2023

FINANCIAL STATEMENT RELEASE

Rapala VMC

RAPALA VMC CORPORATION'S ANNUAL ACCOUNTS 2023: STRONG CASH FLOW BUT SALES AND PROFITABILITY DOWN FROM LAST YEAR IN A TOUGH MARKET ENVIRONMENT

January-December (FY) in brief:

- Net sales were 221.6 MEUR, down 19% from previous year (274.4). With comparable exchange rates sales were 17% lower than last year.
- Group products sales were 208.1, down 9% from previous year (228.4). With comparable exchange rates Group products sales were 7% lower than last year.
- Operating profit was 4.0 MEUR (12.3).
- Comparable operating profit* was 5.6 MEUR (15.3).
- Cash flow from operations was 20.6 MEUR (-12.9).
- Inventories were 87.5 MEUR (99.9).
- Net profit for the period was -6.9 MEUR (3.7).
- Earnings per share was -0.19 EUR (0.10).
- Dividend proposal is 0.00 EUR per share (0.04).
- 2024 guidance: Full year comparable operating profit to increase from the previous year as trading outlook for 2024 is improving after witnessing better operational performance in the second half of 2023.

July-December (H2) in brief:

- Net sales were 103.7 MEUR, down 18% from previous year (126.0). With comparable exchange rates sales were 13% lower than last year.
- Operating profit was -0.4 MEUR (-1.3).
- Comparable operating profit* was 0.3 MEUR (-0.2).
- Cash flow from operations was 2.0 MEUR (-4.4).
- Net profit for the period was -5.8 MEUR (-5.0).
- Earnings per share was -0.16 EUR (-0.13).

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Rapala Group presents alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Definitions and reconciliation of key figures are presented in the financial section of the release.

President and CEO Lars Ollberg: "Year 2023 started off with difficult trading conditions as destocking continued in the market. We focused on executing our 6 MEUR cost savings program and started to witness positive development in the second half of the year, both in our own operations and in the trading environment. As a result, our profitability improved in the second half of the year and our inventories decreased from the end of June by 11.0 MEUR to 87.5 MEUR. This is 30.2 MEUR lower than what we had just 18 months ago. We place a special focus on strong cash flow generation and accelerate inventory turnover with our "One More Turn" strategy. The One More Turn strategy offers us flexibility to react quickly to market changes, while optimizing the financial performance of our business.

Post-COVID excess inventory generated by the unforeseen market slowdown is now gradually deflating and releasing the flow of new products to retailers. 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. Our open water consumable products witnessed a 10% increase in sales while the ice fishing business in North America experienced its second year of poor ice conditions impacting on our sales.

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. Winter season in Northern Europe benefited from relatively good weather conditions allowing to release inventories both at retail and wholesale. Our sales network in Europe is one of the most extensive in the industry. Overall, 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.

In Rest of the World segment, the Australian market continues to grow but other large APAC markets in Japan, Korea and China won't pick up before the second half of 2024. I'm confident our APAC markets will improve their performance in 2024 with our local accountability and strong entrepreneurial spirit.

The highly successful North American soft bait launch of "Rapala Crushcity" has seen exceptional consumer purchasing levels and strong retailer reordering. The initial sales and order book in Europe is also very promising, and all leading retailers are supporting the category. This, backed by category leading marketing, will drive Rapala brand dominance and consumer engagement to substantially grow our long-term market share. Soft bait market provides a platform of incremental growth, and the market is generally considered larger than the hard bait market.

Year 2024 will witness our third full season with Okuma partnership, maximizing the growth opportunities. Thanks to its wide product portfolio, all European diverse fishing techniques at the right price points are covered. Okuma's growth will be facilitated by more intense marketing support leading to market share gains.

A strategically important move to fully enter the US rod & reel market through the acquisition of 13 Fishing business was completed in December 2023. Full integration into the nationwide strong Rapala sales network was completed simultaneously. Enabled synergies will have a positive impact in business economics and in building consumer and retailer confidence with our operational excellence. The 13 Fishing "cool, US lifestyle brand" has a great long-term growth prospect within the Rapala portfolio. In 2024 Rapala's North American business is entering also into the tackle storage segment. All these initiatives will further strengthen our relationships with our key retailers. This strategy in turn drives the mission & strategy to grow North American business and become the most trusted partner within the sport fishing sector.

