Q2 Interim Report 2008

July 23, 2008

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Q2 in Brief

EUR million	**II/2008**	II/2007	**I-II/2008**	I-II/2007	**2007**
Sales	**74.2**	73.4	**139.4**	136.8	**242.5**
EBITDA	**15.4**	12.6	**27.6**	24.9	**33.8**
Operating Profit (EBIT)	**13.8**	11.0	**24.5**	23.0	**28.3**
Profit Before Taxes	**12.8**	9.8	**22.1**	20.8	**23.3**
Net Profit for the Period	**9.4**	6.7	**16.2**	14.4	**17.5**
EPS (basic), EUR	**0.21**	0.17	**0.37**	0.37	**0.45**
Equity-to-assets, %	**37.5**	33.2	**37.5**	33.2	**38.2**
Net Interest-bearing Debt	**98.7**	101.9	**98.7**	101.9	**80.2**

- Q2 2008 a new quarterly sales record, up 2% from last year, comparable sales up 8%.
- Operating profit up 26% to 13.8 MEUR.
- Performance improvement initiatives starting to capitalize.
- Outlook for 2008: Net sales expected to increase 5-10% with 2007 fx-rates.
  Operating margin expected to improve from 2007 with 2007 fx-rates & without one-offs.

Group Organization & Cornerstones of Strategy

Distribution

OWN DISTRIBUTION

USA
CANADA
JAPAN
MALAYSIA
AUSTRALIA
CHINA
THAILAND
SOUTH AFRICA

FINLAND
SWEDEN
DENMARK
NORWAY
FRANCE
SPAIN
SWITZERLAND
PORTUGAL

ESTONIA
POLAND
LITHUANIA
LATVIA
SLOVAKIA
BRAZIL
SOUTH KOREA

RAPALA-SHIMANO

RUSSIA (50/50)
UKRAINE (50/50)
HUNGARY (57/33/10)
CZECH REPUBLIC (50/50)

SHIMANO

ITALY
GERMANY
NETHERLAND
BELGIUM

LOCAL IMPORTERS

REST OF EUROPE
REST OF WORLD

Group Brands

OWN GROUP BRANDS

Rapala
STORM
VMC
BLUE FOX
WILLIAMSON
LUHR-JENSEN ... Where Legends Live
Marttiini The Sharpest Choice since 1928
trigger X
Sufix

Supply

PRODUCT | SOURCE

OWN R&D AND MANUFACTURING OR SOURCING

MANUFACTURING AND R&D

HARDBAITS RAPALA STORM SPINNERS BLUE FOX	SOFTBAITS STORM OTHER LURES BLUE FOX WILLIAMSON LUHR JENSEN	HOOKS TERMINAL TACKLE KNIVES XC-SKIS
RAPALA FINLAND, ESTONIA, RUSSIA	WILLTECH HONG KONG CHINA	VMC FRANCE WILLTECH CHINA MARTTIINI FINLAND, ESTONIA & CHINA PELTONEN FINLAND

