Other accrued expenses and deferred income	**6.6**	14.7
Derivatives	**0.1**	0.3
Advances received	**0.7**	0.6
VAT payable	**1.0**	0.6
Other current liabilities	**3.7**	4.8
Total	**35.5**	**56.7**

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

26 COMMITMENTS AND CONTINGENCIES

The Group does not have contingent liabilities at the year end.

Group's lease commitments are presented in note 27.

Disputes and litigations

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

27 LEASE CONTRACTS

RIGHT-OF-USE ASSETS

2022

EUR million	Land and buildings	Other assets	Total
Acquisition cost Jan 1	**24.6**	**2.6**	**27.3**
Additions	**11.3**	**1.1**	**12.4**
Disposals	**-3.6**	**-0.2**	**-3.7**
Translation differences	**0.3**	**0.0**	**0.3**
Acquisition cost Dec 31	**32.7**	**3.6**	**36.3**
Accumulated depreciations Jan 1	**-14.8**	**-1.7**	**-16.5**
Disposals	**1.5**	**0.1**	**1.6**
Depreciations during the period	**-4.7**	**-0.6**	**-5.3**
Translation differences	**-0.1**	**0.0**	**-0.1**
Accumulated depreciations Dec 31	**-18.1**	**-2.2**	**-20.3**
Carrying value Jan 1	**9.8**	**1.0**	**10.7**
Carrying value Dec 31	**14.5**	**1.4**	**16.0**

Group's most material right-of-use assets capitalised consists of buildings as production facilities, offices and warehouses. Right-of-use asset section Other assets consists mainly of cars.

2021

EUR million	Land and buildings	Other assets	Total
Acquisition cost Jan 1	21.4	2.0	23.3
Additions	4.1	0.6	4.7
Disposals	-1.5	0.0	-1.5
Translation differences	0.7	0.1	0.8
Acquisition cost Dec 31	**24.6**	**2.6**	**27.3**
Accumulated depreciations Jan 1	-11.8	-1.1	-12.9
Disposals	1.2	0.0	1.2
Impairment	0.3	-	0.3
Depreciations during the period	-4.1	-0.6	-4.7
Translation differences	-0.4	0.0	-0.4
Accumulated amortization Dec 31	**-14.8**	**-1.7**	**-16.5**
Carrying value Jan 1	**9.6**	**0.9**	**10.4**
Carrying value Dec 31	**9.8**	**1.0**	**10.7**

Off-balance sheet lease commitments

THE GROUP AS A LESSEE

EUR million	2022	2021
Non-cancellable lease agreements	**0.3**	0.4

The non-cancellable lease agreements include short-term and other lease contracts that are not included in lease liabilities. Other rents include IT equipment leases that are not material.

Off-balance sheet lease assets

THE GROUP AS A LESSOR

EUR million	2022	2021
Future minimum rental receivable under non-cancellable leases	**-**	0.0

Some of the offices and warehouses that were not used by the Group were leased to external parties.

28 RELATED PARTY TRANSACTIONS

The Group's related parties include members of the Board, CEO, members of the Executive Committee, family members of the above-mentioned individuals, entities controlled by the above-mentioned individuals, Rapala VMC Corporation´s subsidiaries, associated companies and joint ventures 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
2022						
DQC International Corp.	**13.8**	**-1.3**			**16.1**	
Associated company Lanimo Oü	**0.0**	**-0.1**			**0.0**	**0.0**
Entity with significant influence over the Group [1]			**-0.2**	**0.0**	**0.0**	
Management	**0.0**		**-0.1**	**0.0**	**0.7**	
2021						
DQC International Corp.	12.5	-0.4			7.1	
Associated company Lanimo Oü	0.0	-0.1			0.0	
Entity with significant influence over the Group [1]			-0.2		0.0	
Management	0.0		-0.2	0.0	0.7	

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

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR million	2022	2021
Salaries and other employee benefits	**-4.0**	-7.1
Total	**-4.0**	**-7.1**

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee.

On December 31, 2022, the members of the Board and the Executive Committee held (shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies) a total of 225 370 Rapala VMC Corporation shares (on December 31, 2021: 272 937). Top management owned 0.6% (0.7%) of the issued share capital and voting rights of the company on December 31, 2022. Details of top management shareholdings are given in the section '*Board and Management*'.

In 2022 share-based long-term incentive plans were granted to the CEO and other members of the executive committee. Salaries and other employee benefits include a release of provision for share-based incentives in total of EUR 0.7 million for 2022. Details of the long-term incentive plan are given in the section '*Shared-based payments*'.

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	2022	2021
Salaries and other employee benefits		
Nicolas Cederström Warchalowski, CEO until November 16, 2022	**-0.3**	-0.9
Louis d'Alançon, CEO from November 16, 2022 onwards [1]	**0.0**	-
Total	**-0.3**	**-0.9**

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

In 2022 annual base salary and benefits as CEO amounted to EUR 347 thousand. Nicolas Cederström Warchalowski was also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued in 2022 totaled EUR 63 thousand. His pension security was arranged under the statutory Finnish contribution based employee pension plan and in addition EUR 24 thousand supplementary pension did accrue on payment basis. After Cederström Warchalowski stepped down from the CEO positions, he worked as an advisor to the Board of Directors. Contractual payments paid to him after termination of the CEO agreement amounts in total to EUR 540 thousand.

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR million	2022	2021
Salaries and other employee benefits	-3.6	-6.1
Total	-3.6	-6.1

In addition to the monthly salary, CEO and other members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the financial and strategic targets are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Principally the bonus can be no more than 100 percent of the annual salary. In 2022 , salaries and other employee benefits included a release of provision for share-based incentives in total of EUR 0.5 million.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR million	2022	2021
Salaries and other employee benefits		
Louis d'Alançon, Chairman of the Board	-0.1	-0.1
Other Board members	-0.2	-0.2
Total	-0.3	-0.3

In 2022, the annual fee to the Chairman of the Board was EUR 80 thousand and the fee to other Board members was EUR 30 thousand. In addition a reward of EUR 1000 was payed of to a Board its Committee meeting. Members of the Board are reimbursed for travel expenses corresponding to the corporation's traveling compensation principles. In 2022 Louis d'Alançon had as the CEO of the Group a separate CEO agreement, which remuneration is presented under the employee benefits to the CEO.

