2023

FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF DIRECTORS

MARKET ENVIRONMENT

In 2023, operating environment remained tough due to the global economic slowdown and high inflation. Slowdown caused retailers to focus on managing their inventories and caused unpredictability in their ordering patterns. This destocking continued throughout the year but started to ease in the latter part of the year. Consumer spending remained tight due to high inflation and impacted especially higher ticket item sales. Sports fishing also competed with other recreational activities which were previously restricted by the covid restrictions.

KEY FIGURES

EUR million	**2023**	2022	2021
Net sales	**221.6**	274.4	294.3
Operating profit before depreciation and impairments (EBITDA)	**15.6**	23.6	42.0
Operating profit	**4.0**	12.3	32.1
as a percentage of net sales, %	**1.8**	4.5	10.9
Comparable operating profit	**5.6**	15.3	32.7
as a percentage of net sales, %	**2.5**	5.6	11.1
Profit/loss before taxes	**-6.7**	8.8	28.0
Net profit/loss for the period	**-7.3**	3.7	19.8
Earnings per share	**-0.20**	0.10	0.45
Employee benefit expenses	**61.7**	71.5	71.6
Average number of personnel, persons	**1 436**	1 704	1 792
Research and development expenses	**0.8**	1.3	1.2
as a percentage of net sales, %	**0.4**	0.5	0.4
Net cash generated from operating activities	**20.6**	-12.9	24.4
Total net cash used in investing activities	**9.5**	10.7	22.7
Net interest-bearing debt at the end of the period	**80.9**	107.1	70.6
Equity-to-assets ratio at the end of the period, %	**52.1**	41.2	44.2
Debt-to-equity ratio (gearing) at the end of the period, %	**51.8**	77.0	50.7
Return on equity, %	**-5.0**	2.7	14.0

BUSINESS REVIEW

The Group's net sales for the year were 19% below the comparison period with reported translation exchange rates. Changes in translation exchange rates had a slight negative impact on the sales and with comparable translation exchange rates, net sales were down by 17% from the comparison period.

North America

Sales in North America decreased by 16% from the comparison period with reported translation exchange rates and decreased by 14% with comparable translation exchange rates. Majority of the drop comes from sales of Third Party Products following a strategic decision in December 2022 to outsource the supply chain function of 13 Fishing products sold to DQC International (13 Fishing USA). Another negative impact relates to ice fishing category in which poor ice conditions in 2022/23 season impacted retail sell-through and replenishment sales. This also had knock-on impact to pre-season shipments for 2023/24 season.

Excluding the above factors, sales increased by 10% with comparable translation exchange rates. Growth came from resilient consumer demand for core products such as lures, fishing lines and accessories. Acquisition of DQC International in July 2023 had a positive impact on the consolidated sales even though the rod and reel segment in general remained tough.

Nordic

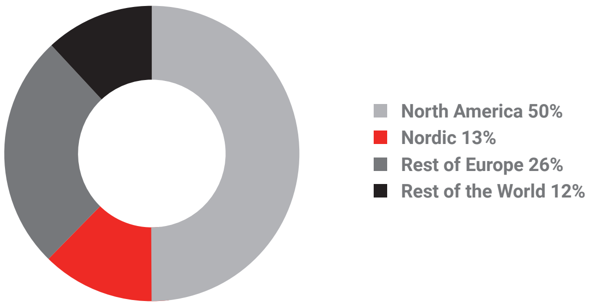
Sales in the Nordic market decreased by 29% from the comparison period. With comparable translation exchange rates sales were down by 28%. Retail destocking continued for a good part of the year but started normalizing towards the end of the year. High retail inventories and high inflation hit the sales of summer fishing items and continued to limit replenishment sales in the latter part of the season.

Poor retail sell-through in ski business, after record-high deliveries in H2 of 2022, had a significant negative impact on replenishment sales in early part of the year. This also had a knock-on impact to pre-season deliveries in H2. Favorable weather conditions at the end of the year helped to gain back some of the lost pre-season sales.

Discontinuation of Third Party distributorships reduced the sales of this segment by 1 MEUR.

EXTERNAL NET SALES BY AREA

EUR million	**2023**	2022	Change %	Comparable change %
North America	**110.6**	132.2	-16%	-14%
Nordic	**27.8**	38.9	-29%	-28%
Rest of Europe	**57.1**	70.6	-19%	-17%
Rest of the World	**26.1**	32.7	-20%	-18%
Total	**221.6**	**274.4**	**-19%**	**-17%**



Rest of Europe

Sales in the Rest of Europe market decreased by 19% from the comparison period. With comparable translation exchange rates sales were down by 17% from the previous year. As in Nordics, the destocking at retail level continued for a good part of the year but started showing signs of normalization towards the end of the year. In Group Products segment, hook sales were down as hooks are supplied to other manufacturers in the beginning of the normalizing value chain. Okuma sales decreased due to retailers remaining cautious with allocating purchases towards high-ticket items and relying more on supplier inventories.

The largest drop in sales come from discontinued Third Party distributorships which explain 4 MEUR of the drop.

Rest of the World

With reported translation exchange rates, sales in the Rest of the World market decreased by 20% from the comparison period. With comparable translation exchange rates, sales decreased by 18% compared to the previous year. Consumers remained cautious throughout the year and discretionary spending remained low. Sales decline came evenly from all product categories. As a highlight of the area, Australia and Brazil came out strong. China and neighboring markets witnessed increased competition from local brands as Chinese fishing tackle manufacturers searched for ways to utilize unused capacity.

FINANCIAL RESULTS AND PROFITABILITY

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit decreased by 9.7 MEUR from the comparison period. Reported operating profit decreased by 8.3 MEUR from the previous year and the items affecting comparability had a negative impact of 1.6 MEUR (3.0) on reported operating profit.

Comparable operating profit margin was 2.5% (5.6) for the year. The decreased profitability compared to the previous year was driven by lower sales both in open water market and in winter businesses. Production transfer from Vääksy and Sortavala to Pärnu increased costs temporarily and this is expected to normalize in 2024. The 6 MEUR savings program is being implemented according to plan and full impact is expected to be realized in 2024, although part of the benefit will be offset by inflationary cost increases.

Reported operating profit margin was 1.8% (4.5) 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 -1.9 MEUR (-3.2). These expenses come from restructuring of the Helsinki headquarters and expenses from integration of DQC International (13 Fishing) fully to the existing US distribution operations.

Total financial (net) expenses were 10.7 MEUR (3.5) for the year. Net interest and other financing expenses were 9.9 MEUR (3.6) and (net) foreign exchange expenses were 0.8 MEUR (0.0).

Net profit for the year decreased by 11.0 MEUR and was -7.4 MEUR (3.7) and earnings per share was -0.20 EUR (0.10).

BRIDGE CALCULATION OF COMPARABLE OPERATING PROFIT

EUR million	2023	2022	Change %
Operating profit	**4.0**	12.3	-67%
Items affecting comparability			
Mark-to-market valuations of operative currency derivatives	**-0.2**	-0.2	
Other items affecting comparability			
Finnish restructuring	**0.8**	-	
US restructuring	**0.8**	-	
Russia restructuring	**0.0**		
Organizational restructurings	**0.3**		
Other restructurings	**0.0**	0.2	
Comparable operating profit	**5.6**	**15.3**	**-63%**

SEGMENT REVIEW

Group Products

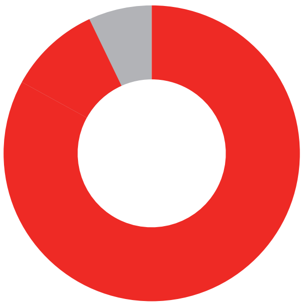
With comparable translation exchange rates, Group Products sales decreased by 14.7 MEUR from the comparison period. Slow sales in H1 were a result of macroeconomic headwinds resulting in consumer cautiousness and wide destocking among retailers. The drop in sales was evident across most categories. As the destocking started easing halfway of 2023, most open water categories evidenced growing demand in the latter part of the year. As a positive note, sales of consumable type products such as lures, fishing lines and baits reached prior year sales level. Ice fishing and winter sports sales remained tough throughout the year. Poor retail sell-through in 2022/23 season was caused by adverse weather conditions and consumer cautiousness. This impacted replenishment sales in the beginning of the year and had a knock-on impact on pre-season deliveries in the latter part of the year. Favorable winter weather in Finland helped to gain some of the lost sales at the end of the year.

Third Party Products

With comparable translation exchange rates, Third Party Products sales were 30.7 MEUR below the comparison period. 13 MEUR of the drop is explained by outsourcing of supply chain function of 13 Fishing products. Before outsourcing, supply of 13 Fishing products to then associated company DQC International were recorded as sales. Rest of the sales drop comes from terminations of Third Party distributorships and from decline in winter business sales as highlighted under chapter Group Products.

NET SALES BY OPERATING SEGMENT

EUR million	2023	2022	Change %	Comparable change %
Group Products	**208.1**	228.4	-12%	-10%
Third Party Products	**13.6**	46.0	-56%	-54%
Total	**221.6**	274.4	-19%	-17%



COMPARABLE OPERATING PROFIT BY OPERATING SEGMENT

EUR million	2023	2022	Change %
Group Products	**5.1**	15.0	-66%
Third Party Products	**0.6**	0.3	80%
Total comparable operating profit	**5.6**	**15.3**	**-63%**
Items affecting comparability	**-1.6**	-3.0	-45%
Total operating profit	**4.0**	**12.3**	**-68%**

FINANCIAL POSITION

Cash flow from operations increased by 33.5 MEUR from the comparison period and was 20.6 MEUR (-12.9). Lower profitability and high financial costs burdened cash flow but relentless focus on cash generation and driving down inventory levels resulted in a positive result. During the year, 9.9 MEUR was released from working capital, while last year 28.7 MEUR was tied in working capital.

End of the year inventory in 2023 was 87.5 MEUR (99.9). The change in obsolescence allowance decreased inventory value by 0.7 MEUR, and changes in translation exchange rates decreased inventory value by 2.2

MEUR. Acquisition of DQC International increased inventory by some 3 MEUR. Resolving retail level destocking and manufacturing capacity adjustments started to show results in the second half of the year and inventory decreased by 11.0 MEUR from June to December.

Net cash used in investing activities decreased from the comparison period amounting to 9.5 MEUR (10.7). Capital expenditure was 9.5 MEUR (11.5) and disposals 1.4 MEUR (0.8). Significant part of the expenses relate to the production transfers from Russia and from Finland to the Rapala VMC campus in Pärnu, Estonia. Prior year capital expenditure includes expenses related to the Russian production transfer to Estonia.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 35.0 MEUR at the end of the year. Gearing ratio decreased and equity-to-assets ratio increased from last year following the issuance of a 30 MEUR hybrid capital bond. See section "Issuance of Hybrid Bond" for more details.

In September 2023, the Group and the lending banks agreed to waive the quarterly Q3 financial covenant testing until terms of the upcoming refinancing have been agreed upon. The Q3 covenant testing eventually became void as the new syndicated refinancing agreement was signed on November 29. At year-end, the leverage ratio covenant landed at 4.92 (limit 6.00) and net debt landed at 81.6 MEUR (limit 95 MEUR). 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 20.0 MEUR at December 31, 2023.

For more information on refinancing and hybrid bond, see sections 'Refinancing' and 'Issuance of Hybrid Bond'.

KEY FIGURES

EUR million	2023	2022	Change %
Net cash generated from operating activities	**20.6**	-12.9	-259%
Net interest-bearing debt at the end of the period	**80.9**	107.1	-24%
Debt-to-equity ratio (gearing) at the end of the period, %	**51.8**	77.0	-33%
Equity-to-assets ratio at the end of the period, %	**52.1**	41.2	27%

Refinancing

On November 29, 2023, the Group signed new financing agreement regarding 106 MEUR senior secured term and revolving facilities with OP Corporate Bank plc, Skandinaviska Enskilda Banken AB and Nordea Bank Abp as underwriters of the facilities for the purposes of refinancing the Group's existing loan facilities with the lenders and for general corporate purposes. The financing agreement consists of a 46 MEUR term loan facility and a 60 MEUR revolving credit facility. The term of the facilities is 15 months from the signing of the facilities agreement, subject to two extension options of 12 months each.

The terms of the agreement include financial covenants based on the available liquidity (minimum 22.5 MEUR), 12m rolling EBITDA (minimum 10 MEUR), net debt to consolidated equity (maximum 100%), absolute net debt, and net debt to EBITDA ("leverage ratio"). The absolute net debt covenant is effective for Q4/2023, Q1/2024, Q2/2024 and Q3/2024 testing periods and the maximum allowed amount is 95 MEUR, 90 MEUR, 80 MEUR and 80 MEUR, respectively. The financial leverage ratio covenant levels have been set at 6.00 for Q4/2023, 5.50 for Q1/2024, 4.25 for Q2/2024 and return to normal level of 3.80 from Q3/2024 onwards. Covenants are regularly tested, either quarterly or on the last date of each month. The risk of breaching the covenants would trigger negotiations between the Group and lending banks to resolve the potential covenant breach, and to agree on actions to rectify the situation. In the unlikely event of unresolved covenant breach, the lending banks would have the right to call all or any part of the loans and related interest.

Issuance of Hybrid Bond

On November 22, 2023, The Group announced the issuance of a hybrid capital securities in the aggregate amount of 30.0 MEUR with a fixed coupon interest rate of 12.5% per annum until 29 November 2026 (the "Reset Date") and, from the Reset Date, a floating interest rate (3m Euribor + Re-offer Spread 9.249% + step-up of 500 bps). Payment of the interest is deferrable subject to certain restrictions. The hybrid bond does not have a specified maturity date, but the Group is entitled to redeem the hybrid bond at their nominal amount on the Reset Date, and subsequently, on each interest payment date thereafter.

The hybrid bond is subordinated to the Group's other debt obligations and treated as equity in the consolidated financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and do not dilute the holdings of the current shareholders.

The proceeds from the issue were used for general corporate purposes, including supporting the Group's balance sheet, cash balance and improving its financial flexibility amid challenging trading environment.

