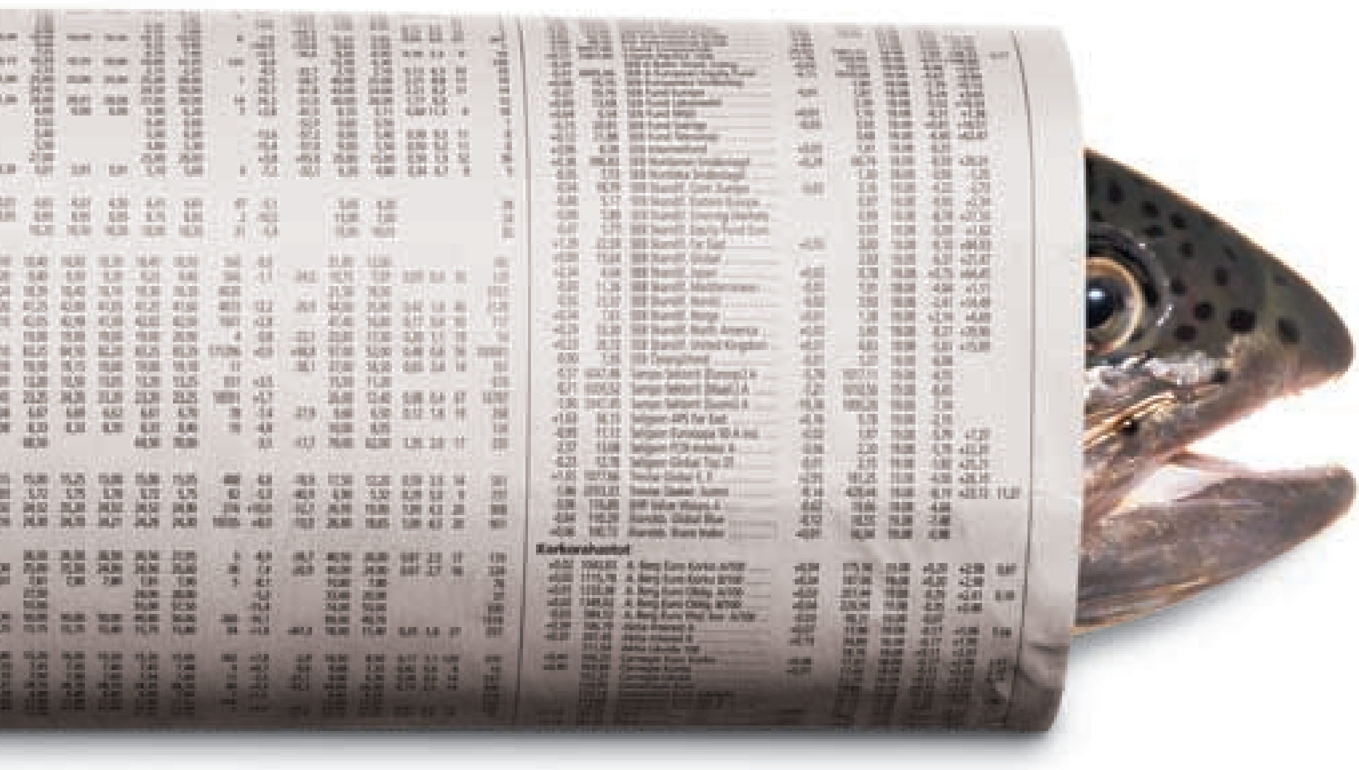


The 1999 Rapala Normark Group Annual Report.

Rapala Normark Group–Introduction

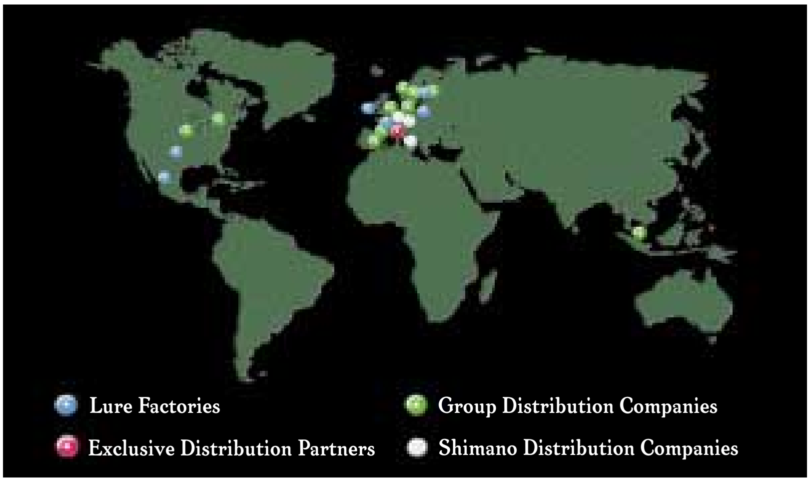
As a boy growing up in central Finland before World War II, Lauri Rapala fished to put food on the family table. He would row his wooden boat as much as 30 miles a day trolling for pike, perch and trout in the lakes near his home. To help pass the time as he rowed, Lauri spent countless hours gazing into the cold, clear waters observing schools of minnows and their behavior. It was here that he noticed something that would eventually make Rapala the world's number one name in fishing lures. That was, a struggling, slightly off-center, wounded wobble that caused one minnow to be singled out from the group and attacked by a hungry predator. Lauri became determined to develop a lure that would mimic this wounded-minnow action. He thought a fishing lure might help him catch more fish, and in turn, earn more money. It also might eliminate the need to constantly bait lines. So, Lauri whittled, shaved and carved. After much trial and error his lure took shape. The lure was black on top, gold along its flanks and white on the bottom – just like the minnows in the local lakes. And, most important, it perfectly duplicated that struggling, slightly off-center, wounded wobble. Legend has it that Lauri would sometimes catch as much as 600 pounds of fish in a single day using his new lure. As word of his abundant catches spread, people began asking him to make lures for them. It remained a local business until Rapala lures were introduced in the United States by the Normark Corporation in the 1960's. This resulted in significant growth in demand for Rapala's products. Initially Lauri was overwhelmed by the number of fishermen who wanted his lure (as the quote above suggests) but with help from his family, he built a factory and soon had the capacity to meet the demand. But even as the number of lures he was making increased, Lauri never lost his eye for craftsmanship. He continued to hand-tune and tank-test each lure to insure its action before it went out the door. This painstaking attention to the action of Rapala lures continues to this day. Every Rapala lure has the magical swimming action Lauri perfected more than 60 years ago.

"There are so many fishermen. And so few of us."

It's the reason Rapala lures have caught more world record fish than any other lure. And it's the reason so many fishermen reach for a Rapala first. There is no doubt among fishermen: If it's a Rapala, it catches fish. Over the years, this fish-catching reputation has only been strengthened by the introduction of new products. Year after year, new Rapala lures have been "the buzz" on the water, producing great catches, and great memories, for millions of fishermen. Today, there are more Rapala lures sold than any other lure in the world. When a new product is added to the line, retailers eagerly add it to their shelves and fishermen eagerly add it to their tackle box. To complement the Rapala brand, The Rapala Normark Group introduced Blue Fox fishing lures in 1969. The Blue Fox brand allows the Group to target specific fishermen in specific regions of the world with smart, innovative products designed precisely for their type of fishing. Like Rapala lures, Blue Fox lures have built a solid reputation for putting fish in the boat. The Rapala Normark Group acquired Storm lures in 1999, giving the Group a platform to introduce more lures and capture additional space at retail. The Storm line also allows the Group to bring new products to market quickly and to capitalize on promotional opportunities. Together, the Rapala, Blue Fox and Storm brands, along with the recently expanded sales and marketing force, put the Rapala Normark Group in a position to expand in the North American market and to grow in emerging markets throughout the world, where there is vast untapped potential. It's been a long journey from that tiny Finnish village. Lauri Rapala never envisioned the global company the Rapala Normark Group would become today. All he had was a love for catching fish and a strong belief in his hand-made lure. Today, so many years later, there are millions of fishermen around the world who feel exactly the same way.

Contents

Leading Global Brand.



World's largest producer of fishing lures.

Rapala is the leading brand of hard-bodied lures worldwide with an estimated 30% market share in the United States and an estimated 50% share in Europe. Rapala holds a solid position in a fragmented global lure market where only a few companies have a significant sales and market presence. Currently, Rapala lures are sold in approximately 140 countries. It's estimated 250 million anglers throughout the world spend $4.2 billion on fishing tackle each year. The United States and Japan have the largest markets. In the United States are approximately 50 million anglers. In September 1999, the Rapala Normark Group opened a new distribution company in Japan. Rapala is targeting a 15% market share goal in Japan by 2002, compared to less than 3% in 1998.

Throughout the world — big fish eat little fish swimming like a Rapala.

More world record fish have been caught using a Rapala than any other lure. More than 60 Rapala world record fish have been recorded by the International Game Fish Association (IGFA). In fact, world record fish have been caught using Rapala lures on every continent, with the exception of Antarctica.

Europe's largest fishing equipment distribution network.

Pan-European distribution arrangements include partnerships with other powerful outdoor brands such as Shimano, Plano, Computrol and Cortland. Distribution of third-party products leverages the Normark distribution network and maximizes efficiency. The network is a critical component to support potential acquisitions.

Business Activities

Disribution and Selling in Europe

	Normark Companies							Shimano Companies			Normark Partners	
Key Sportfishing Products												
RapalaLures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Normark Knives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shimano Reels and Rods		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Plano Tackle Boxes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Computrol Fish Finders	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cortland Fishing Lines	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Ice Fishing Equipment				✓	✓	✓						
Other Outdoor Products												
Hunting Knives		✓	✓	✓	✓	✓	✓		✓			
Rifles and Shotguns				✓		✓	✓					
Binoculars and Scopes				✓	✓	✓	✓					
Outdoor Clothing	✓			✓	✓	✓	✓					
Flashlights	✓	✓		✓	✓	✓	✓					
Bicycles						✓						

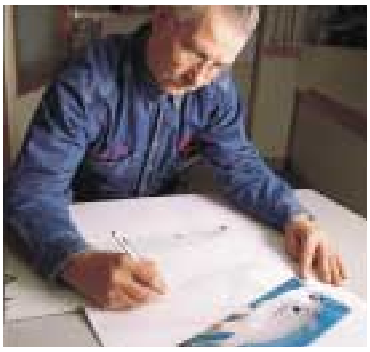
Fishing television shows that Rapala has traditionally sponsored in the United States are now being syndicated throughout the world, providing broadcast media exposure for the Rapala brand into the global marketplace.