29 SHARE-BASED PAYMENTS

Rapala VMC Corporation conveyed on 22 March 2021 A total of 173 015 of Rapala VMC Corporation's treasury shares are conveyed without consideration and according to the plan terms to the key employees participating in the Performance Share Plan 2018 – 2020.

The Board of Directors of Rapala VMC Corporation announced 25 March 2021 two new Performance Share Plans for the Group key employees. The Board of Directors of Rapala VMC Corporation has decided to establish two new share-based incentive plans. The aim of the plans is to align the objectives of the shareholders and the plan participants for increasing the value of the company in the long-term, to retain the participants at the company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

Matching Share Plan 2021–2023 for the President and CEO

The President and CEO's Matching Share Plan 2021–2023 consists of one matching period, covering the financial years of 2021–2023. In the plan, the President and CEO (CEO) is given an opportunity to receive matching shares for his personal investment in Rapala VMC Corporation shares. The reward based on the plan will be paid after the end of the matching period.

The reward will be paid partly in Rapala VMC Corporation shares and partly in cash. The cash proportion of the reward is intended for covering taxes and tax-related expenses arising from the reward to the CEO. In general, no reward is paid if the CEO's director contract terminates before the reward payment. The reward to be paid on the basis of the CEO plan correspond to the value of a maximum total of 28 800 Rapala VMC Corporation shares, including also the proportion to be paid in cash. As Nicolas Cederström Warchalowski has departed the company neither of the long-term Share-Based Incentives were earned by him and they are deemed void for his part. The Chairman of the Board Louis d'Alançon has not been offered any variable pay plans during his current tenure as acting President and CEO.

Performance Share Plan 2021—2023 for Key Employees

The key employees' Performance Share Plan 2021—2023 includes one three-year performance period, covering the financial years 2021—2023. The potential reward from the performance period will be based on the Group's financial performance criteria, which will be measured during the financial year 2023 and the Company's share price criterion which will be measured during 2023. The financial performance criteria for the performance period are the Group Product Sales in 2023, the Group's Comparable Earnings before Interest and Taxes (comparable EBIT) in 2023 and the Group's Average Working Capital Ratio in 2023.

The rewards to be paid on the basis of the key employee plan correspond to the value of an approximate maximum total of 800 000 Rapala VMC Corporation shares including also the proportion to be paid in cash. The potential rewards from the performance period 2021—2023 will be paid partly in the Company's shares and partly in cash in 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. In general, no reward will be paid, if a participant´s employment or service terminates before the reward payment.

The key employee's Performance Share Plan was directed to approximately 19 individuals, including the President and CEO and other members of the Executive Committee of the Group.

FAIR VALUE DETERMINATION

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING PERIOD

Share price at grant, €	7.09
Share price at reporting period end €	5
Expected volatility *	42.79%
Risk-free rate	-0.08%
Expected dividends, €	0.47
Valuation model	Monte Carlo

* Expected volatility was determined by calculating the historical volatility of the Group`s share using monthly observations over corresponding maturity

EFFECT OF SHARE-BASED INCENTIVES ON THE RESULT AND FINANCIAL POSITION DURING THE PERIOD

Expenses for the financial year, share-based payments	244 042

SHARE BASED INCENTIVES DURING THE REPORTING PERIOD 1.1.2022 - 31.12.2022

Plan	**Share-based incentive plan**	**Matching Share Plan**
Type	SHARE	SHARE
Instrument	**PSP Earning Period 2021-2023**	**Matching Share Plan 2021-2023**
Issuing date	25/03/2021	25/03/2021
Initial amount, pcs	800 000	28 800
Dividend adjustment	No	No
Grant date	01/04/2021	25/02/2021
Beginning of earning period	01/01/2021	01/01/2021
End of earning period	31/12/2023	31/12/2023
End of restriction period	30/04/2024	31/01/2024
Performance criteria	Total share return, Group product sales, EBIT margin in 2023, Group's average working capital ratio in 2023	Continued employment
Maximum contractual life, yrs	3.1	2,9
Remaining contractual life, yrs	1.3	1.1
Number of persons at the end of the reporting year	13	0
Payment method	Cash & Equity	Cash & Equity

Changes during the period	**PSP Earning Period 2021-2023**	**Matching Share Plan 2021-2023**
Outstanding at the beginning of the reporting period 01/01/2022, pcs	**721 667**	**28 800**
Changes during the period		
Granted	32 500	0
Forfeited	114 167	28 800
Earned (gross)	0	0
Delivered (net)	0	0
Outstanding at the end of the period 31/12/2022	**640 000**	**0**

30 EARNINGS PER SHARE

	2022	2021
Earnings per share		
Net profit for the period attributable to the equity holders of the parent company, EUR million	**3.7**	18.2
Accrued interest on the hybrid bond	**-**	-1.1
Tax effect	**-**	0.2
Net effect	**-**	-0.9
Total	**3.7**	**17.3**
Weighted average number of shares, 1000 shares	**38 890**	38 732
Earnings per share, EUR	**0.10**	**0.45**
Earnings per share, diluted		
Effect of dilution based on share-based payments, 1000 shares*	**110**	268
Diluted weighted average number of shares, 1000 shares	**39 000**	39 000
Diluted earnings per share, EUR	**0.10**	**0.44**

*The maximum amount of shares issued through the share-based payments program is 520 000 shares (2021: 828 800). The dilution impact is anyhow limited to average number of treasury shares held by the Group during the year.

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders less the tax-adjusted interest on hybrid bond by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. 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 2022.