STRATEGY IMPLEMENTATION

The strategic vision of the Group is to become a focused Group Brand and innovation driven sport fishing market leader in lures, hooks and accessories globally in connection to creating outstanding experiences to global fishermen. The revitalized "Together. One More Turn" – strategy for 2024-2026 was implemented in Autumn 2023 with a strong initiative to improve profitability and working capital management while maintaining and strengthening the focus on sales, customers and consumers. In addition, SKU & category management, operational excellence and training and education of our employees continues to be the core of our priorities.

To support the execution and implementation of the "Together. One More Turn" – strategy the Group established a project called "Restore Success" which focuses on six key improvement initiatives ensuring a successful turnaround. These initiatives focus on profitability and working capital management (One More Turn) as well supporting a sustainable sales growth.

The fundamental elements of our revitalized 2024-2026 strategic plan have not changed from the previous One Rapala VMC strategy. The six building blocks are all interconnected and shared around the Group in all business units.

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.

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. The new e-commerce platform underlines the Group's ambition to become more directly connected with consumers.

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 Relationship Service. During the year the Group has implemented new B To B platform in different languages.

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.

OPERATIONS & FINANCE - The Group continues to invest in its operations to make a step-change in operational excellence, to improve working capital efficiency.

In the second half of 2023 the Group continued to streamline and harmonize operations and fully completed the centralization of manufacturing operations to Pärnu. Reduction of the Group's working capital and streamlining of our portfolio progressed in a challenging market environment. In the second half of 2023 Group also made the first shipments of the new Crush City product launch which has proven to be very successful in the early stages. The formalization of the new revitalized strategic plan was completed in Q4 2023 and the implementation has started from January 2024 onwards.

PRODUCT DEVELOPMENT

Rapala VMC kicked the second half of 2023 in a big way receiving major awards at two of the world's largest Fishing Tackle Trade shows. At ICAST in Orlando Florida, Rapala VMC was awarded "Best of Show" in Terminal Tackle for the VMC Swinging Ned Jig - a great win for VMC within the Bass category. Shortly thereafter another huge win was taken at AFTA in Australia, where all new Rapala CrushCity "Imposter" was awarded "Best New Soft Plastics" and "Consumers Choice Award".

Overall, 2023 closed on a high note for our core brands. Despite challenging market conditions in many regions core brands continued to grow with the support of aggressive 2024 product pipelines that commenced shipping to retail in early in Q4. CrushCity soft plastics led the way by providing a substantial uplift to Rapala lure sales in the key regions that got a jumpstart on the launch. Strategically Rapala entered the Soft Plastics category to drive new incremental business in lures, which was clearly realized with strong initial shipments to major customer in late 2023. The soft plastics outlook for 2024 is extremely positive.

Rapala VMC also started shipping several new and exciting products under its flagship brands. One standout was the Jigging Rap Magnum which was designed specifically for the rapidly advancing techniques in forward facing sonar. Rapala is working across all of its brands to front-run the adoption of this trend. Other successful introductions included the Rapala Mavrik and ShadRap Elite. From VMC we saw the highly successful launch of the Redline Series.

In rod and reel category, a continued European product rationalization for Okuma is in full swing to ensure the existing product ranges are optimized for the key market and fisheries. In addition to this streamlining there were notable new Okuma introductions, including all new Inspira Spinning reels. With the full acquisition of 13 Fishing completed in late 2023 plans to fully revitalize and re-launch the core categories of Rods, Reels & Combos have begun. However a deeper integration with Rapala USA sales, marketing and product development teams took shape much earlier in the year. The focus was on both updating and streamlining the US range in preparation for a more refined and focused approach in 2024 and beyond. Deep collaboration between these teams resulted in an incredibly strong multi-year product pipeline which will first be launched to the trade in April 2024.

Based on the relatively strong performance of our "core" brands during less-than-optimal market conditions the outlook is strong with a continued aggressive product pipeline and road map through next 3-5 years of new product introduction cycles. The global product development team is well integrated and working in a deeply collaborative way with our sales and marketing departments leading to a dynamic, all-encompassing approach to product development and strong market utilization across the brand portfolio.

SUSTAINABILITY

Looking at our sustainability work in 2023, our focus was on adapting and preparing for the future. The major step was redefining the Group's sustainability strategy, named the Strategy of Constant Improvement, as part of the overall new business strategy. Our target is to be an industry leader in terms of sustainability work integrating sustainability work to our processes. Commitment to constant improvement echoes the significance of incremental progress, as the little streams make the big rivers. This strategy update not only better mirrors our position, and the aspirations for sustainability actions but also addresses the evolving landscape of sustainability-related legislation and requirements.

In tandem, we revisited the roadmap to achieve our predefined sustainability goals, aligning them more closely with the Group's financial situation and allowing greater flexibility in product development costs. Despite these revisions, great achievements were achieved. The year 2023 saw a significant shift in Rapala manufacturing methods as we reached a key milestone: over 90% of Rapala lure models are currently lead free. This feat required hundreds of hours of work from a team of Product Designers, Production Engineers, and Procurement Specialists. On the other hand, with the Williamson branded products we transitioned essentially to 100% of the global product range to plastic free packaging. All packages from the global Williamson range were re-designed, a process that took over two years to complete, involving over 900 SKUs. Based on recent sales history this action should reduce our plastic stream into the marketplace by two metric tons annually. Another full-scale sustainability leap, providing a more sustainable option for the consumer, we are proud of!

Moving on, we updated the Group's sustainability-related guidance documents, including the Supplier Code of Conduct, based on recent experiences. Additionally, we fine-tuned processes related to the procurement of conflict minerals (wolfram) and timber, aligning the latter with the EU Timber Regulation. Our preparation extended to the impending extended producer responsibility for fishing gear, in line with the European Union directive scheduled for implementation in the coming years across the EU-countries.

Also, to respond to the reporting requirements of the EU Corporate Sustainability Reporting Directive (CSRD), the Group conducted a double materiality analysis. To streamline Group-wide data collection and reporting, we introduced groupwide sustainability data software. The Group will publish a considerably more comprehensive sustainability report of the year 2023 than before and invest on meeting the full requirements of CSRD during 2024. The Group will also revise its taxonomy reporting as manufacture of electrical and electronic equipment has been included in the new taxonomy activities under the environmental objectives. Rapala VMC sources various fishing related low voltage appliances such as well known and reputable electronic filleting knives and electronic ice drills.

Simultaneously, a cross-functional risk assessment group has updated the internal analysis of sustainability-related business risks. Presently, we specifically consider climate change and its implications, such as effects on fish stocks and winter sports, as well as shifting attitudes towards recreational fishing, and their potential impact on the Group's reputation, as material risks. Employee well-being and commitment is also on the focus as competitive advantage to be nurtured. Our sustainability strategy aims to respond to and address the identified sustainability-related business risks and potential risks are assessed constantly.

As a subsequent event in early 2024 the Group nominated a new Senior Sustainability Manager who will drive the sustainability work within the Group to the next level. In addition to the sustainability reporting induction, Group's sustainability function will emphasize even stronger sustainability communications during reporting year 2024.

ORGANIZATION AND PERSONNEL

The average number of personnel was 1 436 (1 704) for the full year and 1 389 (1 636) for the last six months. At the end of December, the number of personnel was 1 374 (1 543), decrease coming mainly from Russia, Finland and Indonesia.

Jean-Philippe Nicolle, who is already a member of the Global Management Team and currently the Chief Financial Officer, has been appointed as Chief Operating Officer responsible for Business Performance, Finance Controlling and Internal Auditing as of January 1, 2024.

Miikka Tarna has been appointed as a member of Global Management Team and Chief Financial Officer as of January 1, 2024. Tarna has worked for the Rapala VMC Group since 2010 and is currently Deputy Chief Financial Officer.

Tuomas Akkanen has been appointed as a member of Global Management Team and Executive Vice President, Head of Group Supply Chain and Winter Sports as of January 1, 2024. Akkanen has worked for the Rapala VMC Group since 2017 and is currently head of Group Supply Chain and Winter Sports.

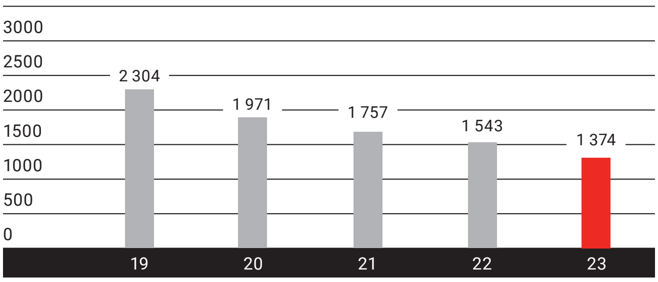
Päivi Ohvo has been appointed as a member of Global Management Team and Executive Vice President, Human Resources, as of January 1, 2024. Ohvo has worked for the Rapala VMC Group since 2005 and is currently head of HR and the Managing Director of Marttiini Oy.

Tuomo Leino has been appointed as a member of Global Management Team and Executive Vice President, General Counsel as of January 1, 2024. Leino has worked for the Rapala VMC Group since 2019 and is currently Group's General Counsel, Secretary of the Board and Head of Sustainability.

Joni Tuominen has been appointed as a member of Global Management Team and Executive Vice President, Global Business Development and IT as of January 1, 2024. Tuominen has worked for the Rapala VMC Group during 2011-2015 and since 2018 and is currently heading the Group's Global Business Development function.

All persons referred above report directly to President and Chief Executive Officer Lars Ollberg.

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.

REPORTING OF NON-FINANCIAL INFORMATION

More comprehensive information on the Group's sustainability efforts in 2023 has been published on the company's website in a separate sustainability report and in the corporate governance statement.

The effects of climate change has been taken into account in the financial statements through management assessments related to cash flow forecasts used in impairment testing, investments, operational logistics costs and supply chains.

SHORT-TERM OUTLOOK AND RISKS

Trading outlook for 2024 is improving as evidenced by better operational performance in the second half of 2023. Retail inventories are finally returning to regular levels allowing normalized flow of goods to the market. The North American economic outlook is still somewhat cautious; however, consumer discretionary spending is steadier with a bigger appetite for consumer goods rather than bigger ticket durable items. The ice fishing business in North America experienced its second year of poor ice conditions which will have negative impact on the presales of the season 2024/2025. In Europe, consumer discretionary spending remains cautious, and retailers are shifting more to in-season purchases and lower presales commitments, relying more on supplier inventories.

In operations, year 2024 will be the first full year of centralized manufacturing operations in our Pärnu facility. At the same time our European distribution operations are engaged in improving profitability and efficiency, and the focus is to further streamline and integrate the two major logistics hubs for North and South Europe. Lastly, full integration of 13 Fishing products into our strong US sales network is expected to release synergies.

Consequently, the Group expects 2024 full year comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to increase from 2023.

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 no dividend will be paid for 2023. At December 31, 2023 the distributable equity in Group's parent company totaled 33.3 MEUR.

There have been no material changes in the parent company's financial position since 31 December 2023, the liquidity of the parent company remains good and the proposed dividend 0.00 does not risk the solvency of the company.

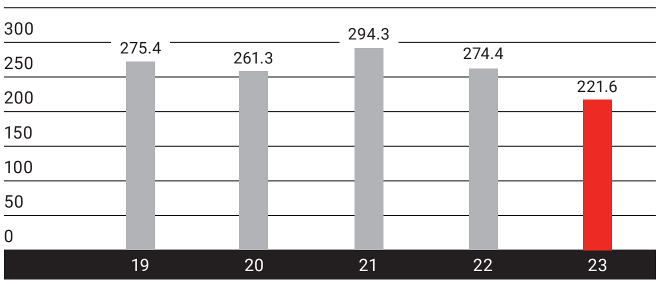
EVENTS AFTER THE BALANCE SHEET DATE

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

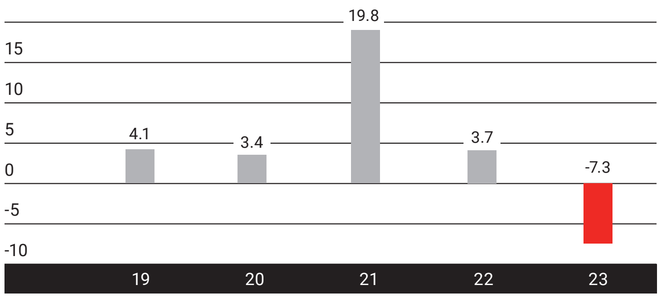
KEY FINANCIAL FIGURES

		2023	2022	2021	2020	2019
Scope of activity and profitability						
Net sales	EUR million	**221.6**	274.4	294.3	261.3	275.4
Operating profit before depreciation and impairments	EUR million	**15.6**	23.6	42.0	26.2	26.0
as a percentage of net sales	%	**7.0**	8.6	14.3	10.0	9.4
Operating profit	EUR million	**4.0**	12.3	32.1	10.7	13.4
as a percentage of net sales	%	**1.8**	4.5	10.9	4.1	4.9
Profit/loss before taxes	EUR million	**-6.7**	8.8	28.0	6.6	9.8
as a percentage of net sales	%	**-3.0**	3.2	9.5	2.5	3.6
Net profit/loss for the period	EUR million	**-7.3**	3.7	19.8	3.4	4.1
as a percentage of net sales	%	**-3.3**	1.4	6.7	1.3	1.5
Attributable to						
Equity holders of the Company	EUR million	**-7.3**	3.7	18.2	2.5	4.4
Non-controlling interest	EUR million	**-**	-	1.5	1.0	-0.4
Capital expenditure	EUR million	**11.4**	11.5	14.0	5.0	5.6
as a percentage of net sales	%	**5.2**	4.2	4.8	1.9	2.0
Research and development expenses	EUR million	**0.8**	1.3	1.2	1.1	1.7
as a percentage of net sales	%	**0.4**	0.5	0.4	0.4	0.6
Net interest-bearing debt at the end of the period	EUR million	**80.9**	107.1	70.6	45.2	74.6
Capital employed at the end of the period	EUR million	**237.2**	246.1	209.8	188.2	226.2
Return on capital employed (ROCE)	%	**1.6**	5.4	16.1	5.2	6.0
Return on equity (ROE)	%	**-5.0**	2.7	14.0	2.3	2.7
Equity-to-assets ratio at the end of the period	%	**52.1**	41.2	44.2	52.5	52.4
Debt-to-equity ratio (gearing) at the end of the period	%	**51.8**	77.0	50.7	31.6	49.2
Average personnel for the period	Persons	**1 436**	1 704	1 792	2 105	2 604
Personnel at the end of the period	Persons	**1 374**	1 543	1 757	1 971	2 304

