INTERIM REPORT – JANUARY TO JUNE 2007

Record sales and strong profitability during the second quarter

- Net sales for second quarter reached a record level, up 14% from last year, and amounted to 73.4 MEUR (II/06: 64.2 MEUR). Net sales for the first six months increased 7% to 136.8 MEUR (I-II/06:127.6 MEUR) despite of negative currency movements. With comparable exchange rates, the six-month net sales were up 12%.
- Operating profit for April-June increased markedly from last year as a result of strong sales and first results of performance improvement initiatives and totaled 11.0 MEUR (8.1 MEUR). Operating profit for the first half of the year was up 27% and reached 23.0 MEUR (18.1 MEUR).
- Net profit for the second quarter increase clearly and amounted to 6.7 MEUR (4.5 MEUR) and 14.4 MEUR (10.1 MEUR) for the first half of the year. Earnings per share (basic) was 0.17 EUR (0.11 EUR) for the quarter and 0.37 EUR (0.26 EUR) for the first six months.
- Cash flow from operating activities improved in the second quarter clearly from last year, and from the first quarter of 2007. Working capital decreased moderately from March.
- Net interest-bearing debt decreased from March to 101.9 MEUR (Dec 2006: 99.3 MEUR). Equity-to-asset ratio increased slightly from March to 33.2% (Dec 2006: 33.4%) and gearing decreased from March to 112.3% (Dec 2006: 122.2%).
- Rapala continued to implement its strategy for profitable growth. The Group continued discussion for further acquisitions and business combinations. In May, Shimano became a minority shareholder to the Group's South East European distribution center in Hungary. The ramp-up of the lure assembly factory in Russia is proceeding on plan. During the second quarter, major emphasis was also on performance improvement initiatives.
- It is expected that the net sales for the financial year 2007 will increase 7-12% from last year assuming 2006 average exchange rates. With comparable exchange rates and excluding non-recurring items during the second half of the year, full year operating profit is expected to increase in double digit and operating profit margin to improve from 2006.

The attachment presents the interim review by the Board of Directors as well as the accounts.

A conference call on the interim report will be arranged today at 4 pm Finnish time (3 pm CET). To participate, please dial +358 (0) 2069 9121 five minutes before the beginning of the event and request to be connected to Rapala teleconference. There will be a replay facility available for 72 hours following the teleconference. The number (pin-code: 4657) to dial is +358 (0) 800 160 842. Rapala's financial information is also available at www.rapala.com.

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Market Situation and Sales

Market situation was good in many areas during the second quarter with the advantage of early spring in many countries. In Nordic countries, sales were up 16% for the second quarter and 6% for the first six months. The growth continued in Europe where sales were up 14% for April to June and 9% for January to June. Sales in Asia, South Africa and Australia continued to grow fast for both the second quarter and the first half of the year. North American sales increased 2% for the second quarter and were on the last year level for the first six months, despite of the weakening of the US dollar.

Second quarter net sales for the Group reached a record level being up 14% from last year, and amounted to 73.4 MEUR (II/06: 64.2 MEUR). Net sales for the first six months increased 7% to 136.8 MEUR (I-II/06:127.6 MEUR). Weakening of US dollar and some other currencies affected January to June net sales negatively (-6.3 MEUR). With comparable exchange rates, the six-month net sales were up 12%. Out of this, 1 percentage point came from the Terminator acquisition while the rest was organic growth. All product lines increased their sales for the second quarter, and all but Fishing Accessories for the six months.

Second quarter of the year is traditionally the strongest period for Group sales since the fishing tackle deliveries to dealers and shops are normally at their peak from February to May. This peak season may sometimes change due to weather conditions but seldom more than a month one way or another.

New products and product catalogues for the 2008 season were introduced in June at EFTTEX trade show in Czech Republic and in July at ICAST trade show in the USA. The new introductions were well received by the fishing professionals and distributors.

Financial Results

MEUR	**II 2007**	II 2006	**I-II 2007**	I-II 2006	I-IV 2006
Net sales	**73.4**	64.2	**136.8**	127.6	226.6
EBITDA	**12.6**	9.7	**24.9**	21.3	28.0
Operating profit (EBIT)	**11.0**	8.1	**23.0**	18.1	21.7
Profit before taxes	**9.8**	6.1	**20.8**	13.9	14.6
Net profit for the period	**6.7**	4.5	**14.4**	10.1	11.0

Operating profit for April to June increased to 11.0 MEUR (8.1 MEUR). Operating profit margin was up to 15.0% (12.6%) and return on capital employed reached 23.6% (18.0%). Operating profit margin continued to improve for the second quarter in a row compared to last year.