Extending the Rapala brand to the global marketplace.

Emerging markets represent significant potential.

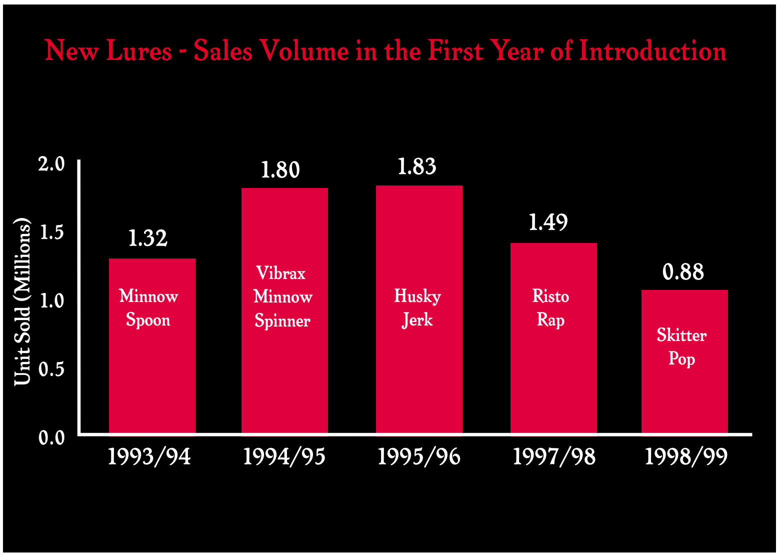
The world can access the Rapala brand via the World Wide Web. Each day thousands of anglers from the far corners of the world visit the Rapala Web site, allowing anglers from the Fiji Islands to the Bering Strait to stay abreast of the latest news from Rapala.

Leading Technology.



Rapala designers study baitfish to develop realistic lure patterns.

Product research and development efforts are driven by a dedicated team of professionals having access to a worldwide network of professional and other sport fishermen. Each new lure concept is tested extensively in the field. If the lure is not extremely effective at catching fish, it will never reach the market.



Consistent track record of successful product launches.

Each new lure introduced to the market inherits the legacy of the Rapala brand. Anglers around the world have an instant trust that a new product from Rapala will catch fish. Also, new "hot" lures are a must have for the serious angler. Product line extensions are introduced annually yet Rapala has not discontinued the manufacturing of any lure product families. The Original Floating Rapala, introduced in the 1960's, continues to be one of the Group's best selling lures each year.

Leading technology is used to design and manufacture lures.

Through the use of CAD, laser digitizing equipment and high-tech milling machines, the research and development unit is able to produce lure molds rapidly, reducing the lead time required to bring new lures to market. There is not another manufacturer with this specialized and dedicated lure production machinery.

A high volume — low cost production structure produced approximately 20 million Rapala lures in 1999.

High volume production is a necessary requirement for a manufacturer to serve the world market. Active fishermen purchase lures at great frequency because lures are frequently "lost in action." This provides a stable replacement market. In addition, there is high relative price insensitivity. The cost of a lure to a fisherman is relatively low compared to the total cost of a day fishing. According to U.S. magazine subscriber studies, the average angler purchases as many as 35 fishing lures annually.

Every Rapala lure with a swimming lip is hand-tuned and tank- tested, the way it's been done for more than five decades. This extra step ensures each lure will work exactly right, each time, right out of the box.

Review by President and CEO

The 1999 year perhaps saw the most wide-ranging changes in the last decade within the Rapala Normark Group.

The public listing of the company's shares, the acquisition of a competitor, the launch of significant new products and the opening of sales offices in key territories were among the changes which were most visible to our customers and shareholders. However, within the Group itself, many more structural, management and operational changes were implemented. All of these developments were designed to put in place the organizational and operational platform to support the Group's growth targets.

A year filled with so many positive changes was made all the more challenging as it coincided with a period during which market conditions were not in all situations helpful. The decline in sales of 5% (excluding the contribution from the Storm acquisition) is entirely due to inventory bottlenecks at one specific point in the US distribution chain and fails to do justice to the overall strong growth that the Group's own branded products enjoyed at most retail levels.

As a Group we are not in the retail business and our corporate performance may therefore not always mirror trends in consumer demand. Periods of stock building or of de-stocking at the distributions points between the Group and the end consumer may impact the Group's results in any given period. Clearly, the current trend in international business is towards increasingly sophisticated management information systems which enable both retailers and distributors to move closer to "just-in-time" ordering, with a consequent reduction in the level of inventories in the supply pipeline.

As a management, we look to point of sale consumer demand as a better barometer of the strength of our business over the longer term. During the 1999 year, the available point of sale information indicates that demand for our core Rapala product increased by more than 10% in the US.

The combination of de-stocking by the trade and the strengthened consumer sales puts the Group in position for a return to strong growth entering the 2000 year. We plan to fuel this growth further with several of the initiatives that were put in place during 1999 and from which we should reap benefit in the coming years.

Over the course of the last 18 months we have significantly strengthened our sales and marketing functions in key markets. We have opened dedicated sales offices in Singapore and Sao Paulo and established a subsidiary distribution company in Japan. These are all key markets for the Group's products and the added attention that they will receive through our local presence will contribute to the Group's sales growth and product development activities.

In the US, we have consolidated the distribution of all Rapala, Blue Fox, and Storm products into one facility instead of the three that were used previously. While this will be of immediate benefit in the terms of cost savings, the prime motivation was to better serve our customers which in turn should lead to further growth opportunities with them.

We have already launched our new product range for the 2000 fishing tackle year and initial indications are that the products will be well received at all levels of the trade and ultimately by the consumer. Work is also well advanced on new product launches for subsequent years under all of the Group's brands.

On the manufacturing side of our business, we continue to rationalize our manufacturing processes in order to extract maximum efficiencies from the main plants in Finland, Ireland, Estonia, Oklahoma and Mexico.

The Storm companies, which we acquired in January 1999, have been successfully integrated with our existing US distribution company in Minneapolis. Much has been achieved in a short time with Storm, including consolidation of its sales, marketing and distribution operations into existing Group facilities, rationalization of its product range and repositioning of the brand. We expect that the major surge in contribution to Group results from Storm will occur from the 2001 year onwards. The year currently underway will undoubtedly benefit from better delivery performance and from the brand repositioning but the real impetus to growth will be from new, and improved existing, product lines to be launched in August 2000.

In 1999 we deliberately curtailed the growth of our European distribution companies and focused more on margin improvement and working capital control. Already since the year end we have taken further action to address those companies that are under-performing the Group's targets. Our UK business will be closed before the end of the calendar year and distribution of our full range of products in that market has been transferred to a close working partner of the Group. In Norway we acquired a competing distribution business in August 1999 and the combination of this with our existing company will achieve the sales volumes necessary to achieve an acceptable return on the fixed cost base. These, and other, measures will result in a more significant contribution to Group results in the coming year.

The acquisition of Storm is, we believe, the sign of things to come – not just for our Group but for the fishing tackle industry in general. There is a general consensus that the industry is ripe for consolidation, in the same way that the distribution and retail base that we supply has itself consolidated over the last several years. With the exception of a very small number of full range tackle companies, the industry is relatively fragmented and only the larger players will be able to service the requirements of an increasingly sophisticated and demanding customer base. In the near term, this is expected to provide several attractive acquisition opportunities which the Rapala Normark Group is well placed to exploit.

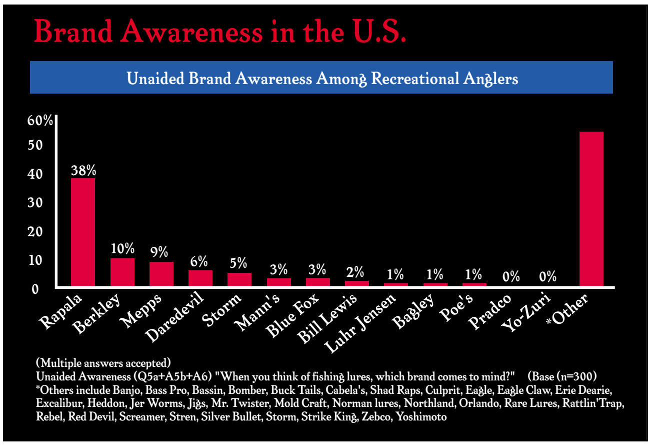
The steps that we have taken during the past year were necessary to maintain our pre-eminent position in the fishing tackle industry. As a result we are well positioned to experience strong growth in the coming year. We continue to make progress on all of our strategic initiatives and we approach the new millennium anticipating a rewarding future for the Group and all of its stakeholders.

14 October 1999

Jorma Kasslin

President and Chief Executive Officer

Growing Markets.



Rapala's unaided brand awareness is almost four times the nearest competitor.

In addition to having high brand awareness, research indicates consumers perceive Rapala as a premium brand and their number one choice for future lure purchases. The independent brand awareness survey is also a fair reflection of the U.S. market share, with Rapala being rated almost four times higher than the nearest competitor. Being the dominant player in the category works to Rapalas advantage as consolidation trends drive small players out of the market.

Attractive industry with favorable growth trends.

The U.S. lure market is expected to expand due to a growing population, increased time and discretionary dollars for recreational activities and improved fishing conditions.

- **Anglers outnumber golfers nearly two to one.**
- **Nearly 50 million people fish in the United States each year.**
- **Recreational fishing contributes more than $180 billion to the U.S. economy.**
- **If it were a corporation, sport fishing's revenue would rank 13th in the Fortune 500.**
- **Recreational fishing supports 1.2 million jobs in the United States.**

Sources: American Sportfishing Association and the National Marine Manufacturers Association

New Stainless Steel Saltwater Magnums.

Rapala is attacking the segments of the market showing the most growth potential. The Stainless Steel Saltwater Magnums are designed exclusively for the rapidly growing saltwater market.