32 GROUP COMPANIES

Subsidiaries by geographical area		Country	Group holding (%)	Nature of activity
Nordic				
Rapala VMC Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Rapala VMC Online Oy	*	Finland	100	Sourcing
Rapala VMC North Europe Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	100	Manufacturing
Rapala VMC East Europe Oy		Finland	100	Administration
Rapala VMC Norway AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Rapala VMC Sweden Ab	*	Sweden	100	Distribution
Rest of Europe				
FLLC Normark		Belarus	100	Distribution
Ltd. Normark-Bel		Belarus	100	Distribution
Rapala VMC Adriatic D.o.o.		Croatia	100	Distribution
Rapala VMC Czech S.r.o.		Czech Republic	100	Distribution
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Rapala VMC France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Rapala VMC Germany Gmbh		Germany	100	Distribution
Rapala VMC Hungary Zrt	*	Hungary	100	Distribution
Rapala VMC Italia Srl		Italy	100	Distribution
Normark Kazakhstan LLP		Kazakhstan	100	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Rapala VMC Baltics UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Rapala VMC Poland Sp.z.o.o.	*	Poland	100	Distribution
Rapala VMC Portugal, Unipessoal, LDA		Portugal	100	Distribution
Rapala VMC Romania S.R.L.		Romania	100	Distribution
JSC Normark		Russia	100	Distribution
Normark LLC		Russia	100	Distribution
OOO Raptech	*	Russia	100	Manufacturing
Rapala VMC Spain SAU	*	Spain	100	Distribution
Rapala VMC Switzerland AG	*	Switzerland	100	Distribution
Normark UK Sport Ltd.		UK	100	Distribution
Dynamite Baits Ltd.	*	UK	100	Manufacturing
Normark Fishing Ltd.		UK	100	Administration
North America				
Rapala VMC Canada 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

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
Rapala VMC Chile Ltd		Chile	100	Distribution
Rapala VMC China Co.	*	China	100	Distribution
Rapala VMC (ShenZhen) Ltd		China	100	Sourcing
Willtech (PRC) Ltd.		Hong Kong	100	Sourcing
PT Rapala Indonesia	*	Indonesia	100	Distribution
PT Rapala VMC Batam		Indonesia	100	Administration
PT VMC Fishing Tackle Indonesia		Indonesia	100	Manufacturing
Rapala Japan Ltd.	*	Japan	100	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 Africa (Pty) Ltd.		South Africa	100	Distribution
Rapala VMC Holdings (Pty) Ltd.	*	South Africa	100	Administration
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
Rapala MENA FZE		United Arab Emirates	100	Distribution

Associated companies and joint ventures	Country	Group holding (%)	Nature of activity
Lanimo Oü	Estonia	33.3	Manufacturing
DQC International Corp.	USA	49	Distribution

Foreign branches

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

* Shares owned by the parent company

DEFINITIONS OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	=	Operating profit + depreciation and impairments
Items affecting comparability	=	Change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Other items affecting comparability	=	Restructuring costs + impairments +/- gains and losses on business combinations and disposals - insurance compensations +/- other non-operational items
Comparable operating profit	=	Operating profit +/- change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Net interest-bearing debt	=	Total interest-bearing liabilities - total interest-bearing assets - cash and cash equivalents
Capital employed (average for the period)	=	Total equity (average for the period) + net interest-bearing debt (average for the period)
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), %	=	$\frac{\text{Operating profit x 100}}{\text{Capital employed (average for the period)}}$
Return on equity (ROE), %	=	$\frac{\text{Net profit for the period x 100}}{\text{Total equity (average for the period)}}$
Debt-to-equity ratio (Gearing), %	=	$\frac{\text{Net interest-bearing debt x 100}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity x 100}}{\text{Total shareholders' equity and liabilities - advances received}}$
Earnings per share, EUR	=	$\frac{\text{Net profit for the period attributable to the equity holders of the parent Company - hybrid capital accrued unrecognised interests after tax}}{\text{Adjusted weighted average number of shares}}$
Dividend per share, EUR	=	$\frac{\text{Dividend for the period}}{\text{Adjusted number of shares at the end of the period}}$
Dividend/earnings ratio, %	=	$\frac{\text{Dividend for the period x 100}}{\text{Net profit for the period attributable to the equity holders of the parent Company}}$
Equity per share, EUR	=	$\frac{\text{Equity attributable to equity holders of the parent Company}}{\text{Adjusted number of shares at the end of the period}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share x 100}}{\text{Adjusted share price at the end of the period}}$
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, exluding own shares x share price at the end of the period
Average number of personnel	=	Calculated as average of monthly end personnel amounts

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT

EUR	Note	2022	2021
Net sales	2	**44 983 810**	44 401 996
Other operating income	3	**3 029 498**	6 276 690
Change in inventory of finished products and work in progress		**963 452**	1 003 892
Production for own use		**217 524**	56 097
Materials and services	5	**-24 493 548**	-23 772 001
Employee benefit expenses	6	**-10 239 703**	-13 208 998
Other operating expenses	4	**-10 926 588**	-11 233 489
Operating profit before depreciation and impairments		**3 534 444**	**3 524 188**
Depreciation and impairments	7	**-1 528 262**	-1 463 096
Operating profit		**2 006 182**	**2 061 093**
Financial income and expenses	8	**7 235 902**	15 263 331
Profit before appropriations and taxes		**9 242 084**	**17 324 423**
Appropriations	9	**877 870**	2 425 826
Income taxes	10	**-162 775**	-6 813
Net profit for the period		**9 957 179**	**19 743 436**