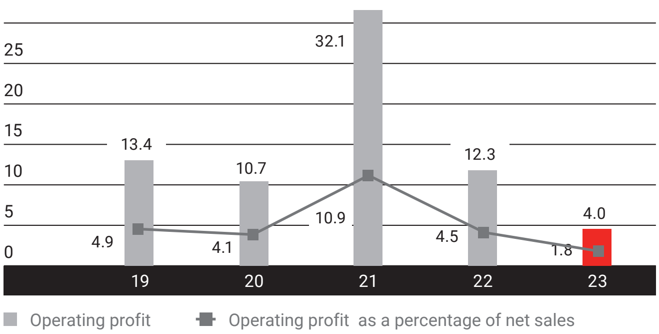
NET SALES, EUR million



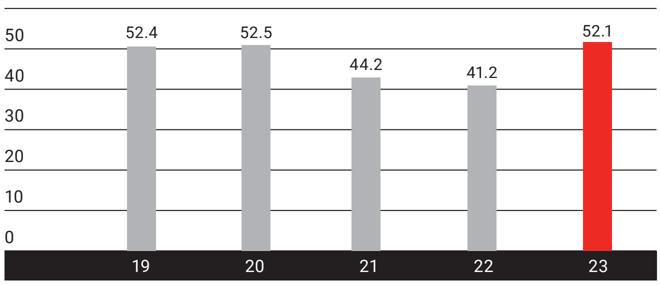
NET PROFIT/LOSS FOR THE PERIOD, EUR million



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



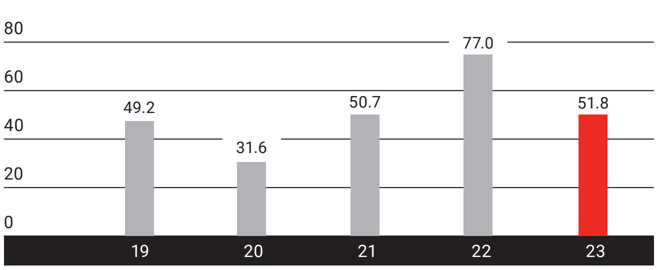
EQUITY-TO-ASSETS RATIO, %



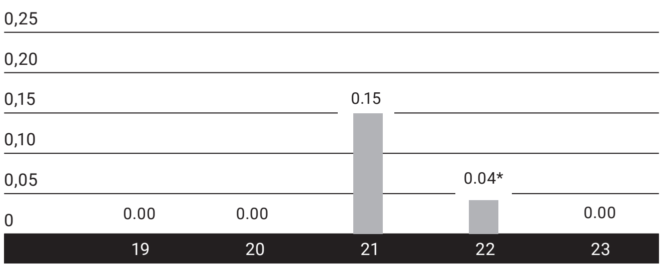
		2023	2022	2021	2020	2019
Share related key figures						
Earnings per share	EUR	**-0.20**	0.10	0.45	0.04	0.10
Fully diluted earnings per share	EUR	**-0.20**	0.10	0.44	0.04	0.10
Equity per share	EUR	**3.25**	3.58	3.58	2.93	3.16
Dividend per share[1]	EUR	**-**	0.04	0.15	-	-
Dividend/earnings ratio[1]	%	**-**	41.8	33.5	-	-
Effective dividend yield[1]	%	**-**	0.80	1.72	-	-
Price/earnings ratio		**-15.2**	52.2	19.5	118.4	27.8
Share price at the end of the period	EUR	**3.00**	5.00	8.72	4.36	2.77
Lowest share price	EUR	**2.53**	4.08	4.36	2.15	2.56
Highest share price	EUR	**5.14**	9.16	10.95	4.58	3.43
Average share price	EUR	**3.18**	6.46	7.82	3.04	2.88
Number of shares traded	Shares	**2 998 795**	2 792 052	5 217 447	6 044 245	4 804 467
Number of shares traded of average number of shares	%	**7.71**	7.18	13.47	15.68	12.52
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	-	-
Year end market capitalization[2]	EUR million	**116.6**	194.4	339.6	168.1	106.8
Number of shares at the end of the period excluding own shares[2]	1 000 shares	**38 876**	38 876	38 950	38 548	38 548
Number of own shares at the end of period	1 000 shares	**124**	124	50	452	452
Weighted average number of shares[2]	1 000 shares	**38 876**	38 890	38 732	38 548	38 387
Fully diluted number of shares at the end of the period	1 000 shares	**39 000**	39 000	39 000	38 548	38 548
Fully diluted weighted average number of shares	1 000 shares	**39 000**	39 000	39 000	38 548	38 387

[1] Year 2023 board proposal.
[2] Excluding own shares.

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

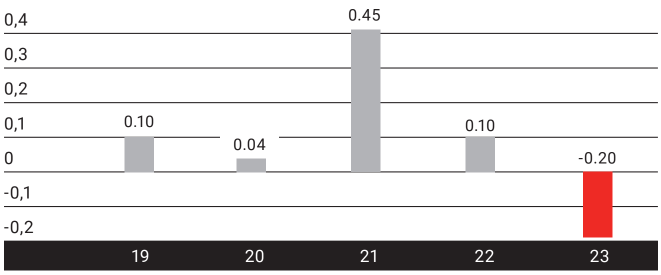


DIVIDEND PER SHARE, EUR

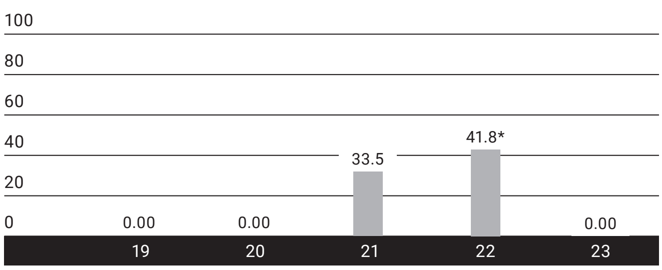


*Board proposal

EARNINGS PER SHARE, EUR



DIVIDEND/EARNINGS RATIO, %



*Board proposal

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2023	2022
Net sales	2	**221.6**	274.4
Other operating income	4	**1.0**	0.4
Change in inventory of finished products and work in progress		**-12.6**	13.1
Production for own use		**0.1**	0.2
Materials and services	6	**-83.6**	-138.5
Employee benefit expenses	7	**-61.7**	-71.5
Other operating expenses	5	**-48.0**	-52.3
Share of results in associates and joint ventures	13	**-1.3**	-2.3
Operating profit before depreciation, amortization and impairments		**15.6**	23.6
Depreciation, amortization and impairments	11, 12, 27	**-11.6**	-11.3
Operating profit		**4.0**	12.3
Financial income and expenses	9	**-10.7**	-3.5
Profit/loss before taxes		**-6.7**	8.8
Income taxes	10	**-0.6**	-5.1
Net profit/loss for the period		**-7.3**	3.7
Attributable to			
Equity holders of the parent company		**-7.3**	3.7
Earnings per share for profit attributable to the equity holders of the parent company	30		
Earnings per share, EUR		**-0.20**	0.10
Diluted earnings per share, EUR		**-0.20**	0.10
Weighted average number of shares, 1 000 shares		**38 876**	38 890
Diluted weighted average number of shares, 1 000 shares		**39 000**	39 000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2023	2022
Net profit/loss for the period	**-7.3**	3.7
Other comprehensive income, net of tax [1)]		
Items that will not be reclassified to income statement		
Remeasurements of defined benefit liabilities	**0.2**	0.3
Total items that will not be reclassified to income statement	**0.2**	0.3
Items that may be reclassified subsequently to income statement:		
Change in translation differences	**-3.1**	2.4
Net investment hedges	**-0.1**	-0.6
Total items that may be reclassified subsequently to income statement	**-3.1**	1.8
Other comprehensive income for the period, net of tax	**-3.0**	2.1
Total comprehensive income for the period	**-10.3**	5.8
Attributable to		
Equity holders of the parent company	**-10.3**	5.8

[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	**2023**	2022
ASSETS			
Non-current assets			
Goodwill	11	**64.3**	50.2
Other intangible assets	11	**37.5**	34.5
Tangible assets	12	**25.8**	28.7
Right-of-use-assets	27	**13.5**	16.0
Investments in associates and joint ventures	13	**0.0**	1.2
Other shares	14	**0.2**	0.2
Interest-bearing receivables	15	**0.7**	11.8
Non-interest-bearing receivables	15	**0.5**	1.2
Deferred tax assets	10	**12.3**	10.5
Total non-current assets		**154.7**	154.3
Current assets			
Inventories	16	**87.5**	99.9
Trade and other non-interest-bearing receivables	15	**34.8**	50.2
Income tax receivables		**1.3**	1.9
Interest-bearing receivables	15	**-**	2.8
Cash and cash equivalents	17	**20.0**	29.0
Non-current assets held for sale	18	**1.9**	-
Total current assets		**145.6**	183.9
Total assets		**300.2**	338.1
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**	-3.0
Translation differences		**-11.0**	-7.8
Retained earnings		**115.0**	124.6
Equity attributable to equity holders of the parent company	19	**126.3**	139.0
Hybrid bond		**30.0**	-
Total equity		**156.3**	139.0
Non-current liabilities			
Interest-bearing liabilities	24	**66.0**	41.5
Non-interest-bearing liabilities	25	**0.2**	0.0
Lease liabilities	22, 24	**9.6**	11.8
Employee benefit obligations	20	**1.5**	1.7
Deferred tax liabilities	10	**9.2**	9.2
Provisions	21	**-**	0.1
Total non-current liabilities		**86.5**	64.3
Current liabilities			
Interest-bearing liabilities	24	**21.7**	92.9
Trade and other non-interest-bearing payables	25	**28.3**	35.5
Lease liabilities	22, 24	**4.3**	4.6
Income tax payables		**1.3**	1.5
Provisions	21	**1.8**	0.3
Total current liabilities		**57.4**	134.8
Total shareholders' equity and liabilities		**300.2**	338.1

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2023	2022
Net profit for the period		**-7.3**	3.7
Adjustments			
Income taxes	10	**0.6**	5.1
Financial income and expenses	9	**10.7**	3.5
Reversal of non-cash items			
Depreciation and impairments	11, 12, 27	**11.6**	11.3
Share based payments	7, 29	**-0.3**	0.2
Exchange rate differences	9	**0.0**	-0.6
Share of results in associated companies and joint ventures	13	**1.3**	2.3
Gains/losses on disposals of intangible, tangible assets and subsidiaries		**0.0**	0.0
Other items		**4.0**	1.1
Total adjustments		**27.8**	22.9
Financial items			
Interest paid		**-8.6**	-3.9
Interest received		**2.4**	0.1
Income taxes paid		**-1.9**	-6.2
Other financial items, net		**-1.8**	-0.9
Total Financial items		**-9.8**	-10.8
Change in working capital			
Change in receivables		**10.4**	8.8
Change in inventories		**5.0**	-13.1
Change in liabilities		**-5.5**	-24.4
Total change in working capital		**9.9**	-28.7
Net cash generated from operating activities		**20.6**	-12.9
Net cash used in investing activities			
Acquisition of intangible assets	11	**-3.8**	-1.1
Proceeds from sale of tangible assets	12	**1.4**	0.8
Acquisition of tangible assets	12	**-5.7**	-10.4
DQC International Corp acquisition	3	**-1.4**	-
Total net cash used in investing activities		**-9.5**	-10.7
Net cash generated from financing activities			
Dividends paid to parent company shareholders		**-1.6**	-5.8
Purchase of own shares		**-**	-0.5
Non-current loan withdrawals		**71.0**	-
Current loan withdrawals		**225.7**	228.6
Non-current loan repayments		**-41.4**	0.0
Current loan repayments		**-297.2**	-190.6
Payments of lease liabilities		**-5.4**	-5.3
Hybrid bond		**29.3**	-
Total net cash generated from financing activities		**-19.6**	26.3
Change in cash and cash equivalents		**-8.5**	2.7
Cash and cash equivalents at the beginning of the period		**29.0**	27.8
Foreign exchange rate effect		**-0.6**	-1.4
Cash and cash equivalents at the end of the period	17	**20.0**	29.0

CHANGES IN LIABILITIES INCLUDED CASH FLOW FROM FINANCING ACTIVITIES

EUR million	
Liabilities Jan 1, 2023	**134.4**
Drawdowns	**296.7**
Repayments	**-339.3**
Other changes	**-4.0**
Liabilities Dec 31, 2023	**87.7**
Drawdowns and repayments of loans in statement of cash flows	
Drawdowns and repayments of loans	**-42.6**
Derivatives and other realized foreign exchange on financial activities	**0.7**
Drawdowns and repayments of loans, net	**-41.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
EUR million	Share capital	Share premium fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interest	Hybrid bond	**Total equity**
Equity on Jan 1, 2022	3.6	16.7	4.9	-2.5	-9.6	126.2			**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**
Acquisition 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**	**4.9**	**-3.0**	**-7.8**	**124.6**			**139.0**
Net profit/loss for the period						-7.3			**-7.3**
Other comprehensive income*									
Translation differences					-3.1				**-3.1**
Defined benefit plans						0.2			**0.2**
Net investment hedges					-0.1				**-0.1**
Total comprehensive income					**-3.2**	**-7.1**			**-10.3**
Dividends paid						-1.6			**-1.6**
DQC International Corp. transactions with non-controlling interests						-0.3			**-0.3**
Issuance of hybrid bond								30.0	**30.0**
Hybrid bond expenses						-0.5			**-0.5**
Other changes						0.0			**0.0**
Equity on Dec 31, 2023	**3.6**	**16.7**	**4.9**	**-3.0**	**-11.0**	**115.0**		**30.0**	**156.3**

* 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, 2023. The Board of Directors of the company has approved these financial statements for publication at its meeting on March 7, 2024. 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, 2023. 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. The Financial Statements in accordance with European Single Electronic Format (ESEF) reporting requirements are published in Finnish and English. In line with the ESEF requirements, the primary statements and notes to the financial statements have been labelled with XBRL tags. The ESEF report has not been audited.