Partnerships with key accounts help build incremental retail sales.

The sales and marketing team find unique ways to leverage potential sales of existing products through innovative sales promotion efforts. One of Rapala's largest U.S. retail accounts featured a 10' X 50' display of Rapala products resulting in a 44% increase over their 1998 sales. This type of in-store marketing is being expanded to multiple retail outlets in 2000.

Growing Brands.

Rapala advertisements have won numerous awards.

The 1998/1999 ad campaign was selected as one of the 25 best in America by the Magazine Publishers of America. In addition to the group's unique, award-winning television and print advertisements, the brands are supported through in-store promotion, public relations and direct marketing.

Rapala's lures still catching fish, even now in '99

Scripps Howard News Service

Dead since 1974, Lauri Rapala lived much of his life in poverty in his native Finland. He visited Minnesota only once, in 1964.

Yet here in the state's 1999 angling season, Rapala lures similar to — and in some cases nearly identical to — those first carved by Lauri Rapala in the 1930s are being trolled and cast by Minnesota anglers.

The lures will catch fish.

But if two enterprising Minnesotans hadn't formed a partnership with Rapala more than 30 years ago, the lures that fool so many walleyes, northerns and bass might never have been known outside a small circle of mostly Scandinavian anglers.

Twin Cities residents Ron Weber and Ray Ostrom combined luck with good timing, perseverance and solid business sense to forge a handshake deal with Lauri Rapala in 1962.

That agreement, which resulted in the founding of Normark Corp., now headquartered in Minnetonka, has made millionaires of many, many people.

And victims of many, many fish.

Quite a few records

Rapala lures account for 61 record fish worldwide — more than any other lure — including 29 all-tackle and 32 freshwater line-class records.

Not bad for a guy whose name, in Finnish, means "mud."

Lauri Rapala wasn't always a lure maker. As a young man he worked as a lumberjack in winter and a commercial fisherman and farmhand in summer. He used nets to catch whitefish and

In the record books

Lauri Rapala lures account for 61 record fish worldwide — more than any other lure — including 29 all-tackle and 32 freshwater line-class records.

wood.

First lure in 1936

After many failures, he completed his first lure in 1936. Made of cork, the lure was covered with tinfoil salvaged from cheese packets and chocolate bars, over which, as a protective coating, Rapala poured melted photographic negatives.

Rapala didn't want to lose that first lure, so he trolled it with a line tied to his thumb. Some days he caught 600 pounds of fish with his new invention.

If World War II hadn't intervened, Rapala might have made a big business of lure-making much sooner than he did. But for six years — until 1945 — he fought in the Finnish army, first against the Soviet Union, then against Nazi Germany.

When the war ended, Rapala returned home and joined his four sons, Risto, Ensio, Esko and Kauko, in the lure-making business. It was a small-time operation, producing only 1,000 or so lures a year. But the work put food on the table and set the stage for a much larger enterprise 15 or so years later.

In 1959, Weber, owner of a fishing-tackle distribution company, traveled to Ontario for walleyes and northerns. On the trip, he was outfished by

ond letter to Lauri Rapala, seeking exclusive rights to distribute Rapala lures in North America. Rapala agreed.

Enter serendipity.

In 1961, Life magazine sent a reporter, Marshall Smith, to the Twin Cities to write a story about Minnesota's new football team, the Vikings.

Jim Peterson, then an outdoor writer with the old Minneapolis Tribune, knew Smith and invited him to dinner (Peterson also is former owner and publisher of the weekly newspaper Outdoor News). Peterson asked Ostrom to come along, too.

In the news

One thing lead to another and the dinner conversation turned to fishing and Rapala. Subsequently, Life sent a writer and photographer to Finland to prepare a story about the lure maker.

The article was supposed to be published in April 1962. Instead it was bumped until August of that year, when it ran inside the edition that had Marilyn Monroe on Life's cover — just after she had committed suicide.

The issue was one of Life's biggest sellers, and it quickly produced a 3 million lure backlog for Weber and Ostrom.

Realizing the Rapala business could flourish beyond their wildest expectations, the pair turned their complete attention to the company they had formed to distribute Rapala lures. To increase production, Weber loaned the Rapala family $10,000 to build a new factory.

Fast-forward to 1999.

Ostrom, who now is involved with a different

Keeping Rapala "in the news" is an important part of growing the brand.

Extensive public relations efforts support the Rapala brand by offering a comprehensive and credible third-party endorsement that can't be achieved through advertising. News stories frequently communicate big fish catches or Rapala tournament victories.

Limited edition art prints featuring Rapala catalog covers from the 1960's and 70's are one example of brand leverage.

The strength of the Rapala brand provides a platform for growth. A strategic initiative of the group is to extend the Rapala brand to market high quality, non-lure related products consistent with its existing image. A product range of collectibles and giftware is being test-marketed in the U.S. with promising results.

Rapala Normark Group exhibits at the American Sportfishing Association's annual trade show held in Chicago, July 1999.

The Rapala exhibit was busy with customers, journalists, and other industry insiders all looking to find out "what's new?" from the industry leader. The Spring and Summer of 1999 is the time of year when 2000 new products are introduced.

Review of the Board of Directors 1998/99

General

The Group maintained its leading worldwide position in its industry in terms of consumer demand for its products. However, de-stocking to clear isolated bottlenecks in the intermediate distribution channels into which the Group sells its products held back the performance of the Group itself. Significant progress was made on all of the Group's strategic initiatives, including strengthening the management team in certain areas which will be key to the Group's future development.

Sales

Sales for the year were FIM 594.3 million compared to FIM 601.4 million in the prior year. At constant exchange rates, net sales of the Group were level with the prior year, although 4.3% lower excluding the impact of acquisitions (Storm) on current year net sales. The effect of fluctuating exchange rates reduced sales by 1.1% compared to the prior year.

North American and export markets

Sales in North America were 9.5% below prior year levels (at constant exchange rates), excluding Storm. The reduced level of sales occurred predominantly in the third quarter. At the nine month stage, excluding Storm, North American net sales were 10.7% below prior year levels (at constant exchange rates). Overall, fourth quarter net sales in North America recovered somewhat to achieve a level just 2% below the prior year for the quarter, indicating that these market issues were of an isolated nature and ceased to impact the business as the fourth quarter progressed.

The decrease in sales does not reflect any apparent reduction in demand for the company's products at the retail level. On the contrary data from the US company's major customers indicates that consumer sales continued to remain strongly ahead of the prior year level. However, since the company does not sell at the retail level, its sales do not necessarily mirror changes in consumer demand and will additionally be impacted by the actions of other parts of the distribution chain. In the third quarter the Group's two largest US customers significantly reduced their inventory of the company's products. With retail demand remaining strong, these customers discontinued this practice during the fourth quarter.

The trading issues depressing sales in North America were limited to the US business, which ended the year 11.9% below prior year levels, on a constant currency basis and excluding acquisitions. The Canadian business, although significantly smaller, recorded strong growth of 11.2% over the previous year.

Direct export sales (ie lure sales direct from the factories to overseas third parties) registered an encouraging increase of 8.7% over the prior year, as the longer term initiatives to grow these markets started to have a positive impact.

Review of the Board of Directors 1998/99 *continued*

The Storm group of companies contributed FIM 25.3 million to the Group's sales, and FIM 7.1 million to the Group's operating profit before depreciation. At the net income level, after including goodwill amortization and borrowing costs, the impact of storm was approximately neutral.

European Distribution businesses

Overall sales in the Group's European distribution businesses were level with the prior year (at constant exchange rates). Continued efforts were made to improve profitability rather than fuel further sales growth. The Nordic businesses overall recorded sales 1.1% higher than previous years. Sales in Sweden and Norway increased, reflecting in part the first full year contribution from the latter. These were partially offset by reduced sales of between 5 - 7% in Denmark and Finland. However the sales reductions were in lower margin categories and served to improve the overall gross margins in these countries.

The Spanish business, whilst relatively small in the context of the Group, continued to grow strongly, with sales 17.5% ahead of the previous year. The UK and French businesses underwent a refocusing which contributed to a reduction in sales of 8.4% but also improve margins and reduced fixed costs.

Most of the European distribution companies are progressing in line with management expectations, and subsequent to the year end further action was taken to significantly improve profitability in the UK and Norway.

Profitability

The Group's operating profit before depreciation for the year was FIM 130.2 million (prior year FIM 150.6 million). Overall the gross profit margin of the Group was constant but fixed costs increased by 8.4% (9.5% on a constant currency basis) from FIM 141.7 million to FIM 153.5 million, excluding the impact of Storm. The overall increase in fixed costs reflects the expansion of the key management team in the lure business worldwide and increased marketing expenditure in the US which is expected to favorably impact future sales, partially offset by reduced costs in certain of the European distribution businesses.

Net financing income and expense includes net interest expense of FIM 36.6 million (FIM 32.3 million) and net foreign exchange losses of FIM 10.6 million (FIM 1.0 million). The foreign exchange losses are translation adjustments arising on primary US dollar denominated loans held in Finland as a partial hedge against US dollar revenue flows.

Extraordinary charges include FIM 9.9 million which reflects the accelerated amortization of deferred origination costs which were incurred in connection with borrowing facilities entered into by the company

Review of the Board of Directors 1998/99 *continued*

in May 1997. As these loans were refinanced in December 1998, these previously deferred costs have been fully amortized in the period. Extraordinary income reflects the recognition for the first time, in accordance with new accounting rules, of a deferred tax asset on the profit relating to prior years which is eliminated in respect of inventories still held within the Group at the year end.

The company's effective tax rate for the year, excluding the impact of the extraordinary income which was not subject to tax, was 20.5% (24.6%). The reduction reflects the fact that much of the decrease in Group profits occurred in higher tax jurisdictions.
Net profit for the year was FIM 40.5 million compared to FIM 67.6 million in the prior year. Earnings per share were FIM 1.42 (prior year FIM 2.12) and equity per share was FIM 2.26 (prior year FIM 3.24).

Capital Expenditure

Gross capital expenditure for the period (excluding corporate acquisitions) totalled FIM 16.9 million (FIM 9.3 million). The majority of the increase in expenditure relates to the expansion of the Group's US distribution facility to accommodate the consolidation of all three lure product lines.