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	Note	**2022**	2021
Non-current assets			
Intangible assets	11	**7 136 561**	6 130 654
Tangible assets	12	**6 220 030**	4 848 403
Investments	13	**121 163 657**	121 247 503
Interest-bearing receivables	15	**19 628 316**	16 737 675
Non-interest-bearing receivables	15	**1 436 022**	439 108
Total non-current assets		**155 584 586**	**149 403 343**
Current assets			
Inventories	14	**7 513 303**	6 165 084
Current financial assets			
Interest-bearing	15	**86 619 823**	71 196 481
Non-interest-bearing	15	**14 615 841**	12 089 701
Cash and cash equivalents		**12 443 811**	2 399 173
Total current assets		**121 192 777**	**91 850 438**
Total assets		**276 777 364**	**241 253 781**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	Note	**2022**	2021
Shareholders' equity			
Share capital		**3 552 160**	3 552 160
Share premium fund		**16 680 961**	16 680 961
Fund for invested non-restricted equity		**4 914 371**	4 914 371
Own shares		**-2 957 222**	-2 471 138
Retained earnings		**43 957 119**	30 045 145
Net income for the period		**9 957 179**	19 743 436
Total shareholders' equity	16	**76 104 568**	**72 464 935**
Appropriations		**124 788**	152 658
Provisions		**1 071 973**	1 071 973
Non-current liabilities			
Interest-bearing		**41 000 000**	51 000 000
Non-interest-bearing		**-**	6 416
Total non-current liabilities	17	**41 000 000**	**51 006 416**
Current liabilities			
Interest-bearing		**146 328 352**	94 403 793
Non-interest-bearing		**12 147 682**	22 154 005
Total current liabilities	17	**158 476 034**	**116 557 798**
Total shareholders' equity and liabilities		**276 777 364**	**241 253 781**

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	Note	2022	2021
Net profit for the period		**9 957**	**19 743**
Adjustments			
Income taxes	10	**163**	7
Financial income and expenses	8	**-7 236**	-15 263
Reversal of non-cash items			
Depreciation and impairments	7	**1 528**	1 463
Dissolvement of subsidiary		**-**	-5 997
Other items		**-2 386**	-1 954
Total adjustments		**-7 931**	**-21 744**
Financial items			
Interest paid		**-3 682**	-1 946
Interest received		**2 131**	1 207
Income taxes paid/received		**-18**	-107
Other financial items, net		**-339**	-277
Total financial items		**-1 908**	**-1 123**
Change in working capital			
Change in receivables		**675**	-2 347
Change in inventories		**-1 207**	-1 368
Change in liabilities		**-6 720**	8 796
Total change in working capital		**-7 252**	**5 081**
Net cash generated from operating activities		**-7 134**	**1 957**
Net cash used in investing activities			
Purchases of intangible assets	11	**-181**	-6 356
Proceeds from sale of tangible assets	12	**617**	409
Purchases of tangible assets	12	**-2 865**	-1 468
Transactions with non-controlling interests	13	**-**	-520
Change in interest-bearing receivables		**-19 308**	-15 079
Dividends received	8	**2 848**	17 863
Total net cash used in investing activities		**-18 889**	**-5 151**
Net cash generated from financing activities			
Dividends paid		**-5 831**	-
Purchase of own shares		**-486**	-700
Directed issue of own shares		**-**	3 119
Hybrid bond		**-**	-26 314
Loan withdrawals		**220 465**	68 737
Loan repayments		**-177 326**	-43 080
Group contributions received		**940**	-
Total net cash generated from financing activities		**37 762**	**1 762**
Change in cash and cash equivalents		**11 740**	-1 432
Cash and cash equivalents at the beginning of the period		**2 399**	2 246
Foreign exchange rate effect		**-1 695**	1 585
Cash and cash equivalents at the end of the period		**12 444**	**2 399**

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 received from the respective bank or calculated to match the currenct market price.

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. Accounting act 5.2A is followed in accordance to IFRS standards.

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	2022	2021
By destination		
North America	**28 068**	26 254
Nordic	**1 989**	1 305
Rest of Europe	**9 021**	10 008
Rest of the World	**5 906**	6 835
Total	**44 984**	**44 402**

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

3 OTHER OPERATING INCOME

EUR thousand	2022	2021
Rental income	**25**	26
Subsidiary dissolution result	**-**	5 997
Gains from sale of intangible and tangible assets	**7**	144
Access fees	**2 771**	-
Other income	**227**	110
Total	**3 029**	**6 277**

4 OTHER OPERATING EXPENSES

EUR thousand	2022	2021
Maintenance	**-1 600**	-1 258
Selling and marketing expenses	**-1 247**	-1 212
Traveling expenses	**-532**	-159
IT and telecommunication	**-1 262**	-814
Rents paid	**-715**	-563
Auditors fees and services	**-211**	-141
Freight	**-128**	-118
Sales commissions	**-89**	-110
Currency derivatives	**-465**	-741
Other expenses	**-4 678**	-6 117
Total	**-10 927**	**-11 233**

AUDITORS' FEES AND SERVICES

EUR thousand	2022	2021
Audit fees	**-211**	-141
Total	**-211**	-141

5 MATERIALS AND SERVICES

EUR thousand	2022	2021
Materials, goods and supplies		
Purchases during the financial year	**-24 839**	-23 990
Change in inventory	**385**	283
External services	**-40**	-65
Total	**-24 494**	**-23 772**

6 EMPLOYEE BENEFIT EXPENSES

EUR thousand	2022	2021
Wages and salaries	**-8 621**	-11 200
Pension costs	**-1 296**	-1 625
Other personnel expenses	**-323**	-384
Total	**-10 240**	**-13 209**
Average personnel for the period	**149**	**141**

The remuneration of the Board of Directors amounted to EUR 296 thousand (2021: EUR 310 thousand).