SOURCING AND R&D

KNIVES
ACCESSORIES
LINE, TERMINATOR
RODS&REELS
XC-SKIS & POLES

FINLAND, SWEDEN
USA, CHINA,
TAIWAN, RUSSIA
NEW ZEALAND

THIRD PARTY SUPPLIERS

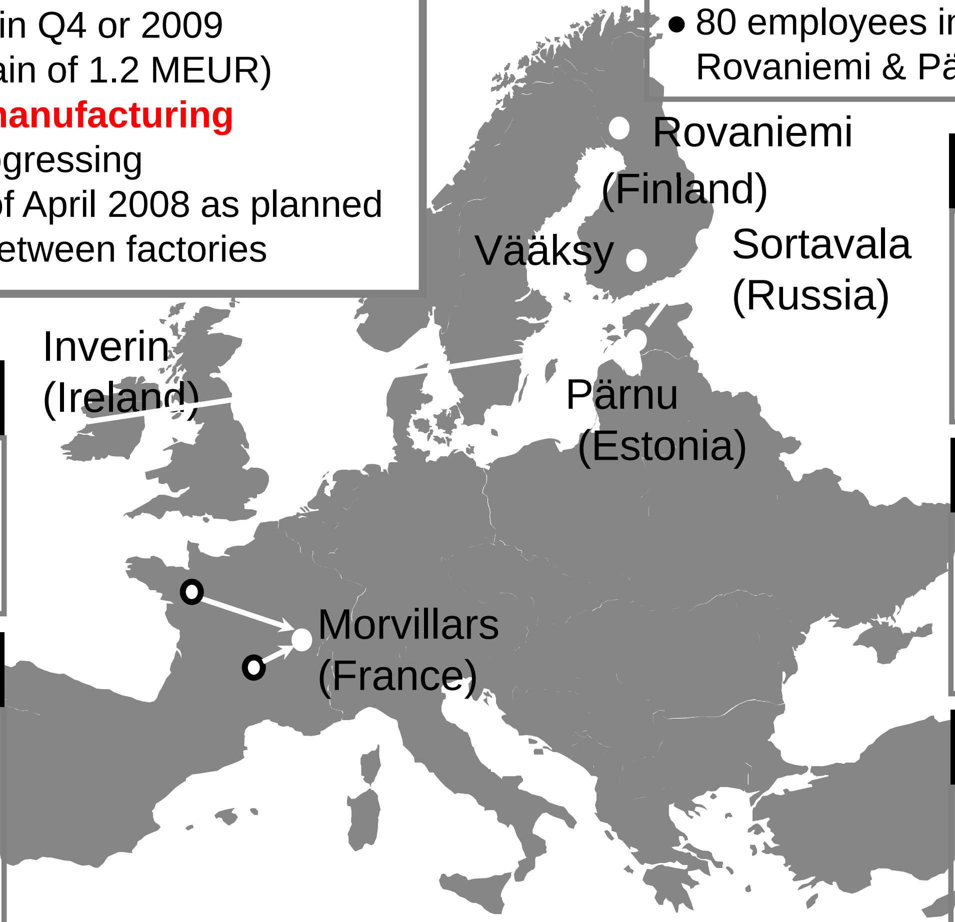
SHIMANO
OTHER FISHING
HUNTING
WINTER SPORTS
OUTDOOR

THE NEXT LEVEL

Rapala

Restructuring of European Operations

- **Consolidation of French operations**
  - Move from Bretagne completed
  - Move from Central France in Q3 2008
  - Move of VMC Europe in Q4 or 2009
  - 1st real estate sold (gain of 1.2 MEUR)
- **Development of lure manufacturing**
  - Sortavala ramp-up progressing
  - Inverin closed in end of April 2008 as planned
  - Production transfers between factories



Marttiini
- Knife manufacturing
- 80 employees in Rovaniemi & Pärnu

Vääksy
- Focus on skilled and technical tasks in lures manufacturing
- 200 employees

Sortavala
- Lure assembly
- Start-up in 2007
- 60 employees

Pärnu
- Focus on assembly, finishing & testing
- 220 employees

Inverin
- Closed in April 2008
- Provisions booked
- Liabilities cleared

Morvillars
- Manufacture of treble hooks & distribution
- 150->250 employees
- Location for consolidated operations

Enhancement of Chinese Manufacturing

- Major operational changes and improvements to enhance production efficiencies and shorten lead times & physical split of fishing tackle & gifts
- International task force established to support the development initiatives.
- Physical separation of Fishing and Gift Businesses completed

Guangzhou

- Rapala sourcing office
- 15 employees
- Local sourcing, design/development, quality control etc.

Hong Kong

- Management for Willtech Fishing and Willtech Gift business
- 40 employees

Shenzhen

- Willtech manufacturing facility
- Some 3 000 employees
- Lures (metal & plastic)
- Hook manufacturing
- Knife manufacturing
- Gift production
- Consolidated shipments