Financing

Despite the lower level of operating profit, the level of cash provided by operations was strong at FIM 110.5 million (FIM 111.9 million).

Excluding the effects of foreign exchange variations, net borrowings increased during the year by FIM 97.5 million to FIM 561.3 million. Contributing to this increase are the dividend payment of the prior year (FIM 65.0 million) and the acquisition of the Storm companies (FIM 68.4 million), both of which were funded with borrowings during the year.

Research and Development

Total identified research and development expenditure for the year was FIM 2.7 million (FIM 2.5 million) or 0.5% of sales (0.4%).

Review of the Board of Directors 1998/99 *continued*

Personnel

The Group had an average of 831 employees during the period (765). The increase reflects the acquisition of Storm.

At the year end the Group employed 863 employees (782). The increase reflects the inclusion of the Storm employees and the expansion of the group management team. Subsequent to the year end 19 employees left the Group as a result of the final consolidation of the US distribution operations.

Adoption of the Euro

Commencing with the first interim report for the quarter ended 31 October 1999, all sums in the company's public financial reporting will be denominated only in Euros. To enable future comparability of financial statements, a translation of key figures into Euros is included on page 34 .

Year 2000 and Computer Systems

The majority of the Group's computer systems operate commercial software products which are under maintenance by vendors. In most instances the necessary Year 2000 compliant upgrades or replacements have been installed, tested and are now operational. Internally developed systems are limited to certain applications within the factories and these have been inspected and brought into compliance. Electronic links that the Group uses with key customers have been inspected and brought into compliance.

It is planned that all unfinished information technology measures will be completed by the end of October 1999.

Group Structure

The Storm group of companies was acquired on 5 January 1999 and has been consolidated into the Group's results as from that date. Subsequent to the year end, in August 1999, the Group acquired a majority stake in a Norwegian distribution company, Elbe A/S. Also in August 1999, the Group established a subsidiary distribution company in Japan.

Shareholders

The Group's shares commenced trading on the Helsinki Exchange on 4 December 1998 following the initial public offering of 17.6 million shares, representing 55.9% of the company's total share capital.

On 31 July1999 the company had 865 registered shareholders. The number of shares in issue is 31,498,150. The share price fluctuated between FIM 35 and FIM 50. The last quotation of the year was FIM 41.60. The total volume of shares traded during the period was 3,089,241 shares. The market value of the shares was FIM 1,310 million at 31 July 1999.

Future Prospects

The de-stocking which occurred at two significant US customers in the second half of the financial year ceased to impact results during the fourth quarter as strong sell-through strength of the company's products at the retail level continued.

Such de-stocking is not expected to recur in the next year. Additionally, the company's key accounts have indicated that the consolidation of the company's US distribution operations, which will result in consolidated ordering, shipment and invoicing for all three of the Group's major lure brands will be well received and should lead to incremental business.

All of the company's major strategic initiatives continue apace, indeed some are being accelerated, although given their longer term nature their effect will start to positively impact the company's performance during the next financial year.

Consolidated Income Statement

	Notes	Year ended 31 July 1999 (1000 FIM)	1998 (1000 FIM)
Net sales	**1**	**594,299**	601,437
Other operating income	2	**1,996**	1,662
Operating expenses	3	**(466,056)**	(452,476)
Operating profit before depreciation		**130,239**	150,623
Depreciation on fixed assets and other capitalized expenditure	4	**(28,867)**	(27,995)
Operating profit		**101,372**	122,628
Financial income and expenses	5	**(47,599)**	(33,137)
Income before extraordinary items and taxes		**53,773**	89,491
Extraordinary items	6	**(4,144)**	728
Income before taxes		**49,629**	90,219
Income taxes	8	**(8,715)**	(22,170)
Minority interest		**(425)**	(403)
Net income	**12**	**40,489**	67,646

Consolidated Balance Sheet

	Notes	31.7.99	31.7.98
		(1000 FIM)	(1000 FIM)
ASSETS			
Non-current assets			
INTANGIBLE ASSETS	9		
Intangible rights		**2,971**	2,829
Goodwill		**14,641**	12,142
Group goodwill		**230,941**	187,947
Other capitalized expenditure		**9,297**	16,415
		257,850	219,333
TANGIBLE ASSETS	9		
Land		**10,667**	10,492
Buildings		**35,407**	32,510
Machinery and equipment		**34,318**	30,638
Other tangible assets		**782**	548
Advance payments and construction in progress		**976**	28
		82,150	74,216
INVESTMENTS			
Other shares and participations	18	**340**	358
Other receivables		**251**	250
		591	608
Current assets			
Inventories	10	**214,759**	188,418
Deferred tax asset	8	**7,961**	0
Short-term receivables	11	**163,957**	146,236
Cash in hand and at bank		**70,200**	60,573
		456,877	395,227
TOTAL ASSETS		**797,468**	689,384
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	12		
Share capital		**15,749**	1,575
Reserve fund		**647**	14,821
Retained earnings		**17,220**	20,519
Net income for the period		**40,489**	67,646
		74,105	104,561
Minority interest		**2,942**	2,480
Liabilities			
Deferred tax liabilities	8	**1,988**	1,781
Long-term liabilities	14	**446,569**	352,787
Current liabilities	15	**271,864**	227,775
		720,421	582,343
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**797,468**	689,384

Consolidated Statement of Cashflow

	Year ended 31 July	
	1999	1998
	(1000 FIM)	(1000 FIM)
Operating profit before working capital changes	**130,239**	150,623
Change in net working capital:		
Increase in receivables	**(7,152)**	(12,730)
Increase in inventories	**(15,237)**	(15,085)
Increase/(decrease) in short term liabilities	**2,742**	(10,976)
	(19,647)	(38,791)
Net cash provided by operations	**110,592**	111,832
Interest paid	**(35,987)**	(31,943)
Interest received	**3,263**	3,441
Income taxes paid	**(19,734)**	(19,632)
Net cash provided by operating activities	**58,134**	63,698
Cash used in financing activities:		
Purchases of fixed assets	**(16,917)**	(9,301)
Proceeds from disposal of fixed assets	**1,347**	1,511
Acquisition of subsidiary companies	**(68,421)**	–
Net cash used in investing activities	**(83,991)**	(7,790)
Cash flows used in financing activities:		
Dividends paid	**(65,000)**	(96,500)
Payment of refinancing fees related to 1997 reorganization	**(6,612)**	(6,262)
Net cash used in financing activities	**(71,612)**	(102,762)
Net increase in net borrowings	**(97,469)**	(46,854)
Net borrowings at beginning of period	**435,520**	390,724
Effect of exchange rate changes on net borrowings	**28,283**	(2,058)
Net borrowings at end of period	**561,272**	435,520

Parent Company Income Statement

	Notes	Year ended 31 July 1999	1998
		(1000 FIM)	(1000 FIM)
Net sales	1	**94,514**	102,804
Other operating income	2	**485**	452
Operating expenses	3	**(74,596)**	(83,474)
Operating profit before depreciation		**20,403**	19,782
Depreciation on fixed assets and other capitalized expenditure	4	**(6,742)**	(7,486)
Operating profit		**13,661**	12,296
Financial income and expenses	5	**(5,873)**	69,944
Income before extraordinary items, appropriations and taxes		**7,788**	82,240
Extraordinary items	6	**1,722**	11,259
Income before appropriations and taxes		**9,510**	93,499
Appropriations	7	**(69)**	(1,054)
Income taxes	8	**(1,746)**	(4,149)
NET INCOME	12	**7,695**	88,296

Parent Company Balance Sheet

	Notes	31.7.99	31.7.98
		(1000 FIM)	(1000 FIM)
ASSETS			
Non-current assets			
INTANGIBLE ASSETS	9		
Intangible rights		**367**	461
Other capitalized expenses		**27,400**	33,891
		27,767	34,352
TANGIBLE ASSETS	9		
Land and water		**1,309**	1,309
Buildings		**8,861**	9,607
Machinery and equipment		**13,002**	12,708
Other tangible assets		**272**	272
Advance payments and construction in progress		**976**	498
		24,420	24,394
INVESTMENTS			
Shares in subsidiaries	18	**118,135**	118,436
Receivables from group undertakings		**10,186**	0
Other shares	18	**311**	154
		128,632	118,590
Current assets			
Inventories	10	**26,938**	21,582
Long-term receivables		**132,769**	112,305
Short-term receivables	11	**129,211**	134,791
Cash in hand and at bank		**16,001**	34,038
		304,919	302,716
TOTAL ASSETS		**485,738**	480,052
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	12		
Share capital		**15,749**	1,575
Reserve fund		**647**	14,821
Retained earnings		**80,133**	56,837
Profit for the financial year		**7,695**	88,296
		104,224	161,529
Appropriations	13	**4,488**	4,419
Liabilities			
Long-term liabilities	14	**238,900**	216,294
Short-term liabilities	15	**138,126**	97,810
		377,026	314,104
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**485,738**	480,052

Parent Company Statement of Cashflow

	1999	1998
	Year ended 31 July	
	(1000 FIM)	(1000 FIM)
BUSINESS OPERATIONS		
Operating profit	**13,661**	12,296
Depreciation and other movements	**29,064**	6,049
Financial income and expenses	**(22,429)**	1,645
Extraordinary income	**14,240**	83,325
Income taxes	**(3,677)**	(1,926)
Change in working capital	**(13,879)**	(26,228)
Cash flow from business operations	**16,980**	75,161
INVESTMENTS		
Investments in fixed assets	**(7,177)**	(3,851)
Sales revenue from fixed assets	**1,080**	806
Increase in other investments	**0**	(6)
Decrease in other investments	**16**	3
Cash flow from investments	**(6,081)**	(3,048)
Cash flow before financial items	**10,899**	72,113
FINANCE		
Increase/decrease in non-current liabilities	**(5,148)**	13,936
Increase/decrease in non-current receivables	**(5,386)**	3,665
Increase/decrease in current liabilities	**45,429**	2,924
Dividends	**(65,000)**	(96,500)
Cash flow from finance	**(30,105)**	(75,975)
Increase/decrease in liquid assets	**(19,206)**	(3,862)
Liquid assets 1.8.	**34,038**	38,213
Correction items	**1,169**	(313)
Liquid assets 31.7.	**16,001**	34,038

Accounting Principles

PRINCIPLES OF CONSOLIDATION

Scope of consolidation

The consolidated financial statements present the financial position and results of operations of the parent company and those companies in which the parent company held directly or indirectly more than 50% of the voting power at the end of the parent company's financial year.