7 DEPRECIATION AND IMPAIRMENTS

EUR thousand	2022	2021
Depreciation of intangible assets		
Trademarks	**-704**	-551
Other intangible assets	**-28**	-32
Depreciation of tangible assets		
Buildings	**-84**	-83
Machinery and equipment	**-628**	-705
Other tangible assets	**-84**	-55
Impairments	**-**	-37
Total	**-1 528**	**-1 463**

8 FINANCIAL INCOME AND EXPENSES

EUR thousand	2022	2021
Dividend income	**3 057**	17 863
Foreign exchange gains	**3 371**	3 563
Foreign exchange losses	**-3 214**	-3 826
Impairment losses		
Non-current loan receivables	**-**	-200
Interest and other financial income		
Interest income	**4 059**	1 727
Other financial income	**5 597**	464
Interest and other financial expenses		
Interest expenses	**-3 969**	-2 957
Other financial expenses	**-1 665**	-1 370
Total	**7 236**	**15 263**

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR thousand	2022	2021
Dividend income from subsidiaries	**3 057**	17 863
Interest and other financial income		
Interest income	**3 687**	1 401
Other financial income	**-**	92
Interest and other financial expenses		
Interest expenses	**-476**	-169
Total	**6 268**	**19 187**

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR thousand	2022	2021
Translation differences recognized in net sales	**1 272**	1 072
Translation differences included in purchases and other expenses	**52**	53
Foreign exchange gains and losses in financial income and expenses	**157**	-263
Total	**1 481**	**862**

9 EXTRAORDINARY ITEMS

EUR thousand	2022	2021
Change in depreciation difference	**28**	736
Group contribution	**850**	1 690
Total	**878**	**2 426**

CHANGE IN DEPRECIATION DIFFERENCE

EUR thousand	2022	2021
Intangible assets	**-142**	-97
Buildings	**-219**	83
Machinery and equipment	**389**	750
Total	**28**	**736**

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR thousand	2022	2021
Income taxes	**-125**	-19
Taxes from previous financial years	**-38**	12
Total	**-163**	**-7**

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

11 INTANGIBLE ASSETS

2022

EUR thousand	Trade-marks	Other intangible assets	Total
Acquisition cost Jan 1	7 538	2 484	10 022
Additions	1 664		1 664
Reclassifications		74	74
Acquisition cost Dec 31	**9 202**	**2 557**	**11 759**
Accumulated amortization Jan 1	-1 479	-2 412	-3 891
Amortization during the period	-701	-31	-732
Accumulated amortization Dec 31	**-2 179**	**-2 443**	**-4 622**
Book value Jan 1	**6 059**	**72**	**6 131**
Book value Dec 31	**7 022**	**115**	**7 137**

2021

EUR thousand	Trade-marks	Other intangible assets	Total
Acquisition cost Jan 1	930	2 448	3 378
Additions	6 608	23	6 631
Reclassifications		13	13
Acquisition cost Dec 31	**7 538**	**2 484**	**10 022**
Accumulated amortization Jan 1	-928	-2 380	-3 308
Amortization during the period	-551	-32	-583
Accumulated amortization Dec 31	**-1 479**	**-2 412**	**-3 891**
Book value Jan 1	**2**	**68**	**71**
Book value Dec 31	**6 059**	**72**	**6 131**

12 TANGIBLE ASSETS

2022

EUR thousand	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	**106**	**5 085**	**20 975**	**1 792**	**1 110**	**29 067**
Additions					**2 865**	**2 865**
Disposals			**-55**		**-612**	**-667**
Reclassifications		**84**	**798**	**583**	**-1 540**	**-74**
Acquisition cost Dec 31	**106**	**5 169**	**21 718**	**2 375**	**1 824**	**31 192**
Accumulated depreciation Jan 1		**-4 351**	**-18 361**	**-1 507**		**-24 219**
Disposals			**43**			**43**
Depreciation during the period		**-84**	**-628**	**-84**		**-796**
Accumulated depreciation Dec 31		**-4 435**	**-18 946**	**-1 591**		**-24 972**
Book value Jan 1	**106**	**734**	**2 614**	**284**	**1 110**	**4 848**
Book value Dec 31	**106**	**734**	**2 772**	**784**	**1 824**	**6 220**

2021

EUR thousand	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	106	4 967	20 550	1 698	489	27 810
Additions		16	77	27	1 348	1 468
Disposals			-15	-24	-159	-198
Reclassifications		102	363	91	-569	-13
Acquisition cost Dec 31	**106**	**5 085**	**20 975**	**1 792**	**1 110**	**29 067**
Accumulated depreciation Jan 1		-4 268	-17 619	-1 452		-23 339
Depreciation during the period		-83	-705	-55		-843
Impairments			-37			-37
Accumulated depreciation Dec 31		**-4 351**	**-18 361**	**-1 507**		**-24 219**
Book value Jan 1	**106**	**699**	**2 931**	**246**	**489**	**4 472**
Book value Dec 31	**106**	**734**	**2 614**	**284**	**1 110**	**4 848**

13 INVESTMENTS

2022

EUR thousand	Shareholdings in subsidiaries	Shares in associates	Other shares	Total
Book value Jan 1	**116 679**	**4 387**	**181**	**121 248**
Disposals	**-84**	**-**	**-**	**-84**
Book value Dec 31	**116 595**	**4 387**	**181**	**121 164**

2021

EUR thousand	Shareholdings in subsidiaries	Shares in associates	Other shares	Total
Book value Jan 1	146 769	4 387	181	151 337
Additions	520	-	-	520
Disposals	-30 609	-	-	-30 609
Book value Dec 31	**116 679**	**4 387**	**181**	**121 248**

14 INVENTORIES

EUR thousand	2022	2021
Raw material	**1 776**	1 391
Work in progress	**3 060**	3 069
Finished products	**2 677**	1 705
Total	**7 513**	**6 165**

15 RECEIVABLES

EUR thousand	2022	2021
Non-current receivables		
Interest-bearing		
Loan receivables	**19 628**	16 738
Non-interest-bearing		
Derivatives	**1 064**	36
Other receivables	**372**	404
Other receivables		
Interest-bearing		
Loan receivables	**86 620**	71 196
Non-interest-bearing		
Trade receivables	**5 691**	5 798
Prepaid expenses and accrued income	**4 194**	2 915
Derivatives	**144**	135
Other receivables	**4 587**	3 242
Total	**122 300**	**100 463**