Competition & Major Players in the Industry

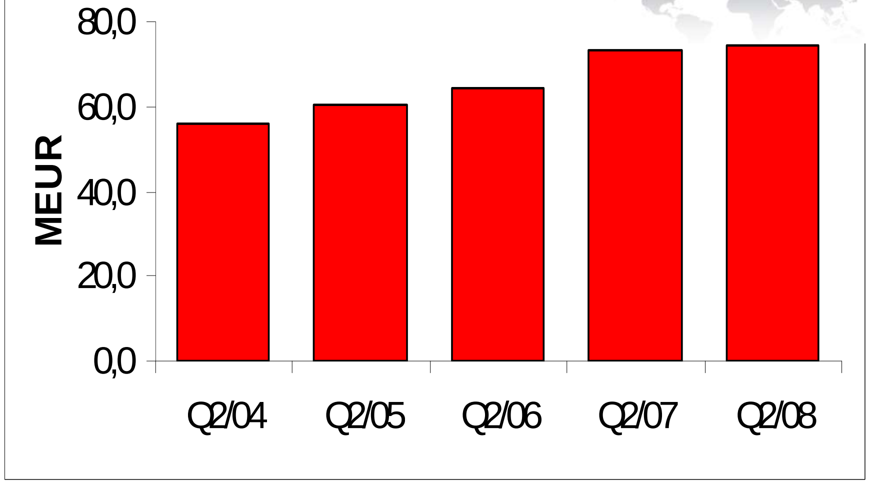
- No major changes in the competitive environment in Q2

Company	Worldwide sales MUSD	Major product categories	Comments
Jarden **Pure Fishing + Shakespeare**	450**	Rods, reels, combos, line, soft plastics	US sales ca. 50% of sales
Shimano	430*	Rods, reels, accessories	Japan ca. 50% of total sales
Daiwa	425*	Rods, reels, lures	Japan ca. 80% of total sales
Rapala VMC	330*	Lures, hooks, accessories	3rd party products 1/3 of sales
Zebco	100*	Rods & reels	USA
Gamakatsu	80**	Hooks, rods, reels, accessories	Japan
Eagle Claw	60**	Hooks, rods, reels, accessories	USA
Mustad	55**	Hooks & accessories	Norway
Pradco	40 *	Lures	USA
Okuma	40**	Rods & reels	Taiwan

*** 2007 figures, partly estimated if published information not available**
**** 2006 figures, partly estimated if published information not available**

Net Sales Analysis

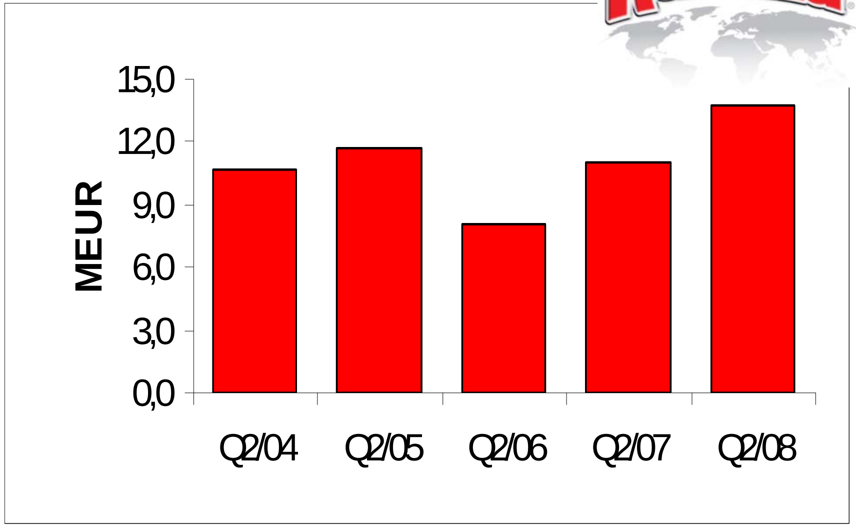
- Q2 started well in main markets.
- Consumer demand under pressure as economic climate continued to weaken in few European countries and especially USA
- Strong East Europe boosted the sales in Rest of Europe to growth.
- Nordic sales up with a good fishing season.
- Rest of the world suffered from weakening of local curreencies.
- With comparable FX rates, net sales were down 11% in North America.



- Strategic distribution alliance with Shimano in East Europe resulted in strong sales.
- Q2 net sales a new quarterly record at 74.2 MEUR (73.4).
- H1 nest sales increased to 139.4 MEUR (136.8 MEUR).
- Weakening of USD & South African rand (etc.), decreased the H1 net sales by 7.7 MEUR. Excluding FX effects, Group comparable H1 net sales were up 8%.
- Lure sales down as a result of the decrease in US sales
- Sales of Other Products up mainly as a result of good sales of Gift products.