The results of subsidiaries acquired or sold during the period are included in the consolidated financial statements from the date of purchase or up to the date of the sale.

Consolidation method

Transactions between group companies and internal margins in inventories have been eliminated in the consolidated financial statements.

Shareholdings in group companies have been eliminated by deducting the fair value of the subsidiary's net assets acquired at the date of acquisition from the acquisition cost of its shares. The difference between acquisition cost and the fair value of the subsidiary's net assets at the date of acquisition has been shown as goodwill.

In certain countries, tax legislation allows allocations to be made to untaxed reserves. These allocations are not subject to taxation on condition that the corresponding deductions have also been made in the accounts. In the consolidated financial statements, the yearly allocations — reserves as well as the difference between the depreciation according to plan and depreciation accepted by tax laws — have been included within net income, excluding the change in the associated deferred tax liability. The deferred tax liability is determined from the accumulation of untaxed reserves. The accumulation of untaxed reserves, excluding the associated deferred tax liability, is included in shareholders' equity in the Consolidated Balance Sheet. The deferred tax liabilities and deferred tax assets of Group companies caused by timing differences between income and corresponding taxable revenue as well as between expenses and corresponding tax deductible expenditure are shown in the Balance Sheet and Income Statement as a separate item in taxes on a prudent basis.

Taxes shown in the Consolidated Income Statement include income taxes to be paid on the basis of local tax legislations as well as the effect of the yearly change in the deferred tax liability and deferred tax assets, determined by using current tax rates.

Conversion of Foreign Subsidiary Financial Statements

For the purposes of inclusion in the consolidated financial statements, the balance sheets of foreign subsidiaries are translated into Finnish markkas at the exchange rates prevailing at the balance sheet date. The income statements of foreign subsidiaries are translated at the average exchange rates for the financial year. The resulting net translation adjustments are recorded in non-restricted equity.

FOREIGN CURRENCY ITEMS AND EXCHANGE RATE DIFFERENCES

Foreign currency transactions are translated into local currency using the exchange rate prevailing at the date of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. The resulting net translation gains or losses, both realized and unrealized, are recognized in the income statement.

REVENUE RECOGNITION

Revenue from goods sold and services rendered is recognized at when all significant risks associated with the relevant goods or service are transferred to the buyer and no significant uncertainties remain regarding the consideration, associated costs and possible return of goods. Net sales is comprised of gross billings less discounts and excise tax.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

INVENTORIES

Inventories are recorded at the lower of cost and net realizable value, calculated on a first-in, first-out basis. The cost of finished goods and work-in-progress includes direct materials, wages and salaries plus social costs, and other direct costs. Inventories are shown net of a reserve for obsolete or slow-moving inventories.

FIXED ASSETS

Fixed assets, tangible and intangible, are recorded at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset or through the date of disposal. Land and water areas are not depreciated. The estimated useful economic lives of fixed assets are as follows:

Intangible assets, excluding goodwill	3 - 8 years
Goodwill	14 - 20 years
Buildings	20 years
Machinery and equipment	5 - 10 years
Other tangible fixed assets	3 - 10 years

Goodwill, the excess of the cost over the fair value of the net assets of an acquired business, is amortized by the straight-line method over a maximum period of 20 years. The directors consider that an amortization period of this length is justified by the strength and longevity of the group's principal brands, which have been long established in consumer markets which have shown little susceptibility to changing demand patterns.

PENSION COSTS

All of the Group's pension arrangements are of a defined contribution nature, with the majority being local statutory arrangements. Pension costs are funded as incurred.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)
1. Net Sales				
Net sales by business area				
Trade	**539,079**	552,580	**2,528**	2,453
Production	**55,220**	48,857	**89,772**	97,922
Other	**–**	–	**2,214**	2,429
Total	**594,299**	601,437	**94,514**	102,804
Net sales by market area				
Finland	**88,630**	83,928	**3,818**	5,223
North America	**281,064**	290,045	**21,817**	21,845
Other markets	**224,605**	227,464	**68,879**	75,736
Total	**594,299**	601,437	**94,514**	102,804

2. OTHER OPERATING INCOME

Rents received	**1,026**	819	**485**	452
Other	**970**	843	**–**	–
Total	**1,996**	1,662	**485**	452

3. OPERATING EXPENSES

Increase/(decrease) in inventory of finished products	**(17,230)**	(21,922)	**(3,110)**	1,645
Production for own use	**(126)**	(82)	**(126)**	(82)
Raw materials and services				
Purchases during the financial year	**244,710**	246,768	**30,802**	31,395
(Increase)/decrease in inventory of raw materials	**(1,076)**	6,275	**(2,246)**	120
External services	**913**	461	**351**	47
	227,191	231,500	**25,671**	33,125
Staff expenses				
Wages and salaries	**94,601**	90,271	**28,823**	30,108
Pension expenses	**9,118**	8,709	**4,580**	4,732
Other social security expenses	**14,403**	15,422	**2,540**	3,189
	118,122	114,402	**35,943**	38,029
Other operating expenses	**120,743**	106,574	**12,982**	12,320
Operating expenses total	**466,056**	452,476	**74,596**	83,474

Voluntary staff expenses are recorded under other operating expenses.

Average number of personnel	**831**	765	**242**	255

	Group 1999 (1000 FIM)	Group 1998 (1000 FIM)	Parent Company 1999 (1000 FIM)	Parent Company 1998 (1000 FIM)
4. DEPRECIATION				
Depreciation according to plan				
Intangible rights	**238**	280	**94**	94
Goodwill	**446**	614	–	–
Other capitalized expenditure	**3,081**	3,298	**2,902**	3,705
Buildings	**1,820**	3,114	**729**	729
Machinery and equipment	**8,325**	7,379	**3,017**	2,958
Total	**13,910**	14,685	**6,742**	7,486
Group goodwill	**14,957**	13,310		
Total	**28,867**	27,995		
Depreciation on investments				
Kiint. Oy Brinkhaga	–	116	–	–
5. FINANCIAL INCOME AND EXPENSES				
Dividend income from group companies	–	–	**5,839**	72,025
Other interest and financial income:				
Interest income from group companies	–	–	**18,424**	17,996
Other interest income	**3,175**	2,697	**521**	910
Other financial income	**217**	522	**22,788**	5,876
Interest and other financial expenses:				
Interest expense to group companies	–	–	**(3)**	(24)
Other interest expense	**(39,819)**	(35,013)	**(22,115)**	(20,933)
Other financial expenses	**(11,172)**	(1,343)	**(31,327)**	(5,906)
Total	**(47,599)**	(33,137)	**(5,873)**	69,944
6. EXTRAORDINARY ITEMS				
Impact of changed accounting practice[1]	**6,189**	–	–	–
Group contribution received	–	–	**8,400**	11,300
Write off of debt refinancing fees	**(10,432)**	–	**(6,892)**	–
Other extraordinary items	**99**	728	**214**	(41)
Total	**(4,144)**	728	**1,722**	11,259

[1]Recognition of deferred tax asset on profit relating to prior years which is eliminated in respect of inventories still held within the Group at the year end

	Group 1999 (1000 FIM)	Group 1998 (1000 FIM)	Parent Company 1999 (1000 FIM)	Parent Company 1998 (1000 FIM)
7. APPROPRIATIONS				
Change in accelerated depreciation				
Intangible rights			**(2)**	–
Other capitalized expenditure			**(2)**	77
Buildings			**229**	193
Machinery and equipment			**(294)**	(1,324)
Total			**(69)**	(1,054)

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)

8. INCOME TAXES

	Group 1999	Group 1998	Parent 1999	Parent 1998
Income taxes for the financial year	**(10,183)**	(23,476)	**(1,675)**	(3,748)
Change in deferred taxes	**1,565**	1,306	–	–
Taxes from previous financial years	**(97)**	–	**(71)**	(401)
Total	**(8,715)**	(22,170)	**(1,746)**	(4,149)

	1999	1998
Change in deferred taxes arises from:		
Appropriations	**(207)**	1,306
Elimination of intragroup profit in inventories	**1,772**	–
Total	**1,565**	1,306

Deferred tax assets and liabilities

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

	1999	1998
Deferred tax assets arising from elimination of intragroup profit in inventories	**7,961**	–
Deferred tax liabilities arising from appropriations	**1,988**	1,781

That portion of the deferred tax assets which arises from elimination of intragroup profit in iventories at 31 July 1998, totaling FIM 6 189, has been recorded as extraordinary income in the year ending 31 July 1999.