To accelerate our transformation journey, an enhanced Global Management Team was appointed. This new management team, together with several other key managers all over the world, will focus on implementing the new strategic plan for 2024-2026. An important part of the implementation process are clear and measurable projects that focus on improving profitability and working capital management."

Key figures

MEUR	**H2 2023**	H2 2022	**Change %**	**FY 2023**	FY 2022	**Change %**
Net sales	**103.7**	126.0	**-18%**	**221.6**	274.4	**-19%**
Operating profit/loss	**-0.4**	-1.3	**-69%**	**4.0**	12.3	**-67%**
% of net sales	**-0.4%**	-1.0%		**1.8%**	4.5%	
Comparable operating profit/loss *	**0.3**	-0.2	**250%**	**5.6**	15.3	**-63%**
% of net sales	**0.3%**	-0.2%		**2.5%**	5.6%	
Cash flow from operations	**2.0**	-4.4	**-145%**	**20.6**	-12.9	**-260%**
Gearing %	**51.7%**	77.0%		**51.7%**	77.0%	
EPS, EUR	**-0.16**	-0.13	**-24%**	**-0.19**	0.10	**-295%**

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. "Other items affecting comparability" include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

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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.

Business Review January-December 2023

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.

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.

External Net Sales by Area

MEUR	**FY 2023**	FY 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%

MEUR	**H2 2023**	H2 2022	**Change %**	Comparable change %
North America	**52.3**	62.9	**-17%**	-11%
Nordic	**14.4**	18.8	**-23%**	-23%
Rest of Europe	**24.3**	28.0	**-13%**	-6%
Rest of the World	**12.7**	16.2	**-22%**	-18%
Total	**103.7**	126.0	**-18%**	-13%

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 10.2 MEUR (3.5) for the year. Net interest and other financing expenses were 9.4 MEUR (3.6) and (net) foreign exchange expenses were 0.8 MEUR (0.0).

Net profit for the year decreased by 10.6 MEUR and was -6.9 MEUR (3.7) and earnings per share was -0.19 EUR (0.10).

Key figures

MEUR	**H2 2023**	H2 2022	**Change %**	**FY 2023**	FY 2022	**Change %**
Net sales	**103.7**	126.0	**-18%**	**221.6**	274.4	**-19%**
Operating profit / loss	**-0.4**	-1.3	**-69%**	**4.0**	12.3	**-67%**
Comparable operating profit/loss *	**0.3**	-0.2	**250%**	**5.6**	15.3	**-63%**
Net profit / loss	**-5.8**	-5.0	**-17%**	**-6.9**	3.7	**-286%**

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Bridge calculation of comparable operating profit

MEUR	H2 2023	H2 2022	Change %	FY 2023	FY 2022	Change %
Operating profit/loss	**-0.4**	-1.3	**-69%**	**4.0**	12.3	**-67%**
Mark-to-market valuations of operative currency derivatives	**-0.3**	-0.2	**+50%**	**-0.2**	-0.2	**0%**
Other items affecting comparability	**0.9**	1.3	**-31%**	**1.9**	3.2	**-41%**
Comparable operating profit/loss	**0.3**	-0.2	**250%**	**5.6**	15.3	**-63%**

More detailed bridge of comparable operating profit and definitions and reconciliation of key figures are presented in the financial section of the release.

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 Segment

MEUR	FY 2023	FY 2022	Change %	Comparable change %
Group Products *	**208.1**	228.4	**-9%**	**-7%**
Third Party Products	**13.6**	46.0	**-71%**	**-69%**
Total	**221.6**	274.4	**-19%**	**-17%**

MEUR	H2 2023	H2 2022	Change %	Comparable change %
Group Products	**98.3**	107.6	**-9%**	**-4%**
Third Party Products	**5.5**	18.4	**-70%**	**-67%**
Total	**103.7**	126.0	**-18%**	**-13%**

* Full year sales of Group Products included Group Fishing Products 202.2 MEUR (2022 220.0 MEUR) and Other Group Products 5.9 MEUR (2022 8.4 MEUR).