Application of new and revised standards or interpretations

The Group has applied the following amendments as of 1 January 2023 :

- 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.

Other new or amended standard, annual improvements or interpretations applicable from January 1, 2023 don't have have a material impact on Rapala VMC's consolidated financial statements.

Applied new and amended standards and interpretations

In 2024 or later, the Group will adopt the following new or amended Accounting Standards issued by IASB.

- Amendments to IAS 1 Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments will have no impact on the consolidated financial statements.
- Amendments to IFRS 16 Leases (effective for financial periods beginning on or after 1 January 2024) specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction. The amendments will have no impact on the consolidated financial statements.
- Supplier Finance Arrangements* amends IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments increase the transparency of supplier finance arrangements and their effects on liabilities, cash flows and exposure to liquidity risk. The amendments merely increase the amount of disclosed information.
- Lack of Exchangeability* amends IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. The amendments will have no impact on the consolidated financial statements.

The standards listed above or other standards that take effect on January 1, 2024 or later are not expected to have a material impact on Rapala VMC's consolidated financial statements.

* Not yet endorsed for adoption by the European Commission as of 31 December 2023.

The Group has presented in the 2023 annual statements only the material accounting policy information and therefore it has not repeated all the accounting policy information presented in the year 2022 annual 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. 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.

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.

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.

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.

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.

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.

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.

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.

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.

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 receivable Rapala applies IFRS 9 measure the loss allowance at an amount equal to lifetime expected credit losses. 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.

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. Group’s expected credit loss is evaluated based on trade receivables of the lifetime expected credit losses according to IFRS 9. Group has analyzed individually receivables, which are under juridical proceedings and has decided not to combine these credit loss provisions into expected credit loss model. Group’s total credit loss provision is combination of individual cases provisions and evaluated expected credit loss. The probability of a credit loss is calculated by the percentage determined for each age group by the specified percentages based on historically realized payments and recorded historical credit loss. The simplified approach is used for evaluation.

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.

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.

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.

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.

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.

Non-current assets held for sale

The management reviews regularly, whether if certain items to be divested will not meet the criteria of IFRS 5 -standard for probability of divestment of an asset within 12-month period from categorizing these assets as longterm assets to be divested. Should these assets fail to meet the criteria for long-term assets to be divested they are to be written out from the category.

Reporting of non-financial information

More comprehensive information on the Group's sustainability efforts in 2023 has been published on the company's website in a separate sustainability report and in the corporate governance statement.

The effects of climate change has been taken into account in the financial statements through management assessments related to cash flow forecasts used in impairment testing, investments, operational logistics costs and supply chains.

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 42. All the other segment reporting is consistent with IFRS accounting principles. Reportable segments are consistent with those in the financial statements 2022.

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

REPORTABLE SEGMENTS

2023

EUR million	Group Products	Third Party Products	Total reportable segments
Net sales	**208.1**	**13.6**	**221.6**
Depreciation, amortization and impairment losses	**-11.2**	**-0.4**	**-11.6**
Share of results in associates and joint ventures (included in OP)	**0.0**	**-2.3**	**-2.3**
Comparable operating profit	**5.1**	**0.6**	**5.6**
Segment assets			
Non-interest-bearing assets	**272.9**	**6.6**	**279.6**
Total segment assets	**272.9**	**6.6**	**279.6**
Investments	**9.3**	**0.2**	**9.5**

* Full year sales of Group Products included Group Fishing Products 202.2 MEUR (220.0) and Other Group Products 5.9 MEUR (8.4).

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

RECONCILIATIONS

EUR million	2023	2022
Net sales		
Total sales for reportable segments	**221.6**	274.4
Group net sales	**221.6**	**274.4**
Comparable operating profit		
Total comparable operating profit for reportable segments	**5.6**	15.3
Mark-to-market valuations of operative currency derivatives	**0.2**	0.2
Other items affecting comparability	**-1.9**	-3.2
Group total operating profit	**4.0**	**12.3**
Group financial income and expenses	**-10.7**	-3.5
Group profit/loss before taxes	**-6.7**	**8.8**
Other items affecting comparability		
Finnish restructuring	**0.8**	-
US restructuring	**0.8**	-
Russia restructuring	**-**	0.6
Organizational restructurings	**0.3**	2.3
Other restructurings	**0.0**	0.2
Total other items affecting comparability	**1.9**	**3.2**
Assets		
Total assets for reportable segments	**279.6**	294.5
Unallocated interest-bearing assets	**20.6**	43.7
Group total assets	**300.2**	**338.1**

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	2023	2022
Finland	**24.7**	34.7
Other Nordic Countries	**3.2**	4.3
Nordic total	**27.8**	**38.9**
Russia	**6.5**	11.0
France	**32.2**	30.6
Other European Countries	**18.4**	29.0
Rest of Europe Total	**57.1**	**70.6**
USA	**98.2**	115.0
Other North America	**12.4**	17.1
North America total	**110.6**	**132.2**
Rest of the World total	**26.1**	**32.7**
Total	**221.6**	**274.4**

NON-CURRENT ASSETS BY UNIT LOCATION

EUR million	2023	2022
Finland	**31.1**	33.7
Other Nordic Countries	**1.6**	1.9
Nordic total	**32.7**	**35.6**
Russia*	**0.2**	0.3
Other countries	**44.6**	26.3
Rest of Europe total	**44.9**	**26.6**
North America total	**33.4**	**36.6**
China (incl. Hong Kong)	**27.4**	28.6
Other countries	**2.7**	3.2
Rest of the World total	**30.1**	**31.7**
Total	**141.1**	**130.6**

*Russia's current assets include EUR 2.7 million of cash and cash equivalents which contain transfer restrictions.

3 ACQUISITIONS AND DIVESTMENTS

Acquisitions in 2023

The Group announced 13 July 2023 that Rapala VMC Corporation and James Coble have reached an agreement in which Rapala VMC will increase its ownership of DQC International, the owner of the 13 Fishing rod and reel brand, to 60% of the Florida-based company while Coble will retain a 40% share of the company. Previously the Group ownership of the company was 49%. With the 11% stake acquisition the Group did acquire control over the company, and the company has been consolidated into the Group according to 98% ownership share based on the purchase agreement.

The acquisition price of the 11% stake was one US dollar.

Rapala VMC will continue to invest in the marketing and product development of the 13 Fishing brand with the intent of building brand loyalty for 13 Fishing among retailers and consumers around the world, including the United States. The amalgamation of 13 Fishing's and Rapala's product ranges will maximize mutually beneficial distribution and operative synergies.

As a result of purchase price allocation Rapala VMC Group recognized a goodwill of EUR 16.0 million. Main items driving fair value of net assets being lower than purchase consideration were the loans between Rapala VMC Group and DQC International valued approximately EUR 23 million.

The purchase price allocation is final. The following table summarizes the consideration paid, provisional amounts for the fair value of assets acquired and liabilities assumed as well as cash flow impact at the date of acquisition. The net assets acquired are denominated in USD. EUR values have been translated using foreign exchange rate prevailing at the date of acquisition.

The acquired company has been consolidated in the Group financials as of August 1, 2023 onwards.The acquired company has been consolidated in the Group financials as of August 1, 2023 onwards. From the date of acquisition, the acquired business has contributed EUR 4.8 million of revenue to the Group and EUR -2.0 million of EBIT. If the acquisition had occurred on January 1, 2023, management estimates that the combined statement of income would show net sales of EUR 233.6 million and EBIT of EUR -3.4 million.

The Group published 21 December 2023 that Rapala VMC Corporation has bought James Coble's remaining 40% shareholding of DQC International and now its ownership of the company is 100%. This later acquisition has been accounted according to IFRS 10 as acquisition of minority. The acquisition price was 350 000 US dollars.

The acquisition offers Rapala VMC the opportunity to consolidate 13 Fishing into Rapala USA and continue to strengthen the company's market position within the U.S. market. Rapala's global manufacturing and purchasing strength, backed with a proven U.S. distribution center and supply chain, offers retailers world-class service they can count on. In the U.S., Rapala VMC Corporation has one of the largest sales and distribution networks covering every corner of the U.S. market. Utilizing the market expertise and positive relationships fostered by the Rapala USA sales team will clearly place 13 Fishing in the market position it deserves.

EUR Million	
Non-current assets	
Intangible assets	0.3
Tangible assets	1.8
Non-current assets total	**2.1**
Current assets	
Inventories	4.3
Trade and other receivables	2.4
Cash and cash equivalents	1.1
Current assets total	**7.7**
Assets total	**9.8**
Non-current liabilities	
Interest-bearing liabilities	**23.1**
Non-current liabilities total	**23.1**
Current liabilities	
Interest-bearing liabilities	0.0
Trade payables	0.6
Other current liabilities	2.1
Current liabilities total	**2.7**
Liabilities total	**25.8**
Net assets	**-16.0**
Consideration transferred	0.0
Unallocated Goodwill	**16.0**
Goodwill	14.9
Trademarks	1.6
Deferred tax liability	0.3
Cash flow effect	
Consideration transferred	0.0
Cash and cash equivalents acquired	1.1
Cash flow effect total	**1.1**

Acquisitions in 2022

No acquisitions were carried out in 2022.

Divestments in 2023

No divestments were carried out in 2023.

Divestments in 2022

No divestments were carried out in 2022.

4 OTHER OPERATING INCOME

EUR million	2023	2022
Rental income	0.0	0.0
Other subsidies	0.3	0.0
Gains from sale of intangible and tangible assets	-	0.0
Insurance compensations	0.1	-
Other income	0.5	0.4
Total	**1.0**	**0.4**

5 OTHER OPERATING EXPENSES

EUR million	2023	2022
Selling and marketing expenses	-10.4	-10.7
Rents paid (outside of IFRS 16)	-1.4	-1.4
Freight out	-7.5	-9.4
Maintenance and utility expenses	-6.0	-7.5
Traveling expenses	-3.2	-2.9
Sales commissions	-4.2	-4.8
Consulting expenses	-1.7	-1.3
IT and telecommunication	-3.5	-3.6
Auditors' fees and services	-0.9	-0.8
Outsourced logistics	-1.4	-0.8
Currency derivatives	0.3	-0.5
Losses on sale of tangible and intangible assets	0.0	0.0
Other expenses	-8.3	-8.5
Total	**-48.0**	**-52.3**

AUDITORS' FEES AND SERVICES

EUR million	2023	2022
Audit fees	-0.7	-0.7
Fees for tax services	-0.2	-0.1
Non-audit fees	0.0	0.0
Total	**-0.9**	**-0.8**

6 MATERIALS AND SERVICES

EUR million	2023	2022
Materials, goods and supplies		
Purchases during the period	-80.4	-132.7
Change in inventory	-0.6	-1.2
External services	-2.5	-4.6
Total	**-83.6**	**-138.5**

7 EMPLOYEE BENEFIT EXPENSES

EUR million	2023	2022
Wages and salaries	-48.3	-56.7
Pension costs - defined contribution plans	-4.2	-4.5
Pension costs - defined benefit plans	-0.3	-0.3
Other long-term employee benefits	-0.3	0.0
Option programs to be settled in shares	0.0	-0.2
Other personnel expenses	-8.7	-9.7
Total	**-61.7**	**-71.5**

The employee benefit expenses in 2023 included EUR 1.1 million employee related restructuring expenses (2022: EUR 2.3 million). For more details on employee benefits for top management and possible share-based incentive plans, see notes 28 and 29.