9. GROUP NON-CURRENT ASSETS

	Group 1999	Group 1998	Parent 1999	Parent 1998
Intangible rights				
Acquisition cost, 1 August	**4,395**	3,829	**740**	740
Increase	**993**	566		
Decrease	**(561)**			
Translation adjustments	**(52)**	–		
Acquisition cost, 31 July	**4,775**	4,395	**740**	740
Accumulated depreciation	**(1,804)**	(1,566)	**(373)**	(279)
Book value, 31 July	**2,971**	2,829	**367**	461

	Group 1999	Group 1998
Goodwill		
Acquisition cost, 1 August	**18,244**	19,592
Increase	**3,275**	–
Translation adjustments	**(330)**	(1,348)
Acquisition cost, 31 July	**21,189**	18,244
Accumulated depreciation	**(6,548)**	(6,102)
Book value, 31 July	**14,641**	12,142

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)
9. GROUP NON-CURRENT ASSETS con't				
Group Goodwill				
Acquisition cost, 1 August	**361,570**	362,508		
Increase	**52,835**	–		
Decrease	**–**	(222)		
Translation adjustments	**5,116**	(716)		
Acquisition cost, 31 July	**419,521**	361,570		
Accumulated depreciation	**(188,580)**	(173,623)		
Book value, 31 July	**230,941**	187,947		
Other capitalized long-term expenditure				
Acquisition cost, 1 August	**33,633**	32,074	**48,125**	46,920
Increase	**3,667**	1,823	**3,304**	1,205
Decrease	**(8,989)**	(386)	**(8,829)**	
Translation adjustments	**1,285**	122	**–**	–
Acquisition cost, 31 July	**29,596**	33,633	**42,600**	48,125
Accumulated depreciation	**(20,299)**	(17,218)	**(15,200)**	(14,234)
Book value, 31 July	**9,297**	16,415	**27,400**	33,891
Land and water				
Acquisition cost, 1 August	**10,492**	10,658	**1,309**	1,309
Increase	**–**	73	**–**	–
Translation adjustments	**175**	(239)	**–**	–
Book value, 31 July	**10,667**	10,492	**1,309**	1,309
Buildings				
Acquisition cost, 1 August	**49,652**	48,240	**20,043**	20,015
Increase	**3,196**	1,833	**–**	28
Translation adjustments	**1,521**	(421)	**–**	–
Acquisition cost, 31 July	**54,369**	49,652	**20,043**	20,043
Accumulated depreciation	**(18,962)**	(17,142)	**(11,182)**	(10,436)
Book value, 31 July	**35,407**	32,510	**8,861**	9,607
Machinery and equipment				
Acquisition cost 1 August	**93,578**	89,094	**46,698**	44,675
Increase	**14,048**	7,299	**3,454**	2,205
Decrease	**(4,103)**	(2,705)	**(299)**	(680)
Translation adjustments	**2,061**	(110)	**–**	–
Acquisition cost, 31 July	**105,584**	93,578	**49,853**	46,200
Accumulated depreciation	**(71,266)**	(62,940)	**(36,851)**	(33,492)
Book value, 31 July	**34,318**	30,638	**13,002**	12,708
Other tangible assets				
Acquisition cost, 1 August	**548**	482	**272**	272
Increase	**234**	66	–	–
Acquisition cost, 31 July	**782**	548	**272**	272
Book value, 31 July	**782**	**548**	**272**	272

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)
9. GROUP NON-CURRENT ASSETS con't				
Advance payments and construction in progress				
Acquisition cost, 1 August	**28**	413	**498**	266
Increase	**976**	28	**976**	498
Decrease	**(28)**	(413)	**(498)**	(266)
Book value, 31 July	**976**	28	**976**	498
Shares in subsidiaries				
Acquisition cost, 1 August			**118,435**	118,847
Decrease			**(300)**	(411)
Book value, 31 July			**118,135**	118,436
Receivables from group undertakings				
Book value, 1 August			**–**	–
Increase			**10,186**	–
Book value, 31 July			**10,186**	–

The parent company has given a conditional shareholder's contribution to the subsidiary company Normark Corp Scandinavia Ab of 15 Million SEK.

Other shares				
Acquisition cost, 1 August	**358**	481	**154**	151
Increase	**0**	3	**173**	3
Decreases	**(16)**	(126)	**(16)**	–
Translation adjustments	**(2)**			
Book value, 31 July	**340**	358	**311**	154
Other receivables				
Book value, 1 August	**250**	250	**–**	–
Translation adjustments	**1**			
Book value, 31 July	**251**	250	**–**	–
10. INVENTORIES				
Raw materials and consumables	**21,779**	19,253	**10,525**	8,274
Work in progress	**18,195**	14,714	**11,908**	10,162
Finished products/goods	**174,785**	154,451	**4,505**	3,146
Total	**214,759**	188,418	**26,938**	21,582

NOTES TO THE FINANCIAL STATEMENTS *continued*

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)
11. RECEIVABLES				
Non-current receivables				
Loan receivables from group companies	**–**	–	**132,769**	112,305
Current receivables				
Trade receivables	**130,470**	131,251	**3,613**	2,997
Loan receivables	**7,824**	3,402	**5,361**	799
Other receivables	**5,454**	568	**132**	209
Prepaid expenses and accrued income	**20,209**	11,015	**6,057**	3,368
	163,957	146,236	**15,163**	7,373
Receivables from group companies				
Trade receivables	**–**	–	**68,715**	57,801
Loan receivables	**–**	–	**43,122**	68,186
Other receivables	**–**	–	**–**	–
Prepaid expenses and accrued income	**–**	–	**2,211**	1,431
	–	–	**114,048**	127,418
Total	**163,957**	146,236	**129,211**	134,791
12. SHAREHOLDERS' EQUITY				
Share capital, 1 August	**1,575**	1,575	**1,575**	1,575
Transfer to reserve fund	**14,174**	–	**14,174**	–
Share capital, 31 July	**15,749**	1,575	**15,749**	1,575
Reserve fund, 1 August	**14,821**	14,821	**14,821**	14,821
Transfer to share capital	**(14,174)**	–	**(14,174)**	–
Reserve fund, 31 July	**647**	14,821	**647**	14,821
Retained earnings, 1 August	**88,165**	118,102	**145,132**	153,336
Translation difference	**(5,945)**	(1,083)		
Dividends distributed	**(65,000)**	(96,500)	**(65,000)**	(96,500)
Profit for the financial year	**40,489**	67,646	**7,695**	88,296
Retained earnings, 31 July	**57,709**	88,165	**87,827**	145,132
Accelerated depreciation allocated to shareholders' equity	**5,112**	4,580	**–**	–

12. SHAREHOLDERS' EQUITY con't

Parent company share capital by share type

	1999		1998	
	No.	**FIM**	No.	FIM
1 vote per share	**31,498,150**	**15,749,075**	–	–
A shares (20 votes per share)	–	–	265,624	132,812
B shares (1 vote per share)	–	–	1,859,378	929,689
C shares (20 votes per share)	–	–	46,875	23,438
D shares (1 vote per share)	–	–	405,443	202,722
E shares (1 vote per share)	–	–	572,495	286,248
Total	**31,498,150**	**15,749,075**	3,149,815	1,574,909

	Group		Parent Company	
	1999	**1998**	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)
13. APPROPRIATIONS				
Accelerated depreciation			**4,488**	4,419
14. NON-CURRENT LIABILITIES				
Loans from credit institutions	**446,569**	352,787	**238,900**	216,294
Of which falling due after more then five years	**138,778**	314,972	**80,002**	204,992
15. CURRENT LIABILITIES				
Loans from credit institutions	**184,867**	143,751	**124,891**	79,462
Advances received	**263**	157	**63**	154
Trade payables	**46,169**	19,761	**3,568**	2,354
Accrued liabilities and deferred income	**20,439**	36,203	**8,066**	15,025
Other current liabilities	**20,126**	27,903	–	–
Liabilities to group companies				
Trade payables	–	–	**1,369**	348
Accrued liabilities and deferred income	–	–	**169**	217
Other current liabilities	–	–	–	250
Current liabilities total	**271,864**	227,775	**138,126**	97,810

	Group		Parent Company	
	1999	1998	**1999**	1998
	(1000 FIM)	(1000 FIM)	**(1000 FIM)**	(1000 FIM)

16. INFORMATION RELATED TO ADMINISTRATION MEMBERS OF GROUP COMPANIES

	Group 1999	Group 1998	Parent 1999	Parent 1998
Salaries and remuneration to members of administrative bodies				
Group company Presidents and members of the Board of Directors	**5,303**	5,201		

Management pension commitments

Pension arrangements have been made, on a defined contribution basis, for some directors of the group companies. The arrangements will enable them to retire on a pension from the age of 55 years at the earliest.

17. GUARANTEES

	Group 1999	Group 1998	Parent 1999	Parent 1998
Guarantees for own and group companies				
Pledged shares, book value	**–**	–	**267**	118,435
Pledged deposits	**–**	–	**–**	–
Pledged accounts receivable	**–**	146,236	**–**	247,096
Mortgages on moveable assets	**68,746**	79,139	**35,050**	35,050
Mortgages on real estate	**40,350**	40,350	**35,850**	35,850
Guarantees	**600**	638	**–**	–
Leasing commitments	**7,236**	4,759	**181**	616
Guarantees on behalf of third parties				
Pledged deposits	**190**	190	**190**	190
Guarantees	**2,726**	2,743	**1,510**	1,427
Total guarantees				
Pledged shares, book value	**–**	–	**267**	118,435
Pledged deposits	**190**	190	**190**	190
Pledged accounts receivable	**–**	146,236	**–**	247,096
Mortgages on moveable assets	**68,746**	79,139	**35,050**	35,050
Mortgages on real estate	**40,350**	40,350	**35,850**	35,850
Guarantees	**3,326**	3,381	**1,510**	1,427
Leasing commitments	**7,236**	4,759	**181**	616
Total	**119,848**	274,055	**73,048**	438,664

NOTES TO THE FINANCIAL STATEMENTS *continued*

18. SHARES AND HOLDINGS IN OTHER COMPANIES

Subsidiary companies	Country	Group and parent company interest and voting power %	Group equity interest 1000 FIM	Holding %	Holding no. of shares	Nominal value	Currency	Parent company Book value 1000FIM	Profit/loss in most recent fiscal year 1000 FIM	Accounting date if not 31.7.99
Rapire Teo	Ireland	100	50,831	100	68,999	461,327	FIM	267	48,346	
NC Holdings I, Inc.	USA	100	(124,361)	100	623	154,562	USD	54,562	(19,834)	
Normark Corporation	USA	100	138,839	–					13,655	
Blue Fox Tackle Company	USA	100	5,573	–					1,968	
Rapala Mail Order Inc.	USA	100	–	–					–	
Storm Manufacturing Co.	USA	100	19,762	–					3,905	
Plastic Lures Inc.	USA	80	258	–					257	
Ensambles Deportivos S.A.	Mexico	81	103	–					28	
Normark Inc.	Canada	100	16,539	–					1,263	
Normark Sport Ltd.	UK	100	(4,967)	–					(2,710)	
Normark Scandinavia	Sweden	100	8,270	100	20,000	2,000,000	SEK	26,450	(4,877)	
Normark Trading Ab	Sweden	100	177	–					3	
Normark A/S	Norway	100	786	–					(877)	
Steen Yde A/S	Denmark	67	5,764	–					1,119	
Rapala B.V.	Holland	100	7,806	–	43	43,000	NLG	9,956	(1,816)	
Normark B.V.	Holland	100	(57)	–					(13)	
Normark Tracker Marine B.V.	Holland	100	(448)	–					(8)	
Rapala Holding France SA	France	100	10,026	100	65,000	65,000,000	FRF	4,587	1,998	
Ragot Narmark SA	France	100	15,110	–					859	
S.I.P.P. SARL	France	100	781	–					(190)	
Normark Corporation SA	Spain	100	6,665	100	20,000	62,000,000	ESP	5,250	955	
Normark Sport Finland Oy	Finland	100	9,337	50	10,000	1,000,000	FIM	970	146	
Normark Suomi Oy	Finland	100	3,075	–					994	
KL Teho Oy	Finland	100	11,201	100	100,600	10,060,000	FIM	15,577	46	
Normark A/S	Estonia	100	178	100	100	1,055,000	EEK	516	(170)	
Total								118,135	45,037	
Associated companies										
Kiinteisto Oy Bringhaga	Finland	29	313	100				173	9	31/12/98
NFC Ab	Sweden	20	105	–					(4)	31/8/98
Total								173		
Other shares held by parent campany										
Resenär Oy	Finland			19	21	105	FIM	101		
Other shares	Finland				20			37		
Total								138		
Share total								**118,446**		