Comparable operating profit by Segment

MEUR	H2 2023	H2 2022	Change %	FY 2023	FY 2022	Change %
Group Products	**-0.0**	0.6	**-107%**	**5.1**	15.0	**-66%**
Third Party Products	**0.4**	-0.9	**142%**	**0.6**	0.3	**80%**
Comparable operating profit / loss	**0.3**	-0.2	**227%**	**5.6**	15.3	**-63%**
Items affecting comparability	**-0.7**	-1.1	**36%**	**-1.6**	-3.0	**45%**
Operating profit / loss	**-0.4**	-1.3	**69%**	**4.0**	12.3	**-67%**

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

MEUR	**H2 2023**	H2 2022	**Change %**	**FY 2023**	FY 2022	**Change %**
Cash flow from operations	**2.0**	-4.4		**20.6**	-12.9	
Net interest-bearing debt at end of period	**80.9**	107.1	**-24%**	**80.9**	107.1	**-24%**
Gearing %	**51.7%**	77.0%		**51.7%**	77.0%	
Equity-to-assets ratio at end of period, %	**52.2%**	41.2%		**52.2%**	41.2%	

Definitions and reconciliation of key figures are presented in the financial section of the release.

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 H2 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 H2 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.

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.

Financial Statements and Annual General Meeting

Financial Statements for 2023 and Corporate Governance Statement will be published in week 12 commencing on March 18, 2024. Annual General Meeting is planned to be held on April 18, 2024.

Helsinki, March 7, 2024
Board of Directors of Rapala VMC Corporation

For further information, please contact:
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Please join the teleconference by registering using the following link: https://palvelu.flik.fi/teleconference/?id=5006479. After the registration you will be provided with phone numbers and a conference ID to access the conference. To ask a question, please press *5 on your telephone keypad to enter the queue. The teleconference will be held on March 8, 2024 at 11:00 EET.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	H2 2023	H2 2022	FY 2023	FY 2022
Net sales	**103.7**	126.0	**221.6**	274.4
Other operating income	**0.8**	0.2	**1.0**	0.4
Materials and services	**48.0**	61.2	**96.0**	125.2
Employee benefit expenses	**28.1**	34.1	**61.7**	71.5
Other operating expenses	**23.0**	25.0	**48.0**	52.3
Share of results in associates and joint ventures	**0.0**	-1.6	**-1.3**	-2.3
EBITDA	**5.5**	4.2	**15.6**	23.6
Depreciation, amortization and impairments	**5.9**	5.5	**11.6**	11.3
Operating profit/loss (EBIT)	**-0.4**	-1.3	**4.0**	12.3
Financial income and expenses	**5.3**	2.4	**10.2**	3.5
Profit/loss before taxes	**-5.7**	-3.8	**-6.2**	8.8
Income taxes	**0.1**	1.2	**0.7**	5.1
Net profit/loss for the period	**-5.8**	-5.0	**-6.9**	3.7
Attributable to:				
Equity holders of the company	-5.8	-5.0	-6.9	3.7
Non-controlling interests	-	-	-	-
Earnings per share for profit attributable to the equity holders of the parent company:				
Earnings per share, EUR non-diluted	-0.16	-0.13	-0.19	0.10
Earnings per share, EUR diluted	-0.16	-0.13	-0.19	0.10

STATEMENT OF COMPREHENSIVE INCOME MEUR	H2 2023	H2 2022	FY 2023	FY 2022
Net profit/loss for the period	**-5.8**	-5.0	**-6.9**	3.7
Other comprehensive income, net of tax				
Change in translation differences*	**0.1**	-4.8	**-3.1**	2.4
Gains and losses on net investment hedges*	**-0.1**	-0.7	**-0.1**	-0.6
Remeasurements of defined benefit liabilities	**0.2**	0.3	**0.2**	0.3
Total other comprehensive income, net of tax	**-0.2**	-5.3	**-3.0**	2.1
Total comprehensive income for the period	**-6.0**	-10.2	**-9.9**	5.8
Total comprehensive income attributable to:				
Equity holders of the parent company	**-6.0**	-10.2	**-9.9**	5.8
Non-controlling interests	**-**	-	**-**	-