AVERAGE PERSONNEL

Persons	2023	2022
North America	124	131
Nordic	251	317
Rest of Europe	795	943
Rest of the World	266	313
Total	**1 436**	**1 704**

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 0.8 million recognized as an expense in 2023 (2022: EUR 1.3 million). Group has not capitalized development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR million	2023	2022
Foreign exchange gains and losses		
From financial assets	-1.3	1.4
From financial liabilities measured at amortized cost	1.0	-0.3
From lease liabilities	0.0	0.0
Interest and other financial income		
Interest income from financial assets measured at amortized cost	1.8	0.8
Interest rate derivatives - non-hedge accounted	-0.2	1.1
Other financial income	0.1	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-9.0	-3.6
Currency derivatives - non-hedge accounted	-0.4	-1.1
Interest expenses on lease liabilities	-0.5	-0.5
Other financial expenses	-2.1	-1.3
Total	**-10.7**	**-3.5**

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR million	2023	2022
Gains and losses on hedges of net investments, net of tax	**-0.1**	-0.6
Total	**-0.1**	**-0.6**

EXCHANGE GAINS AND LOSSES IN OPERATING PROFIT

EUR million	2023	2022
In net sales	**0.3**	1.9
In purchases	**-0.3**	-0.6
In other operating expenses		
Currency derivatives, non-hedge accounted	**0.3**	-0.5
Total	**0.3**	**0.8**

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2023	2022
Current taxes	**-2.5**	-4.4
Deferred taxes	**2.0**	-0.7
Total income taxes	**-0.6**	**-5.1**

INCOME TAX RECONCILIATION

EUR million	2023	2022
Profit/loss before taxes	**-6.7**	8.8
Income taxes at Finnish statutory tax rate (20%)	**1.3**	-1.8
Difference between Finnish and foreign tax rates	**-0.2**	-0.4
Prior year income taxes	**-0.2**	-0.6
Foreign withholding taxes	**-0.3**	-0.2
Effect of deferred taxes not recognized	**-1.2**	-1.1
Benefit arising from previously unrecognized deferred tax asset	**0.5**	0.3
Income taxes on undistributed earnings	**0.2**	0.2
Effect of changes of tax rates	**-**	-0.3
Share of results of associated companies	**-0.3**	-0.5
Other items	**-0.4**	-0.7
Income taxes in the income statement	**-0.6**	**-5.1**

TAXES IN OTHER COMPREHENSIVE INCOME

2023

EUR million	Before tax	Tax expense/ benefit	Net of tax
Translation differences	**-3.1**	**-**	**-3.1**
Remeasurement of defined benefit liabilities	**0.2**	**-**	**0.2**
Net investment hedges	**-0.1**	**0.0**	**-0.1**
Total	**-3.0**	**0.0**	**-3.0**

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**

DEFERRED TAXES

EUR million	2023	2022
Lease liabilities*	**1.0**	1.2
Tax losses and credits carried forward	**7.9**	4.6
Provisions	**1.2**	1.1
Employee benefits	**0.4**	0.4
Depreciation differences	**1.9**	1.4
Inventories	**3.3**	4.4
Other temporary differences	**-**	0.3
Total	**15.7**	13.4
Offset against deferred tax liabilities	**-3.4**	-3.0
Total deferred tax assets	**12.2**	**10.5**
Right-of-use assets*	**1.0**	1.2
Depreciation differences and other untaxed reserves	**2.7**	2.6
Fair value allocations for acquired net assets	**5.4**	4.9
Undistributed earnings	**3.1**	3.3
Other temporary differences	**0.4**	0.3
Total	**12.5**	12.2
Offset against deferred tax assets	**-3.4**	-3.0
Total deferred tax liabilities	**9.1**	**9.2**
Net deferred tax assets (+) / liabilities (-)	**3.1**	**1.2**

*) Due to the amendments to IAS 12 Income taxes -standard, deferred tax assets and liabilities on right-of-use assets and lease liabilities are presented separately and not offset against each other.

MOVEMENT IN THE NET DEFERRED TAX BALANCE

EUR million	2023	2022
Net deferred tax assets (+) and liabilities (-) at January 1	**1.4**	2.1
Recognized in income statement	**2.0**	-0.7
Recognized in other comprehensive income	**0.0**	0.0
Recognized in equity	**0.1**	-
Translation differences	**-0.4**	-
Net deferred tax assets (+) and liabilities (-) at December 31	**3.1**	1.4

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2023, the Group had tax losses carried forward of EUR 32.1 million (2022: EUR 35.1 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 1.5 million of these tax losses will expire during the next five years (2022: EUR 1.4 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 9.3 million (2022: EUR 3.8 million) in group companies, which have generated losses in financial year 2023 or 2022. 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

2023

EUR million	Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Acquisition cost Jan 1	**50.2**	**33.9**	**4.0**	**8.7**	**96.7**
Additions	**15.0**	**1.9**		**0.6**	**17.5**
Disposals		**0.0**		**-0.8**	**-0.7**
Reclassifications [1]				**1.5**	**1.5**
Translation differences	**-0.9**	**-0.4**	**-0.1**	**0.1**	**-1.2**
Acquisition cost Dec 31	**64.3**	**35.4**	**3.9**	**10.2**	**113.8**
Accumulated amortization Jan 1		**-0.9**	**-3.8**	**-7.3**	**-12.0**
Disposals				**0.7**	**0.7**
Reclassifications 1)				**-0.3**	**-0.3**
Amortization during the period			**-0.1**	**-0.5**	**-0.5**
Translation differences		**0.0**	**0.1**	**0.0**	**0.1**
Accumulated amortization Dec 31		**-0.9**	**-3.8**	**-7.4**	**-12.0**
Carrying value Jan 1	**50.2**	**33.0**	**0.2**	**1.3**	**84.7**
Carrying value Dec 31	**64.3**	**34.5**	**0.2**	**2.8**	**101.7**

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 31.12.	**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**
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**

[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**
2023				
Goodwill	63.9	0.0	0.4	**64.3**
Trademarks with indefinite lives	34.1		0.4	**34.5**
Discount rate, %	-11.3	11.3	11.5	
2022				
Goodwill	48.6	0.1	1.5	**50.2**
Trademarks with indefinite lives	32.5		0.5	**33.0**
Discount rate, %	9.8	9.8	11.1	

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

Of the main cash generating units the Group Fishing Products is the most sensitive to impairment loss especially with regard to discount rate growth, at the time of testing the recoverable amount of the Group Fishing Products exceeds 61.2 MEUR from it carrying amount and discount rate may not increase by more than 2.2%-points, after which the need of impairment arises.

12 TANGIBLE ASSETS

2023

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**	**27.8**	**65.1**	**19.0**	**3.0**	**117.0**
Additions		**0.1**	**2.7**	**0.6**	**2.9**	**6.3**
Disposals		**-1.6**	**-7.3**	**-3.6**	**-0.5**	**-13.0**
Reclassifications [1]		**0.5**	**1.6**	**0.2**	**-3.5**	**-1.2**
Transfer to non-current assets held for sale[2]	**-0.6**	**-2.9**				**-3.7**
Translation differences	**0.0**	**-0.3**	**-0.3**	**-0.3**	**0.3**	**-0.7**
Acquisition cost Dec 31	**1.3**	**23.6**	**61.8**	**15.9**	**2.2**	**104.7**
Accumulated depreciation Jan 1		**-20.3**	**-52.7**	**-15.3**		**-88.3**
Disposals		**1.6**	**7.2**	**3.4**		**12.2**
Reclassifications [1]		**3.4**	**0.0**	**-0.2**		**3.3**
Transfer to non-current assets held for sale[2]		**-1.7**				**-1.8**
Depreciation during the period		**-0.9**	**-3.2**	**-1.2**		**-5.4**
Impairments		**0.0**				**0.0**
Translation differences		**0.2**	**0.2**	**0.3**		**0.8**
Accumulated depreciation Dec 31		**-17.7**	**-48.4**	**-13.0**		**-79.1**
Carrying value Jan 1	**2.0**	**7.5**	**12.4**	**3.8**	**3.0**	**28.7**
Carrying value Dec 31	**1.3**	**5.9**	**13.4**	**2.9**	**2.2**	**25.6**

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**

[1] Includes reclassifications between intangible and tangible assets and inventories.
[2] Part of the subsidiary KL-Teho Oy's real estate and part of its buildings were classified as asset held for sale. The real estate is located in Jyväskylä. The Group also classified as asset held for sale a real estate located in Canada Oshawa Ontario.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group owned 49% of the share capital and voting rights of DQC International Corp until July 13, 2023, an unlisted company domiciled in the USA. DQC International Corp. is known for its 13 Fishing -branded rods and reels. Rapala VMC Group acquired the control of the company in the July 13, 2023 additional 11% stage acquisition.

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. DQC International Corp has been consolidated until July 13, 2023 using the equity method and after that consolidated as subsidiary to the Group financials.

EUR million	2023	2022
Acquisition cost Jan 1	**1.2**	3.6
Share of profit/loss	**-1.2**	-2.3
Translation differences	**0.0**	0.0
Acquisition cost Dec 31	**0.0**	**1.2**

INFORMATION ON ASSOCIATES AND JOINT VENTURES

	Lanimo Oü		DQC International Corp.	
EUR Million	**2023**	2022	**Until July 13, 2023**	2022
Net sales	**0.2**	0.2	**9.0**	20.2
Purchases and other expenses	**-0.2**	-0.2	**-16.0**	-24.0
Depreciation	**0.0**	0.0	**-0.3**	-0.4
Interest income and expenses	**0.0**	0.0	**-0.9**	-0.5
Net profit/loss for the period	**0.0**	0.0	**-8.2**	-4.6
Non-current assets	**0.0**	0.0	**2.1**	2.5
Current assets	**0.0**	0.0	**7.7**	12.6
Of which cash and cash equivalents	**0.0**	0.0	**1.1**	0.1
Non-current liabilities	**0.0**	0.0	**23.1**	14.2
Of which financial liabilities	**0.0**	0.0	**23.1**	-
Current liabilities	**0.0**	0.0	**2.7**	1.9
Net assets of associate/ joint venture	0.0	0.0	-16.0	0.1
Net assets belonging to Rapala Group	0.0	0.0	-7.8	0.0

14 OTHER SHARES

EUR million	2023	2022
Carrying value Jan 1	**0.2**	0.2
Translation differences	**-**	0.0
Carrying value Dec 31	**0.2**	**0.2**

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

15 RECEIVABLES

EUR million	2023	2022
Non-current receivables		
Interest-bearing		
Loan receivables	**0.7**	11.8
Other interest-bearing receivables	**0.0**	0.0
Non-interest-bearing		
Trade receivables	**0.0**	0.0
Derivatives	**-**	1.1
Other receivables	**0.5**	0.1
Current receivables		
Interest-bearing		
Loan receivables	**-**	2.8
Non-interest-bearing		
Trade receivables	**25.5**	37.2
Derivatives	**0.7**	0.1
VAT receivable	**1.4**	1.8
Other prepaid expenses and accrued income	**3.2**	5.1
Other receivables	**4.1**	6.0
Total	**36.0**	**66.0**

Fair values of financial assets are presented in the note 23.
The average interest rate of non-current loan receivables was 6.04% (2022: 6.07%)

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR Million	2023	2022
Allowance for trade receivables Jan 1	**1.7**	1.5
Additions	**0.7**	0.8
Deductions	**-0.5**	-0.2
Recovery	**-0.3**	-0.4
Translation differences	**0.0**	0.0
Allowance for trade receivables Dec 31	**1.6**	**1.7**

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.

16 INVENTORIES

EUR million	2023	2022
Raw material	**11.6**	12.1
Work in progress	**8.9**	10.8
Finished products	**74.3**	83.7
Net realizable value allowance	**-7.3**	-6.6
Total	**87.5**	**99.9**

17 CASH AND CASH EQUIVALENTS

EUR million	2023	2022
Cash at bank and in hand	**19.7**	29.0
Short-term deposits	**0.3**	-
Total	**20.0**	**29.0**

18 NON-CURRENT ASSETS HELD FOR SALE

EUR million	2023	2022
Non-current assets held for sale	**1.9**	-
Total	**1.9**	**-**

The Group classified two real estates as assets held for sale during 2023.

Part of the subsidiary KL-Teho Oy's real estate and part of its buildings were classified as asset held for sale. The real estate is located in Jyväskylä. The Group did announce on 2nd January 2024 that the Group's injection molding business in 22nd December 2023. The sold business was located in the part of the real estate which is now been classified as asset held for sale. The selling of the business and classification of the assets as held for sale is a part of Rapala's strategy to focus on core business and release capital. The real estate was sold in 2nd January 2024.

The Group also classified as asset held for sale a real estate located in Canada Oshawa Ontario. The real estate is approximately 12222 square meters and the building area approximately 4635 square meters dividing into office and warehouse. The buildings are built in 1980 and renovated in 2004.

The classification of the real estate to asset held for sale is a part of Rapala's strategy to focus on core business and release capital. The subsidiary located in the premises is finding a new location.

The real estate is expected to be sold during the first half of the year 2024.

Both real estates classified as asset held for sale have been included into the reporting segment Group Products.

"Depreciation of property, plant and equipment ceases when the property, plant and equipment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gains and losses on disposals are determined as the difference between the sales price and the carrying amount, and are included in other operating income and expenses in the income statement".

19 SHARE CAPITAL AND EQUITY FUNDS

EUR million	2023	2022
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	2023	2022
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	**123 891**	50 236
Purchase of own shares	**-**	73 655
Own shares Dec 31	**123 891**	**123 891**

On December 31, 2023, 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

The Group issued hybrid capital securities in the aggregate amount of EUR 30 million (the "Capital Securities"). The Capital Securities bear a fixed coupon interest of 12.500 per cent per annum until 29 November 2026 (the "Reset Date") and, from the Reset Date, a floating interest rate as defined in the terms and conditions of the Capital Securities. The Capital Securities do not have a specified maturity date, but Rapala VMC is entitled to redeem the Capital Securities at their nominal amount on the Reset Date, and subsequently, on each interest payment date thereafter. The issue date for the Capital Securities will be 29 November 2023. Rapala VMC's largest shareholder, Viellard Migeon Et Compagnie Sa, has participated in the issue by subscribing for the Capital Securities in an amount of EUR 7.2 million.

The Capital Securities are subordinated to the company's other debt obligations and treated as equity in Rapala VMC's consolidated financial statements prepared in accordance with the IFRS. The Capital Securities do not confer to its holders the rights of a shareholder and do not dilute the holdings of the current shareholders.

The proceeds from the issue of the Capital Securities will be used for general corporate purposes, including supporting Rapala VMC's balance sheet, cash balance and improving its financial flexibility amid challenging trading environment while implementing savings program in operating expenses and optimizing its inventories. The issuance of the Capital Securities will also diversify Rapala VMC´s financing sources to capital markets.

DIVIDENDS

A dividend of 0.04 EUR per share was paid for 2022. The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on April 18, 2024 that no dividends will be paid for 2023.