Operating profit for the first half of the year was up 27% and reached 23.0 MEUR (18.1 MEUR). Operating profit margin improved and was 16.8% (14.2%). This increase is mainly an outcome of good sales of Group branded fishing tackle products and a negative goodwill from the acquisition of Terminator lure business (1.2 MEUR). Operating profit was negatively affected by the weakening of US dollar and some other currencies (-0.6 MEUR). The result of currency hedging related to operating profit (+0.8 MEUR) is booked in financial expenses in accordance with IFRS. Comparable 6-month operating profit margin, excluding one-time items and foreign exchange effects, improved from 2006 and is in line with the guidance published for this year since February.

Geographically largest improvement in operating profit came from Europe both for the second quarter and the first six months. For the first six months all geographical segments but Rest of the world improved their operating profit. Rest of the world suffered from the strongly increased metal prices that reduced the profitability of the Chinese manufacturing operations.

Financial income and expenses decreased from last year as a result of currency exchange gains. Net interest expenses were 1.5 MEUR (1.2 MEUR) for the second quarter and 3.0 MEUR (2.5 MEUR) for the first six months. Currency exchange gains were 0.4 MEUR (loss of 0.8 MEUR) for April to June and 0,8 MEUR (loss of 1.7 MEUR) for January to June.

Net profit for the second quarter improved clearly and amounted to 6.7 MEUR (4.5 MEUR) and to 14.4 MEUR (10.1 MEUR) for the first half of the year. Earnings per share (basic) was 0.17 EUR (0.11 EUR) for the quarter and 0.37 EUR (0.26 EUR) for the first six months.

Cash Flow and Financial Position

Cash flow from operating activities improved in the second quarter clearly from last year and from the first quarter. Working capital decreased moderately from March in line with decrease in inventories and trade receivables. Comparable inventories (excluding the effect of acquired and started businesses) were at last year levels.

Capital expenditure for the second quarter amounted to 1.9 MEUR (1.1 MEUR), including the final payment of 0.2 MEUR for the Guigo acquisition closed in 2004, and the first settlement (0.8 MEUR) of the final payment of acquisition of Australian Freetime closed in 2005. The latter part of the final payment (0.1 MEUR) for Freetime is due in early 2008. The ownership of the Group’s Hungarian distribution company was restructured with local management and Shimano. Capital expenditure for the first half of the year amounted to 4.9 MEUR (7.3 MEUR), including the acquisition of Terminator lures that was closed in January.

Net interest-bearing debt decreased from March to 101.9 MEUR (Dec 2006: 99.3 MEUR). Equity-to-asset ratio increased from March to 33.2% (Dec 2006: 33.4%) and gearing decreased from March to 112.3% (Dec 2006: 122.2%).

Strategy Implementation

Rapala’s strategic objective is profitable growth. During the second quarter, management continued discussions and negotiations regarding acquisitions and business combinations to implement the Group’s strategy. In addition to these negotiations, the focus was on performance improvement initiatives to turnaround the declining trend in operating profit margin and to further improve the Group's profitability. Development of organic growth also in terms of new product lines, extensions of current product categories as well as special marketing, sales and brand initiatives continued.

The actions taken to implement the Group's strategy have started to capitalize in earnings. Manufacturing and distributing of Terminator products is proceeding on plan. Manufacturing of Luhr Jensen products at Group's Chinese factory is on full speed while the high demand for these lures continues. The ramp-up of the lure assembly factory in Russia is proceeding on plan, and first batches of products at the factory have been assembled and delivered.

In May, the Group strengthened its distribution alliance with Shimano in South East Europe. As part of the restructuring of operations, Shimano subscribed 33.4% shareholding in Rapala's Hungarian distribution company, Rapala Eurohold, who is now distributing Rapala and Shimano products to Hungary, Rumania, Bulgaria, Slovenia, Croatia, Bosnia, Serbia, Macedonia and Albania. All together, Rapala distributes currently Shimano rods and reels and other Shimano branded fishing tackle products to South Africa and 20 countries in Europe.