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

STATEMENT OF FINANCIAL POSITION

MEUR	Dec 31 2023	Dec 31 2022
ASSETS		
Non-current assets		
Intangible assets	**101.7**	84.7
Property, plant and equipment	**25.8**	28.7
Right-of-use assets	**13.5**	16.0
Non-current assets		
Interest-bearing	**0.7**	11.8
Non-interest-bearing	**13.2**	13.1
	154.9	154.3
Current assets		
Inventories	**87.5**	99.9
Current assets		
Interest-bearing	**-**	2.8
Non-interest-bearing	**36.1**	52.1
Cash and cash equivalents	**20.0**	29.0
Assets classified as held-for-sale	**1.9**	-
	145.6	183.9
Total assets	**300.4**	338.1
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the parent company	**126.6**	139.0
Hybrid bond	**30.0**	-
	156.6	139.0
Non-current liabilities		
Interest-bearing	**66.0**	41.5
Non-interest-bearing	**10.6**	11.1
Lease liabilities	**9.6**	11.8
	86.3	64.3
Current liabilities		
Interest-bearing	**21.7**	92.9
Non-interest-bearing	**31.4**	37.3
Lease liabilities	**4.3**	4.6
	57.4	134.8
Total equity and liabilities	**300.4**	338.1

STATEMENT OF CASH FLOWS

MEUR	**H2 2023**	H2 2022	**FY 2023**	FY 2022
Net profit/loss for the period	**-5.9**	-5.0	**-7.0**	3.7
Adjustments to net profit / loss for the period *	**12.9**	11.8	**27.4**	22.9
Financial items and taxes paid and received	**-4.4**	-5.7	**-9.8**	-10.8
Change in working capital	**-0.6**	-5.4	**9.9**	-28.7
Net cash generated from operating activities	**2.0**	-4.4	**20.6**	-12.9
Investments	**-4.7**	-6.0	**-9.5**	-11.5
Proceeds from sales of assets	**1.1**	0.6	**1.4**	0.8
Transactions with non-controlling interests	**-1.4**	-	**-1.4**	-
Change in interest-bearing receivables	**-0.1**	0.0	**0.0**	0.0
Net cash used in investing activities	**-5.2**	-5.4	**-9.5**	-10.7
Dividends paid	**-1.6**	-	**-1.6**	-5.8
Net funding	**-26.4**	17.4	**-41.9**	38.0
Repayment of lease liabilities	**-2.6**	-2.9	**-5.4**	-5.3
Hybrid bond	**29.3**	-	**29.3**	-
Purchase of own shares	**-**	-	**-**	-0.5
Net cash generated from financing activities	**-1.3**	14.5	**-19.6**	26.3
Change in cash and cash equivalents	**-4.4**	4.8	**-8.5**	2.7
Cash & cash equivalents at the beginning of the period	**24.4**	25.2	**29.0**	27.8
Foreign exchange rate effect	**-0.1**	-0.9	**-0.6**	-1.4
Cash and cash equivalents at the end of the period	**20.0**	29.0	**20.0**	29.0

* Includes reversal of non-cash items, income taxes and financial income and expenses.

Changes in liabilities included in net funding

MEUR	
Liabilities Jan 1, 2023	**134.4**
Drawdowns	296.7
Repayments	-339.3
Other changes	-4.0
Liabilities Dec 31, 2023	**87.7**