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	**2023**	2022
Current service cost	**0.1**	0.2
Interest cost	**0.0**	0.0
Total	**0.2**	**0.1**

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR million	**2023**	2022
Rest of Europe	**1.5**	1.7
Rest of the World	**0.0**	0.0
Present value of unfunded obligations	**1.5**	**1.7**

BALANCE SHEET RECONCILIATION

EUR million	**2023**	2022
Obligations Jan 1	**1.7**	2.4
Current service cost	**0.1**	-0.2
Interest cost	**0.0**	0.0
Actuarial gains and losses		
Changes in demographic assumptions	**0.0**	0.0
Changes in financial assumptions	**0.0**	-0.4
Changes in experience assumptions	**-0.1**	0.1
Effect of any curtailments or settlements	**-**	-
Translation differences	**-**	-0.1
Obligations Dec 31	**1.5**	**1.7**

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

EUR million	**2023**	2022
Within one year	**-**	-
1-5 years	**0.4**	0.3
5-10 years	**1.1**	1.0
Later than 10 years	**-**	0.4
Total	**1.5**	**1.7**

ASSUMPTIONS

Rest of Europe

%	**2023**	2022
Discount rate	**3.5**	3.0
Future salary increase	**3.0**	1.6-3.5
Annual inflation rate	**2.0**	2.0

Rest of the World

%	**2023**	2022
Discount rate	**2.7**	2.6
Annual inflation rate	**3.0**	3.0

21 PROVISIONS

EUR million	2023	2022
Warranty provisions		
Provisions Jan 1	**0.0**	0.1
Reversal of unutilized provisions	**0.0**	0.0
Acquisitions	**0.0**	0.0
Translation differences	**0.0**	0.0
Provisions Dec 31	**0.0**	**0.1**
Other provisions		
Provisions Jan 1	**0.4**	0.5
Additions	**0.0**	0.0
Utilized provisions	**-0.1**	-0.1
Translation differences	**0.0**	0.0
Provisions Dec 31	**0.3**	**0.4**
Non-current	-	0.1
Current	**1.8**	0.3
Total provisions	**1.8**	**0.4**

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 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 Honk 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 2023 currency derivatives that are used for operative hedging purposes had an income statement effect of EUR 0.6 million (2022: EUR -0.5 million). Fair values and nominal values of currency derivatives are summarized under section 4. Derivatives.

At the end of 2023 and 2022 the following currencies represent a significant portion of the currency mix outstanding:

2023

EUR million	USD	CAD	IDR	CLP	RUB
Transaction risk and hedging					
Transaction exposure*	**14.4**	**7.4**	**6.2**	**3.9**	**4.2**
Hedges	**-5.4**	**-2.1**	**-0.9**		

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		

*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 13.4 MEUR (2022: 10.6 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 76.8% 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 97.0 million as of December 31, 2023 (2022: EUR 110.9 million). The most significant translation exposures are summarized in the following table.

Group translation exposure

EUR million	**2023** **Net Investments**	2022 Net Investments
USD	**50.2**	62.5
HKD	**4.9**	5.2
IDR	**6.3**	6.6
CAD	**8.2**	7.4
RUB	**5.0**	5.8
Total	**74.6**	**87.5**

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, 2023.
- 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:

2023

EUR million	USD	CAD	IDR	CLP	RUB
Operating profit	**-1.2**	**-1.4**	**0.1**	**-0.7**	**-0.5**
Equity*	**-5.0**	**-0.8**	**-0.6**	**-0.3**	**-0.5**

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

* 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.

	2023		2022	
EUR million	Net income (net of tax)	Equity (net of tax) [3]	Net income (net of tax)	Equity (net of tax) [3]
Loans from financial institutions with variable interest rate	**-0.4**	**-**	-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, 2023.

	2023		2022	
EUR million	**Nominal value**	**Fair value**	Nominal value	Fair value
Non-hedge accounting derivative financial instruments				
Interest rate swaps, 1 to 5 years	**10.0**	**-0.2**	35.0	1.1
Interest rate swaps, less than 12 months	**25.0**	**0.4**	-	-
Currency forwards, less than 12 months	**30.6**	**0.2**	18.1	0.1
Total	**65.6**	**0.5**	**53.1**	**1.1**

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 2023 the commercial paper program was used as part of Group funding and competitively priced debt was acquired through this market.

In September 2023, the Group and the lending banks agreed to waive the quarterly Q3 financial covenant testing until terms of the upcoming refinancing have been agreed upon. The Q3 covenant testing eventually became void as the new syndicated refinancing agreement was signed on November 29. At year-end, the leverage ratio covenant landed at 4.92 (limit 6.00) and net debt landed at 81.6 MEUR (limit 95 MEUR). 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 20.0 MEUR at December 31, 2023.

On November 29, 2023, the Group signed new financing agreement regarding 106 MEUR senior secured term and revolving facilities with OP Corporate Bank plc, Skandinaviska Enskilda Banken AB and Nordea Bank Abp as underwriters of the facilities for the purposes of refinancing the Group's existing loan facilities with the lenders and for general corporate purposes. The financing agreement consists of a 46 MEUR term loan facility and a 60 MEUR revolving credit facility. The term of the facilities is 15 months from the signing of the facilities agreement, subject to two extension options of 12 months each.

The terms of the agreement include financial covenants based on the available liquidity (minimum 22.5 MEUR), 12m rolling EBITDA (minimum 10 MEUR), net debt to consolidated equity (maximum 100%), absolute net debt, and net debt to EBITDA ("leverage ratio"). The absolute net debt covenant is effective for Q4/2023, Q1/2024, Q2/2024 and Q3/2024 testing periods and the maximum allowed amount is 95 MEUR, 90 MEUR, 80 MEUR and 80 MEUR, respectively. The financial leverage ratio covenant levels have been set at 6.00 for Q4/2023, 5.50 for Q1/2024, 4.25 for Q2/2024 and return to normal level of 3.80 from Q3/2024 onwards. Covenants are regularly tested, either quarterly or on the last date of each month. The risk of breaching the covenants would trigger negotiations between the Group and lending banks to resolve the potential covenant breach, and to agree on actions to rectify the situation. In the unlikely event of unresolved covenant breach, the lending banks would have the right to call all or any part of the loans and related interest.

On November 22, 2023, The Group announced the issuance of a hybrid capital securities in the aggregate amount of 30.0 MEUR with a fixed coupon interest rate of 12.5% per annum until 29 November 2026 (the "Reset Date") and, from the Reset Date, a floating interest rate (3m Euribor + Re-offer Spread 9.249% + step-up of 500 bps). Payment of the interest is deferrable subject to certain restrictions. The hybrid bond does not have a specified maturity date, but the Group is entitled to redeem the hybrid bond at their nominal amount on the Reset Date, and subsequently, on each interest payment date thereafter.

The hybrid bond is subordinated to the Group's other debt obligations and treated as equity in the consolidated financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and do not dilute the holdings of the current shareholders.

The proceeds from the issue were used for general corporate purposes, including supporting the Group's balance sheet, cash balance and improving its financial flexibility amid challenging trading environment."

Below are presented the Group's unutilized credit limits as of December 31, 2023. Group's domestic commercial paper program not sold at December 31, 2023 was EUR 66.5 million (2022 EUR 36.5 million).

Committed unutilized credit facilities

EUR million	**2023**	2022
Overdraft facilities, expiring within one year	**12.1**	22.2
Revolving credit facility, expiring within one year	**-**	14.0
Revolving credit facility, expiring beyond one year	**35.0**	20.8
Total	**47.1**	**57.0**

Maturity of the group's financial liabilities

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

2023

EUR million	Carrying value	Financial liabilities [4]	Contractual cash flows	2024	2025	2026	2027 onwards	Total
Interest-bearing liabilities								
Loans from financial institutions	**74.1**	**74.1**	**80.5**	**13.6**	**66.9**			**80.5**
Pension loans								
Commercial paper program	**13.5**	**13.5**	**13.5**	**13.5**				**13.5**
Lease liabilities	**13.9**	**13.9**	**14.8**	**4.5**	**3.2**	**2.4**	**4.7**	**14.8**
Other interest-bearing liabilities								
Non-interest-bearing liabilities								
Option programs to be settled in cash								
Trade and other non-interest-bearing payables	**28.2**	**11.0**	**11.0**	**11.0**				**11.0**
Derivative liabilities and receivables								
Interest rate derivatives, hedge accounted								
Interest rate and currency derivatives, non-hedge accounted								
Interest rate derivatives, non-hedge accounted	**-0.1**	**-0.1**	**-0.1**	**-0.4**		**0.0**	**0.2**	**-0.1**
Currency derivatives, non-hedge accounted	**-0.2**	**-0.2**	**-0.2**	**-0.2**				**-0.2**
Total	**129.4**	**112.2**	**119.7**	**42.2**	**70.1**	**2.4**	**4.9**	**119.7**

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	95.8	53.4	42.3	0.1		**95.8**
Pension loans								
Commercial paper program	43.5	43.5	43.5	43.5				**43.5**
Lease liabilities	16.3	16.3	16.3	4.9	3.9	2.9	5.6	**17.2**
Other interest-bearing liabilities								
Non-interest-bearing liabilities								
Option programs to be settled in cash								
Trade and other non-interest-bearing payables	35.4	12.5	12.5	12.5				**12.5**
Derivative liabilities and receivables								
Interest rate and currency derivatives, hedge accounted								
Interest rate derivatives, hedge accounted								
Interest rate and currency derivatives, non-hedge accounted								
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**	**166.9**	**113.6**	**45.7**	**3.0**	**5.6**	**167.8**

4) The proportion of the carrying values which are classified as financial liabilities according to IFRS 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, decreased from 2022 levels. Net allowance for credit losses related to trade receivables decreassed by EUR 0.1 million from 2022.

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 15.

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	2023	2022
Neither past due nor impaired	**18.1**	26.5
Past due but not impaired		
Less than 1 month	**4.5**	4.9
1-3 months	**1.4**	4.0
3-6 months	**0.8**	0.6
Over 6 months	**0.7**	1.2
Total	**25.5**	**37.2**

Trade loss provision from expected credit loss model, %

%	2023
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.

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 100% 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 42.

	Target	2023	2022
Gearing %	below 100%	**51.8**	77.0
Net interest-bearing debt to EBITDA	below 3.8	**5.2**	4.5

Net interest-bearing debt to EBITDA is significantly above the target level, see the section *"Liquidity risk"* in more detail. Definitions of the alternative performance measures are presented on page 42.

23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR million	Note	2023 Carrying value	2023 Financial assets and liabilities [1]	2023 Fair value of financial assets and liabilities [1]	2022 Carrying value	2022 Financial assets and liabilities [1]	2022 Fair value of financial assets and liabilities [1]
FINANCIAL ASSETS							
Financial liabilities measured at amortized cost[2]							
Non-current financial assets							
Loan receivables	15	**0.7**	**0.7**	**0.7**	11.8	11.8	11.8
Other interest-bearing receivables	15	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Trade and other non-interest-bearing receivables	15	**0.5**	**0.0**	**0.0**	0.1	0.0	0.0
Current financial assets							
Cash and cash equivalents	17	**20.0**	**20.0**	**20.0**	29.0	29.0	29.0
Trade and other non-interest-bearing receivables	15	**34.1**	**25.5**	**25.5**	50.1	37.2	37.2
Fair value through other comprehensive income							
Other shares	14	**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	15, 22	**0.7**	**0.7**	**0.7**	1.2	1.2	1.2
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement							
Interest rate and currency derivatives - non-hedge accounted	22, 25	**0.3**	**0.3**	**0.3**	0.1	0.1	0.1
Financial liabilities measured at amortized cost[2]							
Non-current financial liabilities							
Loans from financial institutions	24	**66.0**	**66.0**	**66.3**	41.5	41.5	41.5
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	**8.1**	**8.1**	**8.1**	49.4	49.4	49.4
Commercial paper program	24	**13.5**	**13.5**	**13.5**	43.5	43.5	43.5
Trade and other non-interest-bearing payables	25	**27.9**	**11.0**	**11.0**	35.4	12.5	12.5

[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

EUR million	2023 Total	2023 Level 1	2023 Level 2	2023 Level 3	2022 Total	2022 Level 1	2022 Level 2	2022 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	**0.7**		**0.7**		1.2		1.2	
Total	**0.9**		**0.7**	**0.2**	**1.4**		**1.2**	**0.2**
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement								
Currency and interest derivatives - non-hedge accounted	**0.3**		**0.3**		0.1		0.1	
Total	**0.3**		**0.3**		**0.1**		**0.1**	

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, 2023, 0.0% (2022: 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 2023, % [1]	2023	2022
Non-current interest-bearing liabilities			
Loans from financial institutions	6.36	**66.0**	41.5
Lease liabilities	3.64	**9.6**	11.8
Current interest-bearing liabilities			
Loans from financial institutions	5.07	**3.1**	39.0
Current portion of non-current loans from financial institutions	7.48	**5.0**	10.4
Commercial paper program	4.39	**13.5**	43.5
Lease liabilities	5.70	**4.3**	4.6
Total		**101.6**	**150.7**

[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.
Lease contracts more detailed in the note 27.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR million	2023 Non-current	2023 Current	2022 Non-current	2022 Current
Loans from financial institutions				
EUR	**66.0**	**8.1**	41.5	49.4
Commercial paper program				
EUR	**-**	**13.5**	-	43.5
Total	**66.0**	**21.6**	**41.5**	**92.9**

25 NON-INTEREST-BEARING LIABILITIES

EUR million	2023	2022
Non-current non-interest-bearing liabilities		
Derivatives	**0.2**	-
Other non-current liabilities	**0.0**	0.0
Current non-interest-bearing liabilities		
Trade payables	**11.0**	12.5
Accrued employee-related expenses	**8.3**	10.9
Other accrued expenses and deferred income	**5.5**	6.6
Derivatives	**0.1**	0.1
Advances received	**0.4**	0.7
VAT payable	**0.6**	1.0
Other current liabilities	**2.0**	3.7
Total	**28.5**	**35.5**

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

2023

EUR million	Land and buildings	Other assets	Total
Acquisition cost Jan 1	**32.7**	**3.6**	**36.3**
Additions	**2.8**	**0.6**	**3.5**
Disposals	**-0.6**	**-0.1**	**-0.7**
Translation differences	**-0.9**	**-0.1**	**-1.0**
Acquisition cost Dec 31	**33.9**	**4.0**	**38.0**
Accumulated depreciations Jan 1	**-18.1**	**-2.2**	**-20.3**
Disposals	**0.5**	**0.1**	**0.6**
Impairment			
Depreciations during the period	**-5.0**	**-0.7**	**-5.7**
Translation differences	**0.8**	**0.0**	**0.9**
Accumulated depreciations Dec 31	**-21.7**	**-2.8**	**-24.5**
Carrying value Jan 1	**14.5**	**1.4**	**16.0**
Carrying value Dec 31	**12.2**	**1.3**	**13.5**

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.