Board of Directors' Proposal to the Annual General Meeting

The Group's distributable equity according to the consolidated balance sheet is FIM 58.542 million. The parent company's distributable equity is FIM 87.827 million. The Board of Directors proposes that a dividend of FIM 0.10 be paid on each of the 31,498,150 shares for a total of FIM 3,149,815 and that the remaining FIM 4,545,053 be retained and carried forward.

Vääksy, 21 September 1999

Douglas Brent
Chairman of the Board of Directors

Eero Makkonen
Member of the Board

Hardy McLain
Member of the Board

Manjit Dale
Member of the Board

Jorma Kasslin
Member of the Board
President and CEO

AUDITORS' REPORT

To the shareholders of Rapala Normark Oyj

We have audited the accounting, the financial statements and the corporate administration of Rapala Normark Oyj for the period 1 August 1998 - 31 July 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the company's administration.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements and the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with applicable regulations.

Vääksy, 30 September 1999

Tilintarkastajien Oy - Ernst & Young
Authorized Public Accounting Firm

Pekka Luoma
Authorized Public Accountant

Rapala Normark Group 1995 - 1999

Key financial ratios

		1999	1998	1997*	1996*	1995*
Net sales	1000 FIM	**594,299**	601,437	565,989	531,774	484,700
Operating profit before depreciation	1000 FIM	**130,239**	150,623	134,755	129,865	104,998
as a percentage of net sales	%	**21.9**	25.0	23.8	24.4	21.7
Operating profit	1000 FIM	**101,372**	122,628	116,321	108,465	83,901
as a percentage of net sales	%	**17.1**	20.4	20.6	20.4	17.3
Profit before extraordinary items and taxes	1000 FIM	**53,773**	89,491	73,653	70,553	71,676
as a percentage of net sales	%	**9.0**	14.9	13.0	13.3	14.8
Profit before taxes and minority interests	1000 FIM	**49,629**	90,219	73,495	70,346	74,543
as a percentage of net sales	%	**8.4**	15.0	13.0	13.2	15.4
Net profit	1000 FIM	**40,489**	67,646	52,945	51,452	54,540
as a percentage of net sales	%	**6.8**	11.2	9.4	9.7	11.3
Gross investments in fixed assets	1000 FIM	**16,917**	9,300	8,210	11,316	28,312
as a percentage of net sales	%	**2.8**	1.5	1.5	2.1	5.8
Research and development expenditure	1000 FIM	**2,700**	2,500	2,000	2,000	1,500
as a percentage of net sales	%	**0.5**	0.4	0.4	0.4	0.3
Personnel, year average		**831**	765	785	817	745
Shareholders' equity	1000 FIM	**74,105**	104,561	126,460	96,639	31,693
Balance sheet	1000 FIM	**797,468**	689,384	688,081	532,706	639,893
Return on equity	%	**49.0**	55.3	43.8	67.3	63.8
Return on investment	%	**14.2**	20.7	19.6	22.5	19.5
Equity ratio	%	**9.7**	15.5	19.8	20.6	7.2

Key share ratios

Earnings per Share	FIM	**1.42**	2.12	1.69	1.64	1.64
Dividend per share	FIM	**0.10****	2.06	3.06	0.10	–
Dividend earnings	%	**7.0****	96.1	182.3	6.4	–
Effective dividend yield	%	**0.24****	–	–	–	–
Price / earnings ratio		**29.3**	–	–	–	–
Equity per share	FIM	**2.26**	3.24	4.20	3.42	1.43
Share Price						
Trading 31.7.99	FIM	**41.60**	–	–	–	–
Trading low	FIM	**35.00**	–	–	–	–
Trading high	FIM	**50.00**	–	–	–	–
Average share price	FIM	**43.60**	–	–	–	–
Share Traded						
Number of shares traded		**3,089,241**	–	–	–	–
Number of shares traded % of all shares	%	**9.81**	–	–	–	–
Share capital	1000 FIM	**15,749**	1,575	1,575	1,575	1,575
Year end market capitalization	1000 FIM	**1,310,323**				
Dividend	1000 FIM	**3,149****	65,000	96,500	3,300	–
Number of shares		**31,498,150**	3,149,815	3,149,815	3,149,815	3,149,815

* In order to facilitate comparability of the financial statements over the three year period presented, the consolidated financial statements present the combined financial position and results of operations on a pro forma basis as at the end of and for those periods during which the Rapala Group did not have legal ownership of NC Holdings I Inc.

** proposed

Rapala Normark Group 1995 - 1999 in Euros (EUR)

Key financial ratios

		1999	1998	1997*	1996*	1995
Net sales	1000 EUR	**99,954**	101,154	95,193	89,438	81,521
Operating profit before depreciation	1000 EUR	**21,905**	25,333	22,664	21,842	17,659
as a percentage of net sales	%	**21.9**	25.0	23.8	24.4	21.7
Operating profit	1000 EUR	**17,050**	20,625	19,564	18,243	14,111
as a percentage of net sales	%	**17.1**	20.4	20.6	20.4	17.3
Profit before extraordinary items and taxes	1000 EUR	**9,044**	15,051	12,388	11,866	12,055
as a percentage of net sales	%	**9.0**	14.9	13.0	13.3	14.8
Profit before taxes and minority interests	1000 EUR	**8,347**	15,174	12,361	11,831	12,537
as a percentage of net sales	%	**8.4**	15.0	13.0	13.2	15.4
Net profit	1000 EUR	**6,810**	11,377	8,905	8,654	9,173
as a percentage of net sales	%	**6.8**	11.2	9.4	9.7	11.3
Gross investments in fixed assets	1000 EUR	**2,845**	1,564	1,381	1,903	4,762
as a percentage of net sales	%	**2.8**	1.5	1.5	2.1	5.8
Research and development expenditure	1000 EUR	**454**	420	336	336	252
as a percentage of net sales	%	**0.5**	0.4	0.4	0.4	0.3
Personnel, year average		**831**	765	785	817	745
Shareholders' equity	1000 EUR	**12,464**	17,586	21,269	16,254	5,330
Balance sheet	1000 EUR	**134,124**	115,946	115,727	89,595	107,622
Return on equity	%	**49.0**	55.3	43.8	67.3	63.8
Return on investment	%	**14.2**	20.7	19.6	22.5	19.5
Equity ratio	%	**9.7**	15.5	19.8	20.6	7.2

Key share ratios

		1999	1998	1997*	1996*	1995
Earnings per Share	EUR	**0.24**	0.36	0.28	0.28	0.28
Dividend per share	EUR	**0.02****	0.35	0.51	0.02	–
Dividend earnings	%	**7.0****	96.1	182.3	6.4	–
Effective dividend yield	%	**0.24****	–	–	–	–
Price / earnings ratio		**29.3**	–	–	–	–
Equity per share	EUR	**0.38**	0.54	0.71	0.58	0.24
Share Price						
Trading 31.7.99	EUR	**7.00**	–	–	–	–
Trading low	EUR	**5.89**	–	–	–	–
Trading high	EUR	**8.41**	–	–	–	–
Average share price	EUR	**7.33**	–	–	–	–
Share Traded						
Number of shares traded		**3,089,241**	–	–	–	–
Number of shares traded % of all shares	%	**9.81**	–	–	–	–
Share capital	1000 EUR	**2,649**	265	265	265	265
Year end market capitalization	1000 EUR	**220,381**				
Dividend	1000 EUR	**530****	10,932	16,230	555	–
Number of shares		**31,498,150**	3,149,815	3,149,815	3,149,815	3,149,815

* In order to facilitate comparability of the financial statements over the three year period presented, the consolidated financial statements present the combined financial position and results of operations on a pro forma basis as at the end of and for those periods during which the Rapala Group did not have legal ownership of NC Holdings I Inc.

** proposed

Calculation of Key Figures

Return on equity:

$$\frac{\text{Income before extraordinary items - taxes}}{\text{Equity + minority interest (average during the period)}} \times 100$$

Return on investment:

$$\frac{\text{Income before extraordinary items + interest paid + other financing cost}}{\text{Total amount of equity and liabilities- non- interest bearing debts (average during the period)}} \times 100$$

Equity ratio:

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Total amount of equity and liabilities- advance payments received}} \times 100$$

Earnings per share:

$$\frac{\text{Income before extraordinary items - minority interest - taxes}}{\text{Number of shares}}$$

Equity per share:

$$\frac{\text{Shareholders' equity in balance sheet - minority interest}}{\text{Number of shares}}$$

Effective dividend yield:

$$\frac{\text{Dividend per share}}{\text{Share price at the end of financial year}} \times 100$$

Price earnings ratio:

$$\frac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$$

Year-end market capitalization: Number of shares multiplied by the share price at the end of the year

Average number of personnel: Calculated as average of monthly averages

Shares and Shareholders

Shares and Voting Rights

Rapala Normark Oyj's minimum share capital is FIM 15.749 million and its maximum authorized share capital is FIM 62.996 million, within which limits the share capital may be increased or decreased without amending the Articles of Association. On 31 July 1999 the share capital fully paid and reported in the Trade Register was FIM 15.749 million.