In early July, the Group announced its plans to consolidate its operations in France. With the consolidation of the operations to one location in France the Group would gain major savings and efficiency improvements in deliveries and transportation, customer service and marketing, procurement and supplies, maintenance, operational synergies and other location and logistics benefits. No provisions have been booked in the first half of 2007 but, if this plan is realized, costs will start to materialize and provisions will be booked during the second half of the year.

Major operational changes and improvements have also been planned and partly already implemented in the Group manufacturing facilities in China to enhance its production efficiencies and shorten lead times. Also few organizational changes have been made in distribution units with unsatisfactory performance. In addition, the Group has introduced and implemented several cost cutting initiatives.

Short-term Outlook

Market outlook for the rest of 2007 looks quite stable. Fishing tackle sales in North America and Europe are developing well but the third quarter is traditionally the slowest period in those areas. Australia and South Africa are heading for their spring season, which will boost their business for the third and fourth quarter. The distribution of third party products for hunting and towards the end of the quarter also winter sports is relatively the highest in the third quarter. Since the margins of these products are on average lower than those of fishing tackle, this will traditionally affect the profitability of the third quarter.

It is expected that the Group's net sales for the financial year 2007 will increase 7-12% assuming 2006 average exchange rates. Possible additional acquisitions or business combinations during 2007 would further increase the sales.

Profitability of the Group's ongoing operations continues to be good. Special initiatives are being implemented to further improve the profitability. Business development and integration expenses and start-up costs will continue in 2007. These costs, excluding the possible non-recurring costs for the plans to consolidate operations in France, are not expected to exceed the comparable costs in 2006.

With comparable exchange rates and excluding non-recurring items during the second half of the year, full year operating profit is expected to increase in double digit and operating profit margin to improve from 2006. Investments and development initiatives implemented since 2005 will continue to capitalize gradually while the full effect will be seen from the latter half of 2008 onwards.

The project to reduce working capital, especially inventories, and to improve cash flow from operations, continues. The target is to see an improvement on ongoing operations while newly acquired businesses, start-ups and strongly growing units will tie additional working capital.

Group management continues planning and negotiations regarding further acquisitions and business combinations to implement the Group's strategy.

Third quarter interim report will be published on October 25.

Helsinki, July 26, 2007

Board of Directors of Rapala VMC Corporation

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	**II**	II	**I-II**	I-II	I-IV
MEUR	**2007**	2006	**2007**	2006	2006
Net sales	**73.4**	64.2	**136.8**	127.6	226.6
Other operating income	**0.6**	0.1	**0.9**	0.3	1.5
Cost of sales	**42.0**	36.2	**74.5**	69.6	128.3
Other costs and expenses	**19.4**	18.4	**38.2**	37.0	71.9
EBITDA	**12.6**	9.7	**24.9**	21.3	28.0
Depreciation	**1.6**	1.6	**1.9**	3.1	6.3
Operating profit (EBIT)	**11.0**	8.1	**23.0**	18.1	21.7
Financial income and expenses	**1.2**	2.0	**2.2**	4.2	7.1
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0	0.0
Profit before taxes	**9.8**	6.1	**20.8**	13.9	14.6
Income taxes	**3.1**	1.7	**6.4**	3.8	3.6
Net profit for the period	**6.7**	4.5	**14.4**	10.1	11.0
Attributable to:					
Equity holders of the Company	**6.6**	4.3	**14.3**	10.1	10.8
Minority interest	**0.1**	0.2	**0.1**	0.1	0.2
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR (diluted = non-diluted)	**0.17**	0.11	**0.37**	0.26	0.28