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
Impairment			
Depreciations during the period	-4.7	-0.6	-5.3
Translation differences	-0.1	0.0	-0.1
Accumulated amortization 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**

Off-balance sheet lease commitments

THE GROUP AS A LESSEE

EUR million	**2023**	2022
Non-cancellable lease agreements	**0.3**	0.3

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.

Maturity of the group's financial liabilities more detailed in the note 22. Lease liabilities more detailed in the note 24.

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
2023						
DQC International Corp. [1]	**0.2**	**0.0**				
Associated company Lanimo Oü	**0.0**	**0.0**			**0.0**	
Entity with significant influence over the Group [2]			**-0.3**		**0.0**	
Management	**0.0**		**-0.1**	**0.0**	**0.7**	
2022						
DQC International Corp. [1]	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 [2]			-0.2	0.0	0.0	
Management	0.0		-0.1	0.0	0.7	

[1] Rapala VMC acquired control in July 2023 after the company consolidated as subsidiary.
[2] Lease agreement for the real estate for the consolidated operations in France and a service fee. Entity with significant influence is Viellard Migeon & Cie, who's shareholding alone and together with its subsidiary is presented in section *'Shares and Shareholders'*.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR million	2023	2022
Salaries and other employee benefits	**-2.8**	-3.9
Post employment benefits	**-0.1**	-0.1
Cost for share-based payments to be settled in cash	**-0.1**	-
Total	**-3.0**	**-4.0**

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

On December 31, 2023, 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 134 862 Rapala VMC Corporation shares (on December 31, 2022: 225 370). Top management owned 0.3% (0.6%) of the issued share capital and voting rights of the company on December 31, 2023. Details of top management shareholdings are given in the section *'Board and Management'*.

In 2021 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 0.0 million for 2023. 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	2023	2022
Salaries and other employee benefits		
Nicolas Cederström Warchalowski, CEO until November 16, 2022		-0.3
Short-term employee benefits		0.0
Post-employment benefits		
Louis d'Alançon, CEO from November 16, 2022 onwards [1]		
Short-term employee benefits	**-0.1**	0.0
Lars Ollberg, CEO from May 1, 2023 onwards		
Short-term employee benefits	**-0.3**	
Total	**-0.5**	**-0.4**

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

In 2023 EUR 86 thousand was paid to Louis d'Alançon for acting as the CEO from January 1st to April 30th and EUR 228 thousand to Lars Ollberg from May 1st to December 31st. Lars Ollberg was entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued in 2023 totaled EUR 98 thousand. His pension security was arranged under the statutory Finnish contribution based employee pension plan.

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 amounted to EUR 540 thousand. In May 2023, EUR 156 thousand of the contractual termination payment was recovered following a release from non-compete clause.

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR million	2023	2022
Salaries and other employee benefits	**-2.1**	-3.5
Post employment benefits	**-0.1**	-0.1
Cost for share-based payments to be settled in cash	**-0.1**	-
Total	**-2.3**	-3.6

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 2023, salaries and other employee benefits included a release of provision for share-based incentives in total of EUR 0.0 million.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR million	2023	2022
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 meeting fee of EUR 1000 was paid per Board and 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

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 CEO Lars Ollberg has not been offered any variable pay plans during his current tenure as 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.

Group Product sales in 2023 exceeded the earning criteria limit, and for this, 88 thousand euros will be paid in cash.

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

Expenses for the financial year, share-based payments	-56 243
Liabilities arising from share-based payments 31 December 2022	38 188
Estimated amount of cash to be paid under these plans €	0

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 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	0.3	0.1
Number of persons at the end of the reporting year	11	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 01/01/2023, pcs	**520 000**	**0**
Reserve in the beginning of the reporting period, pcs	**280 000**	**28 800**
Changes during the period		
Granted	0	0
Forfeited	105 000	0
Earned (gross)	0	0
Delivered (net)	0	0
Outstanding at the end of the period 31/12/2023	**415 000**	**0**
Reserve at the end of the period	385 000	28 800

30 EARNINGS PER SHARE

	2023	2022
Earnings per share		
Net profit/loss for the period attributable to the equity holders of the parent company, EUR million	**-7.3**	3.7
Accrued interest on the hybrid bond	**-0.3**	0.0
Tax effect	**0.1**	0.0
Net effect	**-0.3**	0.0
Total	**-7.6**	**3.7**
Weighted average number of shares, 1000 shares	**38 876**	38 890
Earnings per share, EUR	**-0.20**	**0.10**
Earnings per share, diluted		
Effect of dilution based on share-based payments, 1000 shares*	-	110
Diluted weighted average number of shares, 1000 shares	**38 876**	39 000
Diluted earnings per share, EUR	**-0.20**	**0.10**

*The maximum amount of shares issued through the share-based payments program is 415 000 shares (2021: 520 000). 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 2023.

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
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	Administration
OOO Raptech	*	Russia	100	Administration
Rapala VMC Spain SAU	*	Spain	100	Distribution
Rapala VMC Switzerland AG	*	Switzerland	100	Distribution
Normark UK Sport Ltd.		UK	100	Administration
Rapala VMC UK Ltd.	*	UK	100	Distribution/ Manufacturing
Normark Fishing Ltd.		UK	100	Administration
Dynamite Baits 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
DQC International Corp.	*	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 K.K.	*	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

Associated companies and joint ventures	Country	Group holding (%)	Nature of activity
Lanimo Oü	Estonia	33.3	Manufacturing

Foreign branches

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

* 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	=	Net interest-bearing debt / Operating profit before depreciation and impairments
Return on capital employed (ROCE), %	=	Operating profit x 100 / Capital employed (average for the period)
Return on equity (ROE), %	=	Net profit for the period x 100 / Total equity (average for the period)
Debt-to-equity ratio (Gearing), %	=	Net interest-bearing debt x 100 / Total equity
Equity-to-assets ratio, %	=	Total equity x 100 / Total shareholders' equity and liabilities - advances received
Earnings per share, EUR	=	Net profit for the period attributable to the equity holders of the parent Company - hybrid capital accrued unrecognised interests after tax / Adjusted weighted average number of shares
Dividend per share, EUR	=	Dividend for the period / Adjusted number of shares at the end of the period
Dividend/earnings ratio, %	=	Dividend for the period x 100 / Net profit for the period attributable to the equity holders of the parent Company
Equity per share, EUR	=	Equity attributable to equity holders of the parent Company / Adjusted number of shares at the end of the period
Effective dividend yield, %	=	Dividend per share x 100 / Adjusted share price at the end of the period
Price/earnings ratio	=	Adjusted share price at the end of the period / Earnings per share
Average share price, EUR	=	EUR amount traded during the period / 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	**2023**	2022
Net sales	2	**34 235 099**	44 983 810
Other operating income	3	**1 081 220**	3 029 498
Change in inventory of finished products and work in progress		**177 122**	963 452
Production for own use		**133 871**	217 524
Materials and services	5	**-10 384 235**	-24 493 548
Employee benefit expenses	6	**-6 627 403**	-10 239 703
Other operating expenses	4	**-21 690 076**	-10 926 588
Operating profit/loss before depreciation and impairments		**-3 074 402**	**3 534 444**
Depreciation and impairments	7	**-1 783 298**	-1 528 262
Operating profit/loss		**-4 857 700**	**2 006 182**
Financial income and expenses	8	**-16 322 900**	7 235 902
Profit/loss before appropriations and taxes		**-21 180 600**	**9 242 084**
Appropriations	9	**201 664**	877 870
Income taxes	10	**-85 722**	-162 775
Net profit/loss for the period		**-21 064 658**	**9 957 179**

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	Note	**2023**	2022
Non-current assets			
Intangible assets	11	**6 830 260**	7 136 561
Tangible assets	12	**6 017 523**	6 220 030
Investments	13	**111 427 982**	121 163 657
Interest-bearing receivables	15	**21 013 397**	19 628 316
Non-interest-bearing receivables	15	**594 392**	1 436 022
Total non-current assets		**145 883 554**	**155 584 586**
Current assets			
Inventories	14	**9 308 458**	7 513 303
Current financial assets			
Interest-bearing	15	**61 782 423**	86 619 823
Non-interest-bearing	15	**12 378 392**	14 615 841
Cash and cash equivalents		**4 911 462**	12 443 811
Total current assets		**88 380 734**	**121 192 777**
Total assets		**234 264 288**	**276 777 364**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	Note	**2023**	2022
Shareholders' equity			
Share capital		**3 552 160**	3 552 160
Share premium fund		**16 680 961**	16 680 961
Fair value reserve			
Fund for invested non-restricted equity		**4 914 371**	4 914 371
Own shares		**-2 957 222**	-2 957 222
Retained earnings		**52 359 299**	43 957 119
Net profit/loss for the period		**-21 064 658**	9 957 179
Total shareholders' equity	16	**53 484 912**	**76 104 568**
Appropriations		**180 125**	124 788
Provisions		**303 973**	1 071 973
Non-current liabilities			
Interest-bearing		**96 125 734**	41 000 000
Non-interest bearing		**244 146**	-
Total non-current liabilities	17	**96 369 880**	**41 000 000**
Current liabilities			
Interest-bearing		**75 357 078**	146 328 352
Non-interest-bearing		**8 568 321**	12 147 682
Total current liabilities	17	**83 925 399**	**158 476 034**
Total shareholders' equity and liabilities		**234 264 288**	**276 777 364**

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	Note	2023	2022
Net profit for the period		**-21 064**	**9 957**
Adjustments			
Income taxes	11	**86**	163
Financial income and expenses	8	**16 322**	-7 236
Reversal of non-cash items			
Depreciation and impairments	7	**1 783**	1 528
Other items		**-7 659**	-2 386
Total adjustments		**10 532**	**-7 931**
Financial items			
Interest paid		**-10 703**	-3 682
Interest received		**5 811**	2 131
Income taxes paid		**-86**	-18
Other financial items, net		**-849**	-339
Total financial items		**-5 827**	**-1 908**
Change in working capital			
Change in receivables		**2 550**	675
Change in inventories		**-2 176**	-1 207
Change in liabilities		**278**	-6 720
Total change in working capital		**652**	**-7 252**
Net cash generated from operating activities		**-15 707**	**-7 134**
Net cash used in investing activities			
Proceeds from disposal of intangible assets	11	**30**	-
Purchases of intangible assets	11	**-2 101**	-181
Proceeds from sale of tangible assets	12	**54**	617
Purchases of tangible assets	12	**-690**	-2 865
Acquisition of DQC International		**319**	-
Change in interest-bearing receivables		**18 745**	-19 308
Dividends received		**910**	2 848
Total net cash used in investing activities		**17 267**	**-18 889**
Net cash generated from financing activities			
Dividends paid		**-1 555**	-5 831
Purchase of own shares		**-**	-486
Hybrid bond		**29 315**	-
Loan withdrawals		**298 089**	220 465
Loan repayments		**-337 678**	-177 326
Group contibutions received		**2 167**	940
Total net cash generated from financing activities		**-9 662**	**37 762**
Change in cash and cash equivalents		**-8 103**	11 740
Cash and cash equivalents at the beginning of the period		**12 444**	2 399
Foreign exchange rate effect		**570**	-1 695
Cash and cash equivalents at the end of the period		**4 911**	**12 444**

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.

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	2023	2022
By destination		
North America	**20 059**	28 068
Nordic	**2 712**	1 989
Rest of Europe	**5 754**	9 021
Rest of the World	**5 710**	5 906
Total	**34 235**	**44 984**

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	2023	2022
Rental income	**22**	25
Gains from sale of intangible and tangible assets	**-**	7
Access fees	**939**	2 771
Other income	**121**	227
Total	**1 081**	**3 029**

4 OTHER OPERATING EXPENSES

EUR thousand	2023	2022
Maintenance	**-892**	-1 600
Selling and marketing expenses	**-748**	-1 247
Traveling expenses	**-406**	-532
IT and telecommunication	**-1 274**	-1 262
Rents paid	**-783**	-715
Auditors fees and services	**-273**	-211
Freight	**-97**	-128
Sales commissions	**-53**	-89
Losses on sales of intangible and tangible assets	**-14**	-
Currency derivatives	**345**	-465
Other expenses	**-17 495**	-4 678
Total	**-21 690**	**-10 927**

AUDITORS' FEES AND SERVICES

EUR thousand	2023	2022
Audit fees	**-273**	-211
Total	**-273**	-211

5 MATERIALS AND SERVICES

EUR thousand	2023	2022
Materials, goods and supplies		
Purchases during the financial year	**-11 963**	-24 839
Change in inventory	**1 618**	385
External services	**-39**	-40
Total	**-10 384**	**-24 494**

6 EMPLOYEE BENEFIT EXPENSES

EUR thousand	2023	2022
Wages and salaries	**-5 225**	-8 621
Pension costs	**-1 010**	-1 296
Other personnel expenses	**-392**	-323
Total	**-6 627**	**-10 240**
Average personnel for the period	**102**	**149**

The remuneration of the Board of Directors amounted to EUR 282 thousand (2022: EUR 296 thousand).