Net funding	
Drawdowns and repayments from loans	-42.6
Derivatives and other realized foreign exchange on financial activities	0.7
Net funding	**-41.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company								
MEUR	Share capital	Share premium fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interests	Hybrid bond	**Total equity**
Equity on Jan 1, 2022	**3.6**	**16.7**	**4.9**	**-2.5**	**-9.6**	**126.2**	**-**	**-**	**139.3**
Comprehensive income*	-	-	-	-	1.8	4.0	-	-	**5.8**
Dividends	-	-	-	-	-	-5.8	-	-	**-5.8**
Purchase of own shares	-	-	-	-0.5	-	-	-	-	**-0.5**
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**
Equity on Jan 1, 2023	**3.6**	**16.7**	**4.9**	**-3.0**	**-7.8**	**124.6**	**-**	**-**	**139.0**
Comprehensive income*	-	-	-	-	-3.2	-6.8	-	-	**-9.9**
Dividends	-	-	-	-	-	-1.6	-	-	**-1.6**
Hybrid bond issuance	-	-	-	-	-	-	-	30.0	**30.0**
Hybrid bond expenses**	-	-	-	-	-	-0.5	-	-	**-0.5**
Acquisition of DQC International minority	-	-	-	-	-	-0.3	-	-	**-0.3**
Share based payments	-	-	-	-	-	0.0	-	-	**0.0**
Equity on Dec 31, 2023	**3.6**	**16.7**	**4.9**	**-3.0**	**-11.0**	**115.4**	**-**	**30.0**	**156.6**

*For the period, net of tax
**Net of tax

NOTES TO THE STATEMENT OF INCOME AND FINANCIAL POSITION

The financial information included in this financial statement release is unaudited. This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting).

Apart from the changes in accounting principles stated below, the accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the financial statements 2022.

As required by IAS 34, the nature and effect of these changes on the accounting policies followed by the Group are disclosed below.

Use of estimates and rounding of figures

Complying with IFRS in preparing financial statements requires the management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

All figures in these accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Events after the end of the full year reporting period

The Group has no knowledge of any significant events after the end of the reporting period that would have a material impact on the financial statements for January-December 2023.

ACQUISITIONS

Acquisition in 2023

DQC International acquisition

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.

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 further strengthening the 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, 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.

MEUR	
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
Cash flow effect	
Consideration transferred	0.0
Cash and cash equivalents acquired	-1.1
Cash flow effect total	**1.1**

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 an acquisition of minority. The acquisition price of this 40% stake 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.

There were no acquisitions in 2022.

Key figures

	H2 2023	H2 2022	FY 2023	FY 2022
EBITDA, % of net sales	**5.3%**	3.4%	**7.0%**	8.6%
Operating profit/loss, % of net sales	**-0.4%**	-1.0%	**1.8%**	4.5%
Return on capital employed, %	**-0.3%**	-1.1%	**1.6%**	5.4%
Capital employed at end of period, MEUR	**237.6**	246.1	**237.6**	246.1
Net interest-bearing debt at end of period, MEUR	**80.9**	107.1	**80.9**	107.1
Equity-to-assets ratio at end of period, %	**52.2%**	41.2%	**52.2%**	41.2%
Debt-to-equity ratio at end of period, %	**51.7%**	77.0%	**51.7%**	77.0%
Earnings per share, EUR, non-diluted	**-0.16**	-0.13	**-0.19**	0.10
Earnings per share, EUR, diluted	**-0.16**	-0.13	**-0.19**	0.10
Equity per share at end of period, EUR	**3.26**	3.58	**3.26**	3.58
Average personnel for the period	**1 389**	1 636	**1 436**	1 704

Definitions and reconciliation of key figures are presented at the end of the financial section.

Key figures by half year

MEUR	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023	H2 2023
Net sales	159.6	134.6	148.4	126.0	117.9	**103.7**
EBITDA	31.3	10.7	19.4	4.2	10.0	**5.5**
Operating profit/loss (EBIT)	26.3	5.8	13.6	-1.3	4.4	**-0.4**
Profit/loss before taxes	24.9	3.1	12.5	-3.8	-0.5	**-5.7**
Net profit/loss for the period	18.1	1.7	8.7	-5.0	-1.1	**-5.8**