CONSOLIDATED STATEMENT OF CASH FLOWS	**II**	II	**I-II**	I-II	I-IV
MEUR	**2007**	2006	**2007**	2006	2006
Net profit for the period	**6.7**	4.5	**14.4**	10.1	11.0
Adjustments to net profit for the period *	**5.8**	6.6	**10.5**	13.4	19.2
Financial items and taxes paid and received	**-2.3**	-2.6	**-4.2**	-5.1	-12.1
Change in working capital	**3.4**	1.1	**-14.4**	-18.5	-8.1
Net cash generated from operating activities	**13.6**	9.5	**6.2**	-0.1	10.0
Investments	**-1.7**	-1.3	**-3.1**	-2.5	-7.2
Proceeds from sales of assets	**0.2**	0.4	**0.3**	0.5	0.6
Acquisition of subsidiaries, net of cash	**-1.1**	-0.1	**-2.7**	-5.3	-8.3
Proceeds from disposal of subsidiaries, net of cash	**0.5**	0.0	**0.5**	0.0	0.0
Change in loans receivable	**0.0**	0.0	**0.0**	0.0	0.2
Net cash used in investing activities	**-1.9**	-1.1	**-4.9**	-7.3	-14.7
Dividends paid	**-4.6**	-4.2	**-4.6**	-4.2	-4.2
Net funding	**1.9**	3.8	**9.7**	16.2	14.7
Proceeds from share subscriptions	**0.0**	0.0	**0.0**	0.4	0.4
Net cash generated from financing activities	**-2.7**	-0.4	**5.1**	12.3	10.9
Adjustments	**0.2**	0.0	**0.2**	0.0	0.0
Change in cash and cash equivalents	**8.9**	8.1	**6.4**	5.0	6.2
Cash & cash equivalents at the beginning of the period	**21.8**	15.9	**24.4**	19.2	19.2
Foreign exchange rate effect	**0.0**	-0.7	**-0.2**	-0.9	-1.0
Cash and cash equivalents at the end of the period	**30.9**	23.3	**30.9**	23.3	24.4

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

CONSOLIDATED BALANCE SHEET MEUR	**June 30 2007**	June 30 2006	Dec 31 2006
ASSETS			
Non-current assets			
Intangible assets	**53.1**	54.8	53.3
Property, plant and equipment	**29.4**	29.6	29.4
Non-current financial assets			
Interest-bearing	**0.6**	0.6	0.6
Non-interest-bearing	**6.4**	5.6	6.3
	89.5	90.6	89.6
Current assets			
Inventories	**78.9**	77.5	73.0
Current financial assets			
Interest-bearing	**0.0**	0.1	0.2
Non-interest-bearing	**74.1**	62.2	56.5
Cash and cash equivalents	**30.9**	23.3	24.4
	183.9	163.0	154.0
Total assets	**273.5**	253.5	243.6
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**90.1**	82.3	80.7
Minority interest	**0.7**	0.4	0.6
	90.8	82.6	81.3
Non-current liabilities			
Interest-bearing	**61.8**	54.5	64.6
Non-interest-bearing	**5.7**	5.2	6.6
	67.5	59.7	71.1
Current liabilities			
Interest-bearing	**71.6**	75.8	59.9
Non-interest-bearing	**43.6**	35.3	31.3
	115.2	111.1	91.2
Total equity and liabilities	**273.5**	253.5	243.6

Rounding of figures

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to equity holders of the Company						
Equity on Jan 1, 2006 *	**3.5**	**16.3**	**-**	**-4.5**	**60.0**	**0.2**	**75.4**
Change in translation differences	-	-	-	-0.1	-	-	**-0.1**
Net income recognized directly in equity	-	-	-	-0.1	-	-	**-0.1**
Net profit for the period	-	-	-	-	10.1	0.1	**10.1**
Total recognized income and expenses	-	-	-	-0.1	10.1	0.1	**10.0**
Dividends paid	-	-	-	-	-4.2	-	**-4.2**
Shares subscribed with options	0.0	0.4	-	-	-	-	**0.4**
Stock option program	-	-	-	-	0.4	-	**0.4**
Other changes	-	-	-	-	0.5	0.2	**0.7**
Equity on June 30, 2006 *	**3.5**	**16.7**	**-**	**-4.6**	**66.7**	**0.4**	**82.6**
Equity on Jan 1, 2007	**3.5**	**16.7**	**0.1**	**-7.1**	**67.6**	**0.6**	**81.3**
Change in translation differences	-	-	-	-0.4	-	-	**-0.4**
Net investments in a foreign subsidiaries	-	-	-	-0.1	-	-	**-0.1**
Fair value gains on available-for-sale investments, net of tax	-	-	-	-	-	-	**-**
Net income recognized directly in equity	-	-	-	-0.5	-	-	**-0.5**
Net profit for the period	-	-	-	-	14.3	0.1	**14.4**
Total recognized income and expenses	-	-	-	-0.5	14.3	0.1	**13.9**
Dividends paid	-	-	-	-	-4.6	-	**-4.6**
Shares subscribed with options	0.0	0.0	-	-	-	-	**0.0**
Stock option program	-	-	-	-	0.2	-	**0.2**
Other changes	-	-	-	-	0.0	0.0	**0.0**
Equity on June 30, 2007	**3.5**	**16.7**	**0.1**	**-7.6**	**77.5**	**0.7**	**90.8**