7 DEPRECIATION AND IMPAIRMENTS

EUR thousand	2023	2022
Depreciation of intangible assets		
Trademarks	**-844**	-704
Other intangible assets	**-73**	-28
Depreciation of tangible assets		
Buildings	**-91**	-84
Machinery and equipment	**-640**	-628
Other tangible assets	**-135**	-84
Total	**-1 783**	**-1 528**

8 FINANCIAL INCOME AND EXPENSES

EUR thousand	2023	2022
Dividend income	**1 877**	3 057
Foreign exchange gains	**2 877**	3 371
Foreign exchange losses	**-3 120**	-3 214
Impairment losses		
Investments in Group companies	**-10 054**	-
Current loan receivables	**-1 719**	-
Interest and other financial income		
Interest income	**7 182**	4 059
Other financial income	**-**	5 597
Interest and other financial expenses		
Interest expenses	**-10 027**	-3 969
Other financial expenses	**-3 338**	-1 665
Total	**-16 322**	**7 236**

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR thousand	2023	2022
Dividend income from subsidiaries	**1 877**	3 057
Impairment losses		
Investments in Group companies	**-10 054**	-
Current loan receivables	**-1 719**	-
Interest and other financial income		
Interest income	**6 741**	3 687
Interest and other financial expenses		
Interest expenses	**-1 442**	-476
Total	**-4 597**	**6 268**

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR thousand	2023	2022
Translation differences recognized in net sales	**245**	1 272
Translation differences included in purchases and other expenses	**37**	52
Foreign exchange gains and losses in financial income and expenses	**-244**	157
Total	**38**	**1 481**

9 EXTRAORDINARY ITEMS

EUR thousand	2023	2022
Change in depreciation difference	**-55**	28
Group contribution	**257**	850
Total	**202**	**878**

CHANGE IN DEPRECIATION DIFFERENCE

EUR thousand	2023	2022
Intangible assets	**-54**	-142
Buildings	**-7**	-219
Machinery and equipment	**6**	389
Total	**-55**	**28**

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR thousand	2023	2022
Income taxes	**-86**	-125
Taxes from previous financial years	**-**	-38
Total	**-86**	**-163**

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

11 INTANGIBLE ASSETS

2023

EUR thousand	Trade-marks	Other intangible assets	Total
Acquisition cost Jan 1	9 202	2 557	11 759
Additions		173	173
Reclassifications		437	437
Acquisition cost Dec 31	**9 202**	**3 168**	**12 370**
Accumulated amortization Jan 1	-2 179	-2 443	-4 622
Amortization during the period	-828	-90	-917
Accumulated amortization Dec 31	**-3 007**	**-2 532**	**-5 540**
Book value Jan 1	**7 022**	**115**	**7 137**
Book value Dec 31	**6 195**	**635**	**6 830**

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**

12 TANGIBLE ASSETS

2023

EUR thousand	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	**106**	**5 169**	**21 718**	**2 375**	**1 824**	**31 192**
Additions			**251**		**1 555**	**1 806**
Disposals			**-375**	**-45**	**-598**	**-1 017**
Reclassifications			**855**		**-1 292**	**-437**
Acquisition cost Dec 31	**106**	**5 169**	**22 449**	**2 331**	**1 489**	**31 544**
Accumulated depreciation Jan 1		**-4 435**	**-18 946**	**-1 591**		**-24 972**
Disposals			**303**	**8**		**311**
Depreciation during the period		**-91**	**-640**	**-135**		**-866**
Accumulated depreciation Dec 31		**-4 526**	**-19 282**	**-1 719**		**-25 527**
Book value Jan 1	**106**	**734**	**2 772**	**784**	**1 824**	**6 220**
Book value Dec 31	**106**	**643**	**3 167**	**612**	**1 489**	**6 017**

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
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**

13 INVESTMENTS

2023

EUR thousand	Shareholdings in subsidiaries	Shares in associates	Other shares	Total
Book value Jan 1	**116 595**	**4 387**	**181**	**121 164**
Additions	**4 706**			**4 706**
Disposals		**-4 387**		**-4 387**
Impairment	**-10 054**			
Book value Dec 31	**111 247**		**181**	**111 428**

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**

14 INVENTORIES

EUR thousand	2023	2022
Raw material	**3 394**	1 776
Work in progress	**2 756**	3 060
Finished products	**3 159**	2 677
Total	**9 308**	**7 513**

15 RECEIVABLES

EUR thousand	2023	2022
Non-current receivables		
Interest-bearing		
Loan receivables	**21 013**	19 628
Non-interest-bearing		
Derivatives	**-**	1 064
Other receivables	**593**	372
Other receivables		
Interest-bearing		
Loan receivables	**61 782**	86 620
Non-interest-bearing		
Trade receivables	**3 396**	5 691
Prepaid expenses and accrued income	**2 802**	4 194
Derivatives	**675**	144
Other receivables	**5 505**	4 587
Total	**95 767**	**122 300**

RECEIVABLES FROM SUBSIDIARIES

EUR thousand	2023	2022
Non-current receivables		
Interest-bearing		
Loan receivables	**20 326**	18 916
Interest-bearing		
Loan receivables	**61 782**	86 620
Non-interest-bearing		
Trade receivables	**3 396**	5 686
Prepaid expenses and accrued income	**1 972**	3 358
Other receivables	**5 503**	4 587
Total	**92 979**	**119 167**

16 SHAREHOLDERS' EQUITY

EUR thousand	2023	2022
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	**-2 957**	-2 471
Purchase of own shares	**-**	-486
Own shares Dec 31	**-2 957**	**-2 957**
Retained earnings Jan 1	**53 914**	49 789
Dividends paid	**-1 555**	-5 831
Retained earnings Dec 31	**52 359**	**43 958**
Net profit/loss for the period	**-21 065**	9 957
Total shareholders' equity	**53 485**	**76 105**

DISTRIBUTABLE FUNDS

EUR	2023	2022
Fund for invested non-restricted equity	**4 914 371**	4 914 371
Retained earnings	**52 359 299**	43 957 119
Own shares	**-2 957 222**	-2 957 222
Net profit/loss for the period	**-21 064 658**	9 957 179
Total distributable funds	**33 251 790**	**55 871 447**

PARENT COMPANY SHARE CAPITAL

	2023	2022
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	2023	2022
Non-current liabilities		
Non-interest-bearing		
Derivatives	244	-
Interest-bearing		
Loans from financial institutions	66 126	41 000
Hybrid loan	30 000	-
Current liabilities		
Interest-bearing		
Loans from financial institutions	4 574	-
Commercial paper program	13 500	43 500
Other current liabilities	57 283	102 828
Non-interest-bearing		
Derivatives	52	87
Advances received	3	48
Trade payables	6 398	5 074
Accrued liabilities and deferred income	2 115	6 940
Total	**180 295**	**199 477**

LIABILITIES TO SUBSIDIARIES

EUR thousand	2023	2022
Current liabilities		
Interest-bearing		
Other current liabilities	54 284	53 828
Non-interest-bearing		
Trade payables	5 100	4 136
Accrued liabilities and deferred income	4	2 109
Total	**59 388**	**60 073**

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	2023	2022
Within one year	929	937
1-3 years	1 503	1 443
3-5 years	166	736
Total	**2 598**	**3 116**

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR thousand	2023	2022
On own behalf and on behalf of subsidiaries		
Guarantees	1 449	2 107
Total	**1 449**	**2 107**

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	2023	2022
Currency derivatives with bank		
Fair value	237	57
Nominal value	30 639	18 128
Interest rate derivatives		
Fair value	632	1 064
Nominal value	35 000	35 000

In 2023, changes in fair value of currency derivatives had an income statement effect of EUR 180 thousand (2022: EUR 180 thousand) and interest rate derivatives EUR -921 thousand (2022: EUR 1 035 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 2023. The focus of Group level risk management in 2023 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. 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 retail-ing. 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 2023 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 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 2023, the shares traded between EUR 5.14 and 2.53 with an average price of EUR 3.56.

SHARES AND VOTING RIGHTS

On December 31, 2023, 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 2023.

BOARD'S AUTHORIZATIONS

The AGM authorised the Board of Directors to resolve in accordance with the proposal of the Board of Directors on the issuance of a maximum of 3,900,000 shares through a share issue or by issuing options and other special rights entitling to shares pursuant to chapter 10, section 1 of the Finnish Limited Liability Companies Act in one or several tranches. The proposed maximum number of shares corresponds to 10% of all shares in the Company. The authorisation can also be used for incentive arrangements for the Company's management and key persons, however, no more than 900,000 shares in total may be granted for this purpose. The authorisation covers both the issuance of new shares and the transfer of treasury shares held by the Company, and the issuance may be carried out with or without payment. Under the authorisation, the Board of Directors may issue shares or options and other special rights entitling to shares also otherwise than in proportion to the shareholdings of the shareholders (directed share issue). The Board of Directors is entitled to resolve on all terms and conditions of share issues and the issue of option rights and other special rights entitling to shares. The authorisation is valid until 29 September 2024.

The AGM authorised the Board of Directors to resolve in accordance with the proposal of the Board of Directors to repurchase a maximum of 2,000,000 the Company's own shares by using the Company's unrestricted equity in one or several tranches. The proposed maximum number of shares corresponds to approximately 5.13% of the Company's total number of shares. 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 or cancelled, for example. The shares may be repurchased otherwise than in proportion 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 authorisation is valid until 29 September 2024.

OWN SHARES

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, 2023, the members of the Board and the Executive Committee held directly a total of 134 862 company shares, corresponding to 0.3% of all shares and voting rights. Details of management shareholdings are given on page 56-57.

TRADING AND PERFORMANCE OF THE COMPANY'S SHARES

The company share (RAP1V) is quoted on the Nasdaq Helsinki. The closing price on December 31 2023, was EUR 3.00. The highest price in 2023 was EUR 5.14, the lowest price EUR 2.53 and the average price EUR 3.56. A total of 2 998 795 company's shares were traded in 2023. This represents 7.7% of all shares on December 31, 2023.

At the end of 2023, the market capitalization of all outstanding shares, excluding own shares, was EUR 116.6 million. Earnings per share (basic) were EUR -0.20 (EUR 0.10 in 2022). For more share related key figures see page 9.

DIVIDEND

The Board proposes to the AGM that no dividend will be paid for the financial year 2023.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2023

Shareholders	Number of shares	%
Viellard Migeon & Cie *	16 756 627	43.0
Nordea Funds	4 809 427	12.3
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
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	14 016 736	35.9
Total number of shares	**39 000 000**	**100.0**

SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2023

Shareholder category	Number of shares	%
Private and public corporations	762 258	2.0
Financial and insurance companies	5 617 309	14.4
Public institutions	1 737 307	4.5
Non-profit organizations	96 744	0.2
Individuals	2 917 636	7.5
International shareholders	17 871 160	45.8
Administrative registrations	9 997 586	25.6
Total	**39 000 000**	**100.0**

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2023

Number of shares	Number of shareholders	%	Total shares	%
1 - 100	3 312	51.1	136 320	0.3
101 -500	2 083	32.1	536 770	1.4
501 - 1 000	553	8.5	435 732	1.1
1 001 - 10 000	466	7.2	1 234 933	3.2
10 001 - 1 000 000	68	1.0	4 451 968	11.4
1 000 001 -	4	0.1	32 204 277	82.6
Total	**6 486**	**100**	**39 000 000**	**100**

* Viellard Migeon & Cie's holds together with its subsidiary De Pruines Industries 16 861 937 shares, representing 43.2% of total number and the total voting rights of shares.Number of shares includes 123 891 own shares held by the parent company.

SHARE PRICE IN 2023, %

SHARE PRICE DEVELOPMENT IN 2019-2023, EUR

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

The current members of the Board and their shareholdings on 31.12.2023 are:

Louis d'Alançon

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

Julia Aubertin

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

Vesa Luhtanen

Board Member since 2020
Bachelor of Science in Business Administration
Year of birth: 1961
Shareholding and options *: -

Alexander Rosenlew

Board Member since 2023
Certificate in Global Management, Insead
Master of Science in Management (Leadership MBA)
Master of Science in Economics
Year of birth: 1971
Shareholding and options *: 6 095

* 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 is appointed by the Board. Rapala VMC Corporation announced the change of President and Chief Executive Officer on April 4, 2023. Lars Ollberg succeeded Louis d'Alançon on May 1, 2023. Louis d'Alançon acted as the President and Chief Executive Officer since November 16, 2022. At the same time Rapala VMC Corporation announced the appointment of Cyrille Viellard as Deputy Chief Executive Officer. Cyrille Viellard started in this position on May 1, 2023.

The members of the Executive Committee and their shareholdings on 31.12.2023 are:

Lars Ollberg

President and Chief Executive Officer since May 1, 2023
Vocational Qualification in Business, Malmi Commercial School
Year of birth 1956
Shareholding*: -

Cyrille Viellard

Debuty Chief Executive Officer since May 1, 2023
Executive Vice President, and President of VMC Peche
Executive Committee member since 2015
MBA, ESSEC
Year of birth: 1977
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

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

Jean-Philippe Nicolle

Chief Operating Officer, Business Performance,
Finance Controlling and Internal Auditing, since January 1, 2024
Chief Financial Officer between June 21, 2023 and January 1, 2024
Executive Vice President,
Head of European Distribution until June 21, 2023
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 9.9.2020
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*: -

Victor Skvortsov resignation from the Executive Committee was announced on April 4, 2023. Jan-Elof Cavander departed from the Executive Committee on June 21, 2023. On December 8, 2023 Rapala VMC Corporation announced several nominations to the Executive Committee effective January 1, 2024 as follows: Miikka Tarna as Chief Financial Officer, Tuomas Akkanen as Executive Vice President, Head of Group Supply Chain and Winter Sports, Päivi Ohvo as Executive Vice President, Human Resources, Tuomo Leino as Executive Vice President, General Counsel and Joni Tuominen as Executive Vice President, Global Business Development and IT.

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

SIGNATURES FOR THE REPORT OF BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, March 7, 2024

Louis d'Alançon,
Chairman of the Board

Emmanuel Viellard

Jorma Kasslin

Alexander Rosenlew

Vesa Luhtanen

Julia Aubertin

Lars Ollberg, President and CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, March 20, 2024

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, 2023. 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 material accounting policy information, 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 , financial performance and cash flows in accordance with IFRS Accounting Standards 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 101,7 M€ (84,7 M€) representing 33,9 % (25,1 %) 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:

- Familiarizing ourselves with the agreements and calculations prepared by the management to support the additions of goodwill and intangible assets during the year as well as related accounting entries.
- 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.
- Focusing 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.
- Assessing 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 16 (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 94,8 M€ and 7,3 M€, respectively (net 87,5 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 IFRS Accounting Standards 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 29 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, 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 20, 2024

ERNST & YOUNG OY

Authorized Public Accountant Firm

Mikko Järventausta

Authorized Public Accountant

Rapala
VMC