Bridge calculation of comparable operating profit

MEUR	H2 2023	H2 2022	Change %	FY 2023	FY 2022	Change %
Operating profit/loss	**-0.4**	-1.3	**69%**	**4.0**	12.3	**-67%**
Items affecting comparability						
Mark-to-market valuations of operative currency derivatives	**-0.3**	-0.2		**-0.2**	-0,2	
Other items affecting comparability						
Finnish restructuring	**0.1**			**0.8**		
US restructuring	**0.8**			**0.8**		
Russia restructuring		0.0			0.6	
Organizational restructurings	**0.1**			**0.3**	2.3	
Other restructurings	**0.0**	1.2		**0.0**	0.2	
Comparable operating profit/loss	**0.3**	-0.2	**250%**	**5.6**	15.3	**-63%**

Segment information

MEUR **Net sales by operating segment**	H2 2023	H2 2022	FY 2023	FY 2022
Group Products	**98.3**	107.6	**208.1**	228.4
Third Party Products	**5.5**	18.4	**13.6**	46.0
Total	**103.7**	126.0	**221.6**	274.4

Operating profit/loss by operating segment				
Group Products	**0.0**	0.6	**5.1**	15.0
Third Party Products	**0.4**	-0.9	**0.6**	0.3
Comparable operating profit/loss	**0.3**	-0.2	**5.6**	15.3
Items affecting comparability	**-0.9**	-1.1	**-1.9**	-3.0
Operating profit/loss	**-0.4**	-1.3	**4.0**	12.3

Assets by operating segment

MEUR	**Dec 31 2023**	Dec 31 2022
Group Products [1]	**273.1**	272.5
Third Party Products [2]	**6.6**	22.0
Non-interest-bearing assets total	**279.7**	294.5
Unallocated interest-bearing assets	**20.7**	43.7
Total assets	**300.4**	338.1

[1] Includes IFRS 16 right-of-use assets 13.2 MEUR (15.3). [2] Includes IFRS right-of-use assets 0.3 MEUR (0.6)

External net sales by area

MEUR	**H2 2023**	H2 2022	**FY 2023**	FY 2022
North America	**52.3**	62.9	**110.6**	132.2
Nordic	**14.4**	18.8	**27.8**	38.9
Rest of Europe	**24.3**	28.0	**57.1**	70.6
Rest of the World	**12.7**	16.2	**26.1**	32.7
Total	**103.7**	126.0	**221.6**	274.4

Commitments

MEUR	**Dec 31 2023**	Dec 31 2022
Minimum future lease payments on leases	**0.3**	0.3

Related party transactions

MEUR	Sales and other income	Purchases	Rents paid	Other expenses	Receivables	Payables
FY 2023						
DQC International Corp.*	**0.2**	**0.1**	**-**	**0.0**	**-**	**-**
Associated company Lanimo Oü	**0.0**	**0.0**	**-**	**0.0**	**0.0**	**-**
Entity with significant influence over the Group**	**-**	**-**	**0.3**	**-**	**0.0**	**-**
Management	**0.0**	**-**	**0.1**	**0.0**	**0.7**	**-**
FY 2022						
DQC International Corp.	13.8	1.3	-	0.0	16.1	-
Associated company Lanimo Oü	0.0	0.1	-	0.0	0.0	0.0
Entity with significant influence over the Group**	-	-	0.2	-	0.0	-
Management	0.0	-	0.1	0.0	0.7	-

* Rapala VMC acquired control in July 2023 after the company consolidated as subsidiary.
** Lease agreement for the real estate for the consolidated operations in France and a service fee.

Intangible assets

2023

MEUR	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				1.5	**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				-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

Tangible assets

2023

MEUR	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		0.5	1.6	0.2	-3.5	**-1.2**
Transfer to non-current assets held for sale*	-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**	**104.9**
Accumulated depreciation Jan 1		-20.3	-52.7	-15.3		**-88.3**
Disposals		1.6	7.2	3.4		**12.2**
Reclassifications		0.0	0.0	-0.2		**-0.1**
Transfer to non-current assets held for sale*		-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	25.8

*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.