RECEIVABLES FROM SUBSIDIARIES

EUR thousand	2022	2021
Non-current receivables		
Interest-bearing		
Loan receivables	**18 916**	16 067
Interest-bearing		
Loan receivables	**86 620**	71 196
Non-interest-bearing		
Trade receivables	**5 686**	5 793
Prepaid expenses and accrued income	**3 358**	1 962
Other receivables	**4 587**	3 242
Total	**119 167**	**98 260**

16 SHAREHOLDERS' EQUITY

EUR thousand	2022	2021
Share capital Jan 1	**3 552**	3 552
Share capital Dec 31	**3 552**	**3 552**
Share premium fund Jan 1	**16 681**	16 681
Share premium fund Dec 31	**16 681**	**16 681**
Fund for invested non-restricted equity Jan 1	**4 914**	4 914
Fund for invested non- restricted equity Dec 31	**4 914**	**4 914**
Own shares Jan 1	**-2 471**	-4 890
Purchase of own shares	**-486**	-700
Directed issue of own shares	**-**	3 119
Own shares Dec 31	**-2 957**	**-2 471**
Retained earnings Jan 1	**49 789**	30 045
Dividends paid	**-5 831**	-
Retained earnings Dec 31	**43 958**	**30 045**
Net income for the period	**9 957**	19 743
Total shareholders' equity	**76 105**	**72 465**

DISTRIBUTABLE FUNDS

EUR	2022	2021
Fund for invested non-restricted equity	**4 914 371**	4 914 371
Retained earnings	**43 957 119**	30 045 145
Own shares	**-2 957 222**	-2 471 138
Net income for the period	**9 957 179**	19 743 436
Total distributable funds	**55 871 447**	**52 231 814**

PARENT COMPANY SHARE CAPITAL

	2022	2021
Shares	**39 000 000**	39 000 000
EUR	**3 510 000**	3 510 000

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

17 LIABILITIES

EUR thousand	2022	2021
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	**41 000**	51 000
Non-interest-bearing		
Derivatives	**-**	6
Current liabilities		
Interest-bearing		
Loans from financial institutions	**-**	1
Commercial paper program	**43 500**	32 000
Other current liabilities	**102 828**	62 403
Non-interest-bearing		
Derivatives	**87**	258
Advances received	**48**	1
Trade payables	**5 074**	6 115
Accrued liabilities and deferred income	**6 940**	15 780
Total	**199 477**	**167 564**

LIABILITIES TO SUBSIDIARIES

EUR thousand	2022	2021
Current liabilities		
Interest-bearing		
Other current liabilities	**53 828**	62 403
Non-interest-bearing		
Trade payables	**4 136**	5 140
Accrued liabilities and deferred income	**2 109**	4 045
Total	**60 073**	**71 588**

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

18 LEASE CONTRACTS

PARENT COMPANY AS A LESSEE

Repayment schedule of non-cancellable operating lease commitments

EUR thousand	2022	2021
Within one year	**937**	577
1-3 years	**1443**	311
3-5 years	**736**	-
Total	**3116**	**887**

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR thousand	2022	2021
On own behalf and on behalf of subsidiaries		
Guarantees	**2 107**	2037
Total	**2 107**	**2037**

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.

20 DERIVATIVES

EUR thousand	2022	2021
Currency derivatives with bank		
Fair value	**57**	-123
Nominal value	**18 128**	34 880
Interest rate derivatives		
Fair value	**1 064**	29
Nominal value	**35 000**	25 000

In 2022, changes in fair value of currency derivatives had an income statement effect of EUR 180 thousand (2021: EUR 55 thousand) and interest rate derivatives EUR 1035 thousand (2021: EUR 145 thousand).

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.

Risk management continued to receive management attention in 2022. The focus of Group level risk management in 2022 was on foreign exchange risk management as well as risk management activities on liquidity, interest rate and hazard risks. Other emphasized areas were account receivables, 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 VMC 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 VMC Group is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce 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 VMC 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. 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. 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 country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs.

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. Making new distribution agreements or terminating old agreements or changes in product offering made by the principal may affect sales and profitability of Third Party Products. The Group has several factories and various raw material and finished good suppliers. Different factories produce for the most part separate product categories and the Group is not critically dependent on any single product or raw material supplier.

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 moderate share 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.

The Board evaluates the Group's strategic risks annually 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 is also operating with own distribution in 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 2022 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 property and business interruption insurer continued to conduct annually hazard prevention reviews to Group's key factories and distribution warehouses. Group management has also continued to maintain risk awareness throughout the organization.

The Group constantly develops its 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 liability. The Group has increased its focus also on mitigating fraud risk.

The Board evaluates the Group's operational risks at least once a year. 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 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 2022, the shares traded between EUR 9.16 and 4.08 with an average price of EUR 6.46.

SHARES AND VOTING RIGHTS

On December 31, 2022, 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. The average number of shares during the financial year was 39 000 000. Each share is entitled to one vote.

There were no changes in the share capital in 2022.

BOARD'S AUTHORIZATIONS

The AGM 23 March 2022 authorised the Board of Directors 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 approximately 5.1 per cent of the company's registered total number of shares at the time of the proposal. The shares may be repurchased for developing the company's capital structure, for financing or carrying out potential corporate acquisitions or other business arrangements, to be used as a part of the company's remuneration or incentive plan or to be otherwise transferred further, retained by the company as treasury shares, or cancelled, for example. The shares may be repurchased otherwise than in proposition to the existing shareholdings of the company as directed repurchases at the market price of the shares quoted on the trading venues where the company's shares are traded or at the price otherwise established on the market at the time of the repurchase. The Board of Directors shall resolve on all other matters related to the repurchase of the company's own shares, including on how the shares will be repurchased. The authorization is in force for 18 months from the close of the Annual General Meeting i.e. until 23 September 2023.