* Note: 2005 and II/2006 comparables have been changed, see notes to the income statement and balance sheet for more details

KEY FIGURES BY QUARTERS MEUR	I 2006	II 2006	III 2006	IV 2006	I-IV 2006	I 2007	**II 2007**
Net sales	63.4	64.2	49.8	49.2	226.6	63.4	**73.4**
EBITDA	11.6	9.7	4.4	2.4	28.0	12.3	**12.6**
Operating profit (EBIT)	10.0	8.1	2.8	0.7	21.7	12.0	**11.0**
Profit before taxes	7.8	6.1	1.0	-0.3	14.6	11.0	**9.8**
Net profit for the period	5.7	4.5	0.4	0.5	11.0	7.7	**6.7**

KEY FIGURES	**II 2007**	II 2006	**I-II 2007**	I-II 2006	I-IV 2006
EBITDA margin, %	**17.2%**	15.1%	**18.2%**	16.7%	12.4%
Operating profit margin, %	**15.0%**	12.6%	**16.8%**	14.2%	9.6%
Return on capital employed, %	**23.6%**	18.0%	**24.7%**	20.1%	12.3%
Capital employed at end of period, MEUR	**192.7**	189.0	**192.7**	189.0	180.6
Net interest-bearing debt at end of period, MEUR	**101.9**	106.4	**101.9**	106.4	99.3
Equity-to-assets ratio at end of period, %	**33.2%**	32.6%	**33.2%**	32.6%	33.4%
Debt-to-equity ratio at end of period, %	**112.3%**	128.7%	**112.3%**	128.7%	122.2%
Earnings per share, EUR	**0.17**	0.11	**0.37**	0.26	0.28
Average number of shares outstanding (1000)	**38 579**	38 556	**38 578**	38 556	38 565
Fully diluted earnings per share, EUR	**0.17**	0.11	**0.37**	0.26	0.28
Fully diluted average number of shares (1000)	**38 579**	38 621	**38 578**	38 621	38 609
Equity per share at end of period, EUR	**2.34**	2.13	**2.34**	2.13	2.09
Number of shares outstanding at end of period (1000)	**38 579**	38 576	**38 579**	38 576	38 576
Average personnel for the period	**4 337**	3 835	**4 622**	3 873	3 987

SEGMENT INFORMATION** MEUR	**II 2007**	II 2006	**I-II 2007**	I-II 2006	I-IV 2006
Net Sales by Area**					
North America	**20.6**	20.1	**41.7**	41.7	69.7
Nordic	**30.5**	26.4	**55.5**	52.2	94.2
Rest of Europe	**27.8**	24.4	**53.2**	48.8	83.0
Rest of the world	**15.9**	9.2	**30.7**	20.0	43.7
Intra-Group	**-21.5**	-16.0	**-44.2**	-35.1	-64.0
Total	**73.4**	64.2	**136.8**	127.6	226.6
Operating Profit by Area**					
North America	**2.2**	2.6	**6.0**	4.5	6.4
Nordic	**4.8**	2.3	**7.6**	5.8	6.9
Rest of Europe	**3.4**	2.3	**7.6**	6.2	7.0
Rest of the world	**0.4**	0.5	**1.5**	2.6	2.8
Intra-Group	**0.2**	0.3	**0.4**	-0.9	-1.4
Total	**11.0**	8.1	**23.0**	18.1	21.7
Net Sales by Product line***					
Lures	**25.3**	22.8	**48.4**	44.4	73.0
Fishing Hooks	**4.5**	4.1	**9.3**	8.5	14.8
Fishing Accessories	**11.8**	11.2	**22.5**	22.6	45.8
Third Party Fishing Products	**21.2**	18.7	**38.0**	36.1	53.5
Other	**11.6**	8.2	**20.4**	17.5	42.4
Intra-Group	**-0.9**	-0.8	**-1.9**	-1.5	-2.9
Total	**73.4**	64.2	**136.8**	127.6	226.6