Operating Profit Analysis (1)

- Q2 operating profit up to 13.8 MEUR (11.0).
- H1 operating profit up to 24.5 MEUR (23.0).
- H1 operating margin up to17.6% (16.8%) and ROCE to 25.9% (24.7%).
- Performance improvement initiatives started to capitalize
- H1 result was negatively affected by
  - economic downturn especially in the US,
  - weakening of USD & South-African rand and some other currencies 0.8 MEUR.
  - 0.5 MEUR of one-time costs.
- Result included a one-off gain of 1.2 MEUR from the real estate sold in France.
- IFRS based option expenses reduced as a result of declined share price.
- H1 2007 included one-off gains of 1.3 MEUR (negative goodwill of Terminator etc.).
- Result of currency hedges +0.6 MEUR is booked in financial items.



Operating Profit Analysis (2)

Management Analysis	I-II/2008	I-II/2007		I-II/2008	I-II/2007
Net sales as reported	**139.4**	136.8	Operating profit as reported	**24.5**	23.0
Foreign exchange effects	**7.7**	-	Non-recurring items (net)	**-0.7**	-1.3
Comparable net sales	**147.1**	136.8	Foreign exchange effects	**0.8**	-
			Comparable operating profit	**24.6**	21.7
Operating margin as rep.	**17.6%**	16.8%	Comparable operating marg.	**16.7%**	15.9%

- Comparable H1 operating profit, excluding one-offs & FX effects, was 24.6 MEUR (21.7) and comparable operating margin 16.7% (15.9%).
- H1 operating profit of Nordic countries at 2007 levels as a result of FX movements and bad winter affecting winter sports & winter fishing equipment sales in Q1.
- Rest of Europe's result boosted by strong sales and one-off gain (1.2 MEUR) from the real estate sold in France.
- Operating profit in North America down because of decrease in sales and increased euro-based purchase prices (2007 included Terminator negative goodwill 1.2 MEUR).
- Financial income and expenses were close to last year levels.
- Net profit for H1 amounted to 16.2 MEUR (14.4).
- EPS was on last year level at 0.37 EUR (0.37) as minorities increased strongly.

Cash Flow and Working Capital

EUR million	II/2008	II/2007	I-II/2008	I-II/2007	I-IV/2007
Net profit for the period	**9.4**	6.7	**16.2**	14.4	**17.5**
Adjustments	**3.7**	5.8	**8.7**	10.5	**14.8**
Financial items and taxes paid/rec	**-3.5**	-2.3	**-6.3**	-4.2	**-11.1**
Change in working capital	**-3.4**	3.4	**-28.7**	-14.4	**-3.1**
Net cash from operating activities	**6.2**	13.6	**-10.1**	6.2	**18.2**
Net cash used in investing activities	**-1.4**	-1.9	**-3.4**	-4.9	**-3.7**
Cash flow before financing	**4.8**	11.7	**-13.5**	1.3	**14.5**

- Cash flow from operating activities was below last year level due to working capital
- Working capital up from Dec. & June 07 inventories and A/R increased seasonally, new inventories were built for Shimano products and due to declining US sales.
- Net cash used in investing activities, including acquisitions, was 1.4 MEUR (1.9).
- Net interest-bearing debt seasonally up to 98.7 MEUR (Dec 2007: 80.2, June 2007: 101.9).
- Equity-to-asset ratio to 37.5% (Dec 2007: 38.2%) and gearing to 96.1% (Dec 2007: 82.8%), both of these ratios improved compared to June 2007.

Strategy Implementation - Profitability

- Emphasis on performance improvement initiatives continued in Q2 with a target to further improve the Group's profitability in 2008.
- Consolidation of the French operation proceeded on plan. Sale of the first real estate was signed in Q1 (1.2 MEUR non-recurring gain) and the 2nd real estate to be sold also. After all relocations have been made and the new organisation up and running, the annual savings are expected to reach 1-2 MEUR.
- Restructuring of Rapala's lure manufacturing operations in Europe proceeded on plan. Manufacturing operations in Ireland were closed in the end of April 2008. The manufacturing functions of the Irish factory has been taken over by the Estonian factory. At the same time, significant part of assembly work has been transferred from Estonia to the factory in Russia. After the closing of the Irish factory and transfer of its duties to the Estonian factory, the annual savings are expected to reach some 0.7 MEUR.
- Operational changes and improvements in the Chinese factory progressed on plan. The physical split of the fishing tackle and gift businesses to develop both businesses more on a standalone basis has been completed. The new production planning system and respective processes are expected to be implemented by the end of the year. The full benefit of these changes are expected to materialize from 2009 onwards when all changes are done.
- Impact of other cost cutting initiatives have started to gradually materialize.