The AGM authorised the Board of Directors to resolve on one or several share issues and the issues of special rights entitling to shares as defined in Chapter 10, Section 1 of the Companies Act, against or without consideration, as follows. By virtue of the authorisation the Board is entitled to issue up to 3 900 000 shares corresponding at present to 10 per cent of all current shares. The authorization can also be used for incentive arrangements for the management and key persons, however, not more than 900 000 shares in total. The Board would resolve on all terms and conditions of share issues and the issues of special rights. The authorization covers both the issuance of new shares and the transfer of own shares. A share issue or the issue of special rights may be executed in deviation of the shareholders pre-emptive rights to subscribe for new shares. This authorization shall be effective until 23 September 2023.

OWN SHARES

In 2022, a total of 73 655 own shares were repurchased based on the authorization granted by the Annual General Meeting. The average share price of repurchased own shares in 2022 was EUR 6.60. At the end of the year, the company held 123 891 own shares, representing 0.32% of the total number and voting rights of shares. The cumulative average share price of all repurchased own shares held by the company was EUR 7.41.

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

On March 25, 2021, the Board of Directors of Rapala VMC Corporation decided to establish two new share-based incentive plans. The aim of the plans is to align the objectives of the shareholders and the plan participants for increasing the value of the company in the long-term, to retain the participants at the company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

Details of share-based incentive plans are given on note 29.

MANAGEMENT SHAREHOLDING

On December 31, 2022, the members of the Board and the Executive Committee held directly a total of 225 370 company shares, corresponding to 0.6% of all shares and voting rights. Details of management shareholdings are given on page 57.

TRADING AND PERFORMANCE OF THE COMPANY'S SHARES

The company share (RAP1V) is quoted on the Nasdaq Helsinki. The closing price on December 31, 2022 was EUR 5.00. The highest price in 2022 was EUR 9.16, the lowest price EUR 4.08 and the average price EUR 6.46. A total of 2 792 052 company's shares were traded in 2022. This represents 7.2% of all shares on December 31, 2022.

At the end of 2022, the market capitalization of all outstanding shares, excluding own shares, was EUR 194.4 million. Earnings per share (basic) were EUR 0.10 (EUR 0.45 in 2021). For more share related key figures see page 9.

DIVIDEND

The Board proposes to the AGM that a dividend of EUR 0.04 per share will be paid for the financial year 2022.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2022

Shareholders	Number of shares	%
Viellard Migeon & Cie *	15 281 456	39.2
Nordea Funds	5 130 588	13.2
The State Pension Fund	1 290 000	3.3
Shimano Singapore Private Limited	889 680	2.3
Ilmarinen Mutual Pension Insurance	292 007	0.7
eQ Nordic Small Cap	260 866	0.7
Coble James Jay	225 000	0.6
Aktia Capital Fund	220 000	0.6
Taaleri Funds	200 000	0.5
Elo Mutual Pension Insurance	155 000	0.4
Atavus Oy	145 523	0.4
Other shareholders total	14 909 880	38.2
Total number of shares	**39 000 000**	**100.0**

* Viellard Migeon & Cie's holds together with its subsidiary De Pruines Industries 15 386 766 shares, representing 39.5% of total number and the total voting rights of shares.

SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2022

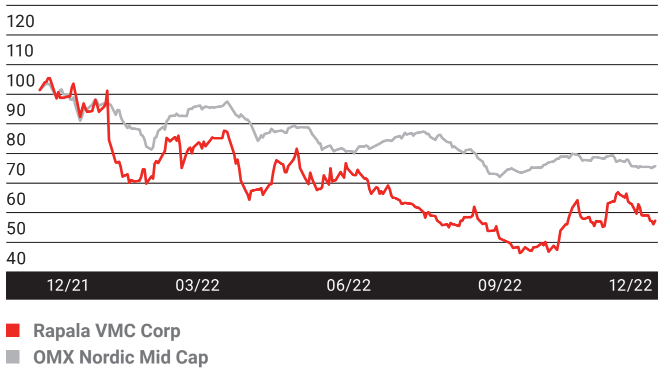
Shareholder category	Number of shares	%
Private and public corporations	1 001 357	2.6
Financial and insurance companies	5 640 265	14.5
Public institutions	1 737 307	4.5
Non-profit organizations	95 537	0.2
Individuals	2 870 161	7.4
International shareholders	16 431 920	42.1
Administrative registrations	11 223 453	28.8
Total	**39 000 000**	**100.0**

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2022

Number of shares	Number of shareholders	%	Total shares	%
1 - 100	3 367	50.9	141 931	0.4
101 -500	2 150	32.5	551 116	1.4
501 - 1 000	572	8.6	451 866	1.2
1 001 - 10 000	458	6.9	1 236 026	3.2
10 001 - 1 000 000	65	1.0	4 635 195	11.9
1 000 001 -	4	0.1	31 983 866	82.0
Total	**6 616**	**100**	**39 000 000**	**100**

Number of shares includes 123 891 own shares held by the parent company.

SHARE PRICE IN 2022, %



SHARE PRICE DEVELOPMENT IN 2018-2022, EUR

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

The current members of the Board and their shareholdings on 31.12.2022 are:

Louis d'Alançon

President and Chief Executive Officer since November 16, 2022
Chairman of the Board since 2018
Board member since 2017
M.Sc. Civil Engineering, Major in Economy and Finance
Year of birth 1959
Shareholding*: 9 000

Jorma Kasslin

Board member since 1998
Chairman of the Board 2016-2018
M.Sc. (Eng.)
Year of birth: 1953
Shareholding and options *: 26 878

Emmanuel Viellard

Board member since 2000
Chairman of the Board 2005-2016
President of Viellard Migeon & Cie
CEO of LISI
MBA, CPA
Year of birth: 1963
Shareholding and options *: 2 000

Marc Speeckaert

Board member since 2005
MBA
Year of birth: 1951
Shareholding and options *: 4 500

Julia Aubertin

Board member since 2014
M.Sc. (EDHEC)
Year of birth: 1979
Shareholding and options *: -

Vesa Luhtanen

Board member since 25.3.2020
Bachelor of Science in Business Administration
Year of birth: 1961
Shareholding and options *: -

* Shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies.