The nominal value of each share is FIM 0.50. The number of shares is 31,498,150. Each share is entitled to one vote.

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.

Authorizations

Except for the Share Option Program of 1998 the Board has no unused authorizations to issue shares, convertible bonds or bonds with warrants.

Option Scheme for Management

In September 1998 a Share Option Program for key personnel of the Group was put in place. The Company has issued options over 1,574,901 shares, of which 524,967 will be exercisable after three years, 524,967 will be exercisable after four years and 524,967 will be exercisable after five years. The options entitle the holders thereof to subscribe for up to 1,574,901 shares, comprising 4.8% of the share capital and votes in the company. If all such share options were exercised, the share capital of the company would increase by a maximum of FIM 787,451. The subscription period begins in stages in October 2001, October 2002 and October 2003, and ends for all options on 31 January 2004. The subscription price shall be the initial public offering price (FIM 35) plus 10%, reduced by the amount of dividends distributed between the initial public offering (4 December 1998) and the commencement of the subscription period.

Trading and Performance of the Company's Shares

Rapala Normark's shares, symbol RAP1V, are quotes on HEX Ltd, Helsinki Securities and Derivatives Exchanges (previously Helsinki Stock Exchange).

The 1999 closing price on 31 July was FIM 41.60, EUR 7.00. The highest price in 1998/99 was FIM 50.00, EUR 8.41, the average price was FIM 43.60, EUR 7.33, and the lowest price (which was at the time of the initial public offering) was FIM 35, EUR 5.89.

The share price rose 18.86 % in the eight months that the Company's shares were traded in 1998/99. The All-share HEX index rose 48.06 % during the same period.

3,089,241 Rapala Normark shares were traded on HEX Helsinki Exchanges during 1998/99. This represents 9.81 % of all shares. At the end of the year the market capitalization of the outstanding shares was FIM 1,310 million.

Earnings per share was FIM 1.42 (1998: 2.12).

Share Ownership

At the end of 1998/99 the non-Finland held stake of the share capital was 43.66 %. The percentage of shares registered in the name of a nominee was 52.36 %.

For further information about ownership see page 37.

Dividend

The Board of Directors proposes to the AGM that a dividend of FIM 0.10 per share will be paid.

Investor Information

Rapala Normark is developing an investor relations Internet website on which will be published in real time all company releases in English. The address of the Internet site is www.rapala.com. The financial information calendar for 1999/00 is on page 38.

SHARES AND SHARE HOLDERS

10 biggest shareholders according to the share register at 31 July 1999

10 biggest shareholders	Amount of shares (x1000)	Percentage of shares %	Percentage of votes %
1.Merita Bank (administrative registration)	16, 493	52.36	52.36
2. Rapala Normark N.V.	13,738	43.62	43.62
3. Kuntien eläkevakuutus	290	0.92	0.92
4. Keskinäinen vakuutusyhtiö Eläke-Fennia	275	0.87	0.87
5. Keskinäinen Eläkevakuutusyhtiö Sampo	270	0.86	0.86
6. Placeringsfonden Gyllenberg	60	0.19	0.19
7. Osuuspankkien keskuspankki Oyj (administrative registration)	25	0.08	0.08
8. Eero Makkonen	6	0.02	0.02
9. Jorma Kasslin	6	0.02	0.02
10. Yrjö Ignatius	5	0.02	0.02

Shareholders by shareholder category	Percentage of shares %	Percentage of votes %
Companies	0.06	0.06
Financial institutions	52.65	52.65
Public institutions	2.65	2.65
Non-profit institutions	0.00	0.00
Individuals	0.98	0.98
Foreign	43.66	43.66
Total	**100.00**	**100.00**

Shareholders of Rapala Normark Group according to the amount or shares owned as per 31.7.99

Shares	**Amount shareholders**	**%**	**Amount of shares**	**%**
1 -100	310	35.84	28,627	0.09
101 - 500	372	43.01	102,013	0.32
501 - 1000	130	15.03	110,591	0.35
1001 - 10000	46	5.32	105,100	0.33
10001 - 1000000	2	0.23	85,000	0.27
1000001 -	5	0.57	31,066,719	98.64
Total	**865**	100.00	**31,498,150**	100.00

Amount of shares owned by the members of the Board of Directors or CEO as per 31.7.1999

Amount of shares	12,000
% of shares	0.04%
% of votes	0.04%

Information for the Shareholders

In 1999/2000 the interim reports will be published as follows:

Interim report for the period 1 August – 31 October 1999, on 17 December 1999.
Interim report for the period 1 August 1999 – 31 January 2000, on 17 March 2000.
Interim report for the period 1 August 1999 – 30 April 2000, on 16 June 2000.

The reports will be published at 10:00 am Finnish time and will be immediately available on the Internet at www.rapala.com.

Financial publications (in English and Finnish) may be ordered from:
Rapala Normark Oyj, PO Box 19, FIN 17201 VAAKSY, tel. +358-3-883-920,

Board of Directors

The company is managed by its Board of Directors which, pursuant to the Articles of Association of the Company, must be comprised of between five and ten members. Members are elected by a general meeting of the shareholders, and the terms of members end at the conclusion of the first annual general meeting following their election. The Board of Directors elects one of its members to serve as the Chairman and also elects the Managing Director. The Board of Directors may also elect one or more Vice Managing Directors.

The current members of the Board of Directors are:

Douglas Brent (Chairman)
B.A. MBA
Year of birth 1958
Previously President of BT Capital Partners
Shareholding: 0

Jorma Kasslin (Managing Director,
Group President and Chief Executive Officer
M.Sc. (Eng.)
Year of birth 1953
Shareholding: 6.000

Eero Makkonen
B.Sc. Eng.
Year of birth 1946
President and Chief Executive Officer of Skanska Oy
Shareholding: 6.000

Hardy McLain
B.A. MBA
Year of birth 1953
Managing Director and partner CVC Capital Partners Europe Ltd
Shareholding: 0

Manjit Dale
M.A. (Econ.)
Year of birth 1965
Partner BT Capital Partners Europe
Shareholding: 0

Group Companies

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Fax: 358-3-8839500

Normark Suomi Oy
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FINLAND
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Fax: 358-14-821-007

Normark Scandinavia AB
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SWEDEN
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Fax: 46-18-15-05-15

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Tel: 46-18-142-010
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Normark Corporation S.A.
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Plastic Lures Inc.
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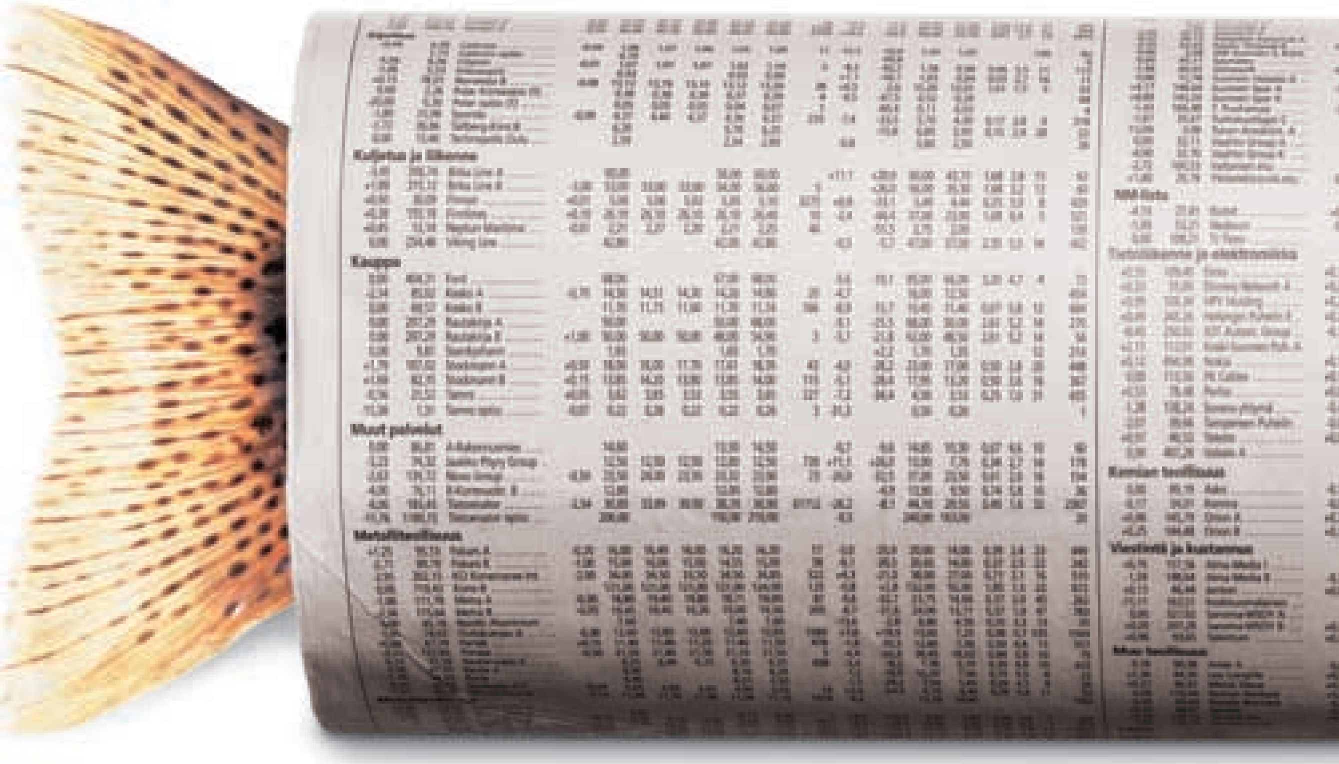
Fax: 1-405-360-7997

Certain statements in this report are forward-looking and are based on management's expectations at the time made. Therefore, they involve risks and uncertainties and are subject to change due to changes in general economic conditions or industry conditions.

Rapala Normark Corporation, incorporated under the laws of the Republic of Finland, is listed on the Helsinki Stock Exchange (HEX Helsinki Exchanges), Finland.



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