Open derivatives

	Dec 31, 2023		Dec 31, 2022	
MEUR	**Nominal Value**	**Fair Value**	Nominal Value	Fair Value
Non-hedge accounting derivative financial instruments				
Interest rate swaps, less than 12 months	**25.0**	**0.4**		
Interest rate swaps, 1 to 5 years	**10.0**	**0.2**	35.0	1.1
Currency derivatives, less than 12 months	**30.6**	**0.2**	18.1	0.1
Total	**65.6**	**0.9**	53.1	1.1

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting are recognized based on their nature either in operative costs, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction. Financial risks and hedging principles are described in detail in the financial statements 2023.

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

	H2 2023	H2 2022	**FY 2023**	FY 2022
Included in operating profit	**0.3**	0.2	**0.2**	0.2

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivatives' fair values and operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting, impact the Group's operating profit for the accounting period. The changes in unrealized valuations include both valuations of derivatives that will realize in the future periods as well as reversal of previously accumulated value of derivatives that realized in the accounting period.

Fair values of financial instruments		**Dec 31 2023**		Dec 31 2022
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value
Assets				
Available-for-sale financial assets (level 3)	**0.2**	**0.2**	0.2	0.2
Derivatives (level 2)	**0.9**	**0.9**	1.2	1.2
Total	**1.1**	**1.1**	1.4	1.4
Liabilities				
Non-current interest-bearing liabilities (excl. derivatives)	**66.0**	**66.3**	41.5	41.5
Derivatives (level 2)	**0.1**	**0.1**	0.1	0.1
Total	**66.1**	**66.3**	41.6	41.6

Fair values of other financial instruments do not differ materially from their carrying value.

Shares and share capital

The Annual General Meeting (AGM) kept on March 29, 2023 approved the Board of Director's proposal that a dividend of EUR 0.04 per share will be paid. The dividend was paid on July 7, 2023 in full. A separate stock exchange release on the decisions of the AGM has been given, and up to date information on the Board's authorizations and other decisions of the AGM are available also on the corporate website.

Share related key figures	Dec 31 2023	Dec 31 2022
Number of shares	**39 000 000**	39 000 000
Number of shares, average	**39 000 000**	39 000 000
Number of treasury shares	**123 891**	123 891
Number of treasury shares, %	**0.3%**	0.3%
Number of outstanding shares	**38 876 109**	38 876 109
Number of shares traded, YTD	**2 998 795**	2 792 052
Share price at the end of the period	**3.00**	5.00
Highest share price, YTD	**5.14**	9.16
Lowest share price, YTD	**2.53**	4.08
Average price of held treasury shares	**7.41**	7.41
Acquired treasury shares, YTD	**0**	73 655

Short term risks and uncertainties

The objective of Rapala VMC Group's risk management is to support implementation of the Group's strategy and execution of business targets. Group management continuously develops its risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles will be included in the Financial Statements 2023.

Due to the nature and seasonality of the fishing tackle business, weather impacts consumer demand and may have impact on the Group's sales for current and following seasons. However, the weather risk is to some extent diversified as the Group has a wide geographical footprint and sells products both for summer and winter seasons.

The biggest deliveries for peak seasons are concentrated into relatively short time periods, and hence a well-functioning supply chain is required. The uncertainties in future demand as well as the length of the Group's supply chain increases complexity in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

The current economic climate with high inflation presents increased uncertainties and downturns that can impact the sales of fishing tackle and profitability of the Group's operations. Retailers reducing their inventory levels and facing financial challenges contribute to this volatility. Additionally, rapid and significant increases in living expenses or sudden fluctuations in foreign exchange rates can temporarily affect consumer spending. Nevertheless, it is important to note that consumer demand has historically remained relatively stable. Political tensions may have negative effects on the Group's business and geopolitical development is followed closely. As part of our strategic measures, the Group has transferred production from Russia to Estonia, and distribution in Russia has been scaled down.

The global nature of the Group's sales and operations diversifies market risks. The Group is cautiously monitoring the development both in global macro economy as well as in the various local markets it operates in. While Group's customer base is generally diversified, changes in retail landscape may have impact on purchase behaviour of customers. New distribution agreements, termination of old agreements or changes in product offering made by the principal may affect sales and profitability of Third Party Products. Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is monitored closely.