** Note: This primary segment information is by geographical areas and it has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales/profit generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.
*** Note: This secondary segment information is by product lines. Lures, Fishing Hooks and Fishing Accessories consist of Group branded fishing tackle products. Third Party Fishing Products consist of non-Group branded fishing products, mostly rods and reels. Other Products consist of non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting principles adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's Annual Financial Statements 2006, except for the adoption of new interpretations: IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). Adoption of these interpretations did not result in any changes in the accounting principles that would have affected the information presented in this report.

Use of estimates

Complying with the IFRS standards 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.

Definition of key figures

The definitions of key figures used in the interim report are consistent with those used in the Group's Annual Financial Statements 2006.

Changes in comparable figures

Comparable figures were changed at year end 2006. For more information on the changes and effects see Annual Report 2006.

Inventories

In June 30, 2007 the book value of inventories differed from its net realizable value by 1.0 MEUR, the same as at December 31, 2006. In June 30, 2006 the book value of inventories differed 0.1 MEUR from its net realizable value.

Hedging of net investments in foreign subsidiaries

During the first quarter the Group started to hedge its net investments in USD (partially), AUD, JPY and NOK currency denominated foreign subsidiaries using equivalent currency loans. The Group will start to partially hedge its net investment in SEK currency denominated foreign subsidiaries during the second half of 2007. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity.

Open currency derivatives

MEUR	**June 30 2007**	June 30 2006	Dec 31 2006
Net fair values	**-0.1**	0.0	0.0
Contract amount	**3.0**	1.0	1.0

Commitments

MEUR	**June 30 2007**	June 30 2006	Dec 31 2006
Mortgages and pledges			
On own behalf	**16.2**	41.8	17.6
Guarantees			
On own behalf	**2.1**	0.8	1.1
On behalf of other parties	**0.8**	0.6	0.6
Minimum future lease payments on operating leases	**13.2**	6.6	12.6

Related party transactions

In Jan-June 2007, purchases from associated company Lanimo Oü were 0.1 MEUR (0.1 MEUR in Jan-June 2006 and 0.1 MEUR in Jan-Dec 2006). At June 30, 2007, trade payables to Lanimo Oü were 0.0 MEUR (0.0 MEUR at June 30, 2006 and 0.1 MEUR at Dec 31, 2006) and loans receivable from Lanimo Oü 0.0 MEUR (0.0 MEUR at June 30, 2006 and 0.0 MEUR at Dec 31, 2006).

Non-recurring income and expenses in operating profit

MEUR	**II 2007**	II 2006	**I-II 2007**	I-II 2006	I-IV 2006
Gains/losses on disposals of intangible, tangible assets and subsidiaries	**0.4**	0.0	**0.4**	0.0	-0.1
Excess of Group's interest in the net fair value of acquired net assets over cost	**0.0**	0.0	**1.2**	0.0	0.0
Restructuring costs	**-0.5**	0.0	**-0.5**	0.0	-0.2
Start-up costs	**0.0**	0.0	**0.0**	0.0	-0.1
Other	**0.1**	0.0	**0.1**	0.0	0.0
Total	**0.0**	0.0	**1.3**	0.0	-0.4

Impact of acquisitions and disposals on the consolidated financial statements

In January, Rapala acquired the fishing tackle business of Outdoor Innovations LLC and Horizon Lures LP, USA based manufacturers and distributors of Terminator branded spinner baits and other fishing lures. The deal includes patents for the use of nickel titanium wire in fishing lures, trade marks, customer lists, inventories and some other assets.

In April, Rapala acquired 10% minority stake of Rapala’s Hungarian distribution company, Rapala Eurohold Ltd (“Rapala Eurohold”), from Mr Agh Senior. Acquisition raised Rapala’s ownership to 80%. In May, Rapala and Shimano, one of the leading manufacturers of rods and reels worldwide, strengthened their distribution alliance in Hungary and South-East Europe. Shimano subscribed a 33.4% shareholding in Rapala Eurohold. Rapala’s ownership is now 56.6% and the Managing Director of Rapala Eurohold, Mr Agh Jr, has the remaining 10% ownership. The funds from this transaction are invested in strengthening the sales and marketing in South-East Europe.