EXECUTIVE COMMITTEE

The President and Chief Executive Officer Louis d'Alançon acts as the Chairman of the Executive Committee.

The members of the Executive Committee and their shareholdings on 31.12.2022 are:

Louis d'Alançon

President and Chief Executive Officer since November 16, 2022
Chairman of the Board since 2018
Board member since 2017
M.Sc. Civil Engineering, Major in Economy and Finance
Year of birth 1959
Shareholding*: 9 000

Olli Aho**

Executive Vice President, General Counsel, Investor Relations and Secretary of the Board
Executive Committee member since 1998
Master of Laws
Year of birth: 1959
Shareholding and options *: 26 625

Stanislas de Castelnau

Executive Vice President, Head of Operations
Executive Committee member since 2002
Engineer
Year of birth: 1963
Shareholding and options *: 21 771

Victor Skvortsov

Executive Vice President Distribution in Russia, Belarus, Kazakhstan
Executive Committee member since 2013
Engineer
Year of birth: 1962
Shareholding and options *: 38 853

Cyrille Viellard

Executive Vice President, and President of VMC Peche
Executive Committee member since 2015
MBA, ESSEC
Year of birth: 1977
Shareholding and options *: 26 625

Arto Nygren

Executive Vice President, Lure Manufacturing
Executive Committee member since 2017
Bachelor's degree in mechanical engineering
Year of birth: 1965
Shareholding and options *: 36 540

Jan-Elof Cavander

Chief Financial Officer
Executive Committee member since 2017
Master of Science (Technology)
Year of birth: 1985
Shareholding*: 26 625

Jean-Philippe Nicolle

Executive Vice President, Head of European Distribution
Executive Committee member since 2020
Executive MBA, Business School ICS, Paris and CPA
Year of birth: 1968
Shareholding*: 3 279

David Neill

Executive Vice President, Product Development & Innovation
Executive Committee member since 2020
Bachelor of Commerce
Year of birth: 1973
Shareholding*: 1 101

Enrico Ravenni

Executive Vice President, Head of Distribution in APAC countries and Global Rods, Reels and Lines Product Development & Innovation
Executive Committee member since 2020
Year of birth: 1966
Shareholding*: 1 573

Marcus Twidale

Executive Vice President, Head of Distribution in USA
Executive Committee member since 11.5.2021
Year of birth: 1965
Shareholding*: -

* Shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies.
** Olli Aho departed the Executive Committee on December 31, 2022. Lars Ollberg departed the Executive Committee on May 31, 2022.

SIGNATURES FOR THE REPORT OF BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, February 10, 2023

Louis d’Alançon,
Chairman of the Board and President and CEO

Emmanuel Viellard

Jorma Kasslin

Marc Speeckaert

Vesa Luhtanen

Julia Aubertin

THE AUDITOR’S NOTE

A report on the audit performed has been issued today.
Helsinki, March 2, 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Rapala VMC Corporation

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rapala VMC Corporation (business identity code 1016238-8) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
REVENUE RECOGNITION **We refer to accounting principles for the consolidated accounts and note 2 (Segment information).** The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognized before the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Due to the subsidiaries being relatively independent, their management may also have an opportunity to overstate revenues. Based on above correct timing of revenue recognition was a key audit matter. Correct timing of revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others: ▪ Assessing the Group's accounting policies over revenue recognition against applicable accounting standards. ▪ Familiarizing ourselves with the Group's different revenue streams and sales processes, partly by applying data-analytical methods. ▪ Testing the cut-off of revenue with analytical procedures supplemented with tests on a transaction level either side of the balance sheet date. ▪ Evaluation of the appropriateness of the Group's disclosures in respect of revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
VALUATION OF GOODWILL AND INTANGIBLE ASSETS **We refer to accounting principles for the consolidated accounts and note 11 (Intangible assets).** At the balance sheet date, the value of goodwill and intangibles amounted to 84.7 M€ (80.8 M€) representing 25.1% % (25.6 %) of the total assets. Procedures regarding management's annual impairment test were a key audit matter because the valuation includes estimates. The Group management use assumptions in respect of future market and economic conditions such as revenue and margin developments. Valuation of goodwill and intangible assets was also a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to valuation of goodwill and intangible assets included among others: ▪ Involvement of EY valuation specialists to assist us in evaluating methodologies, impairment calculations and underlying assumptions applied by the management in impairment testing. ▪ Testing of the mathematical accuracy of the impairment calculations. ▪ We focused on how much recoverable amounts exceeded the carrying amounts of cash-generating units, and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. ▪ We assessed the adequacy of the Group's disclosures about goodwill and intangible assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
VALUATION OF INVENTORIES **We refer to accounting principles for the consolidated accounts and note 17 (Inventories).** Inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss recognized for obsolete and slow-moving inventories. At the balance sheet date, the total value of inventory and related provision for obsolete goods amounted to 106.5 M€ and -6.6 M€, respectively (net 99.9 M€). Valuation of inventories was a key audit matter because the carrying value of inventories and related provisions are material to the financial statements, and because valuation of inventories requires management assessment relating to future sales and the level of provision for obsolete goods.	Our audit procedures included among others: ▪ Assessing the Group's accounting policies regarding inventory allowances against applicable accounting standards. ▪ Evaluating the analyses and assessments made by management with respect to obsolete and slow-moving inventories, the expected demand and market value related to the items. ▪ Assessing the adequacy of the Group's disclosures on inventories in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 5.4.1995, and our appointment represents a total period of uninterrupted engagement of 28 years. Rapala VMC Corporation has been a public interest entity since 4.12.1998.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, March 2, 2023

ERNST & YOUNG OY

Authorized Public Accountant Firm

Mikko Järventausta

Authorized Public Accountant

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