The Group's sales, profitability, and balance sheet are impacted by the changes in foreign exchange rates, and the Group has hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IFRS 9, the unrealized mark-to-market valuations of operative currency hedging agreements have an impact on the Group's reported operating profit. Some of the Group's currency positions are not possible or feasible to be hedged, and therefore may have impact on the Group's net result.

The Group successfully re-financed its credit facilities with lender banks in November 2023. 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 new credit facilities include liquidity, profitability, net debt and equity related financial covenants, which are actively monitored. The Group has agreed with lender banks decreasing steps for financial covenants between Q4/2023-Q3/2024. Covenants are regularly tested, either quarterly or on the last date of each month. The Group actively monitors development in financial performance in relation to the financial covenants and expects to continue to fulfill the requirements of its lenders in 2024. Liquidity risks are under control.

No significant changes are identified in the Group's strategic risks or business environment with the exception of the increased geopolitical risk environment.

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
Return on capital employed (ROCE), %	$\frac{\text{Operating profit (full-year adjusted) x 100}}{\text{Capital employed (average for the period)}}$
Debt-to-equity ratio (Gearing), %	$\frac{\text{Net interest-bearing debt x 100}}{\text{Total equity}}$
Equity-to-assets ratio, %	$\frac{\text{Total equity x 100}}{\text{Total equity and liabilities - advances received}}$
Earnings per share, EUR	$\frac{\text{Net profit for the period attributable to the equity holders of the parent company - hybrid capital accrued unrecognised interests after tax}}{\text{Adjusted weighted average number of shares}}$
Equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares at the end of the period}}$
Average number of personnel	Calculated as average of month end personnel amounts

Reconciliation of key figures to IFRS

	H2 2023	H2 2022	**FY 2023**	FY 2022
Items affecting comparability				
Change in mark-to-market valuations of operative derivatives	**-0.3**	-0.2	**-0.2**	-0.2
Other items affecting comparability	**0.9**	1.3	**1.9**	3.2
Items affecting comparability	**0.7**	1.1	**1.6**	3.0
Other items affecting comparability				
Finnish restructuring	**0.1**		**0.8**	
US restructuring	**0.8**		**0.8**	
Russia restructuring		0.0		0.6
Organizational restructurings	**0.1**	1.2	**0.3**	2.3
Other restructurings	**0.0**	0.1	**0.0**	0.2
Other items affecting comparability	**1.0**	1.3	**1.9**	3.2
Capital employed (average)				
Total equity (average for the period)	**145.0**	144.0	**147.8**	139.4
Net interest-bearing debt (average for the period)	**89.5**	103.2	**94.0**	88.8
Capital employed (average)	**234.5**	247.3	**241.8**	228.2
Return on capital employed (ROCE), %				
Operating profit/loss (full-year adjusted)	**-0.8**	-2.6	**4.0**	12.3
Capital employed (average for the period)	**234.5**	247.3	**241.8**	228.2
Return on capital employed (ROCE), %	**-0.3%**	-1.1%	**1.6%**	5.4%
Equity-to-assets ratio, %				
Total equity	**156.6**	139.0	**156.6**	139.0
Total shareholders' equity and liabilities	**300.4**	338.1	**300.4**	338.1
Advances received	**0.4**	0.7	**0.4**	0.7
Equity-to-assets ratio, %	**52.2%**	41.2%	**52.2%**	41.2%
Earnings per share, EUR				
Net profit for the period attributable to the equity holders of the parent company	**-5.8**	-5.0	**-6.9**	3.7
Hybrid capital accrued unrecognized interests after tax	**0.3**	-	**0.3**	-
Adjusted weighted average number of shares	**38 876 109**	38 876 109	**38 876 109**	38 890 111
Earnings per share, EUR	**-0.16**	-0.13	**-0.19**	0.10
Equity per share, EUR				
Equity attributable to equity holders of the parent company	**126.6**	139.0	**126.6**	139.0
Adjusted number of shares at the end of the period	**38 876 109**	38 876 109	**38 876 109**	38 876 109
Equity per share, EUR	**3.26**	3.58	**3.26**	3.58