Also in February and April, Rapala made a 0.2 MEUR final payment of the Guigo acquisition closed in 2004 and in May a 0.8 MEUR first settlement of final payment of the Freetime acquisition closed in 2005.

Acquisitions by June 30, 2007 MEUR	Fair value	Seller's carrying amount
Working capital	**2.6**	**2.6**
Intangible assets	**0.7**	**0.1**
Tangible assets	**0.1**	**0.1**
Deferred tax liability	**-0.1**	**0.0**
Fair value of acquired net assets	**3.2**	**2.8**

MEUR	II 2007
Cash paid	**1.5**
Cash to be paid	**0.4**
Payment of the Freetime acquisition closed in 2005	**0.8**
Final payment of the Guigo acquisition closed in 2004	**0.2**
Cost associated with the acquisition	**0.1**
Total purchase consideration	**3.0**
Excess of Group's interest in the net fair value of acquired net assets over cost	**-1.2**
Goodwill	**0.1**
Net	**-1.2**
Cash paid for the acquisitions	**2.7**
Cash and cash equivalents acquired	**0.0**
Net cash flow	**2.7**

Partial disposals of subsidiaries by June 30, 2007	
Share of disposed goodwill	**0.2**
Share of disposed minority interest	**0.0**
Gain on disposals	**0.4**
Total consideration	**0.5**
Consideration received in cash	**0.5**

Share-based payments

The Group has three separate share-based payment programs: two stock option programs and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Financial Report 2006. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the program is 5.6 MEUR. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counter party have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share option where granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. On March 31, 2007, the exercise period for the

2003A stock option program expired. All 500 000 shares were subscribed. The 2003B stock option program is exercisable between March 31, 2006 and March 31, 2008 at an exercise price of 6.02 EUR per share, the 2004A stock option program is exercisable between March 31, 2007 to March 31, 2009 at an exercise price of 5.96 EUR per share, the 2004B stock option program is exercisable between March 31, 2008 and March 31, 2010 at an exercise price of 6.09 EUR, the 2006A synthetic option program is exercisable between March 31, 2009 and March 31, 2011 at an exercise price of 6.32 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.32 EUR. The exercise prices have been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period. Applying of IFRS 2 reduced operating profit with 0.9 MEUR in 2006, 0.5 MEUR in Jan-June 2006 and 0.5 MEUR in Jan-June 2007.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares. This amount of shares corresponds to less than 10% of all shares of the company. This authorization is in force until September 30, 2008.

2 500 new Rapala shares where subscribed with 2003A option rights in March 2007. The share capital increased with 225.00 EUR and the subscriptions were registered in the Trade Register on April 4, 2007 and listed on the main list of the Helsinki Stock Exchange on April 5, 2007. As a result of the share capital increase the company's share capital is 3 472 089.21 EUR and the number of shares 38 578 769 on June 30, 2007. All 500 000 shares have now been subscribed with 2003A option rights. Each share (RAP1V) is entitled to one vote.

As a result of the share subscriptions with the 2003 and 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 121 830 EUR and the number of shares by a maximum of 1 353 668 shares. The shares that can be subscribed with these stock options correspond to 3.5% of the Company's shares and voting rights.

During the first six months 4 800 770 shares (5 971 693 shares) were traded. The shares traded at a high of 6.27 EUR and a low of 5.55 EUR during the period. The closing share price at the end of the period was 5.76 EUR.

Business risks and seasonality of the business

Rapala currently operates in 29 countries in all major continents. There are no signs of significant changes in markets or fishing tackle business as such due to new product launches, product category introductions or competitor actions. Group's customers are acting mainly in local markets, consisting mainly of mass retailers offering a wide range of products and specialized fishing tackle and outdoor retailers. Group's sales and operating profit have traditionally been quite seasonal due to the geographic location of the Group operations and the seasonality of the fishing tackle business. The seasonality has been slightly mitigated in the last two years through the acquisitions of distribution companies on the southern hemisphere. For more information on the Group's financial risk and risk management see Annual Report 2006 on www.rapala.com.

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for Jan-June 2007. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Rapala VMC Corporation