Strategy Implementation - Growth

- In Q2, Rapala continued to develop its product portfolio and market coverage to implement its strategy for profitable growth.
- Discussions and negotiations regarding acquisitions and business combinations continued.
- The most important action in this respect, was the Sufix deal (see next slides).
- Rapala-Shimano distribution joint ventures in East Europe have proven to be a successes. As the latest addition to this distribution alliance, Rapala will start to distribute Shimano fishing tackle through its Czech joint venture distribution company in September.
- The Group recently entered Slovakian market by establishing a sales office there.
- With the combined high quality product offering of Rapala and Shimano covering all key price points, the customers are able to fulfill majority of their fishing tackle needs. After these expansions of distribution alliance with Shimano, Rapala distributes Shimano fishing tackle, mainly rods and reels, in South Africa and in 23 countries in Europe. In Russia, the joint venture also distributes bicycle parts.
- New lure assembly factory ramp-up in Russia proceeded on plan.

Strategy Implementation – Sufix Acquisition

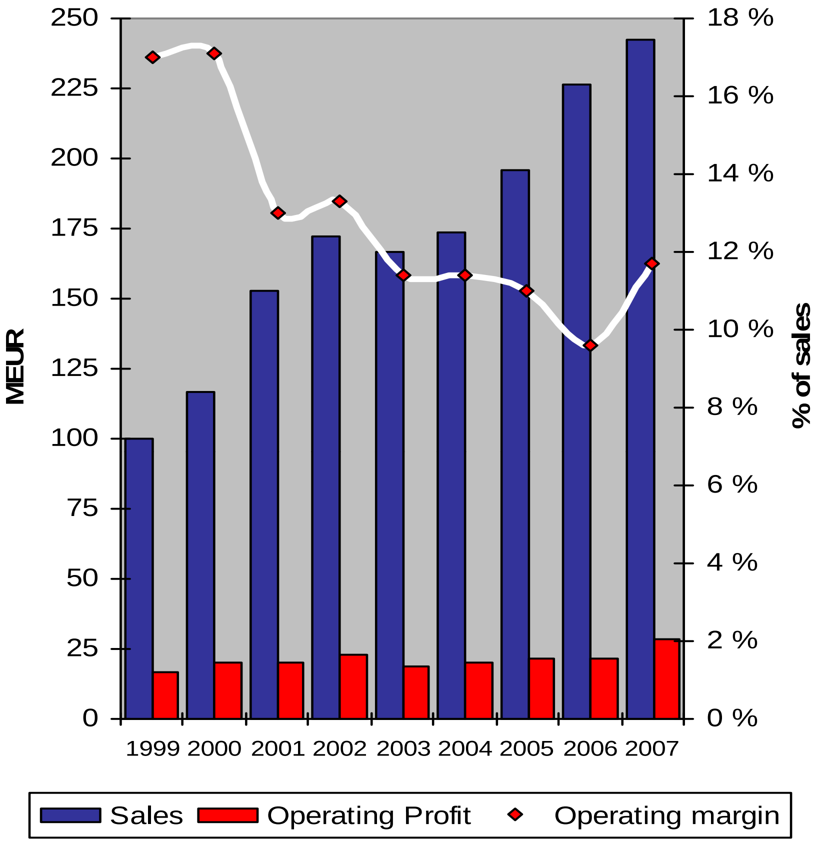
- On July 10, Rapala acquired from Yao I Co ltd the Sufix fishing line brand and concluded an exclusive supply agreement including also OEM business.
- Sufix brand is a very well know brand around the world for more than 20 years.
- Yao I, established in 1973, is a family owned company manufacturing fishing line and strings for rackets, garden trimmer lines and other industrial monofilament. Its 2007 net sales were some MUSD 34 (pro forma) and it employs ca 600 people mainly in Taiwan and China.
- Consideration for the brand was 10.0 MUSD, paid over a period of seven years.
- In addition, Rapala pays 1.7 MUSD for existing Sufix fishing line inventory in the USA.
- Distribution of Sufix will be transferred to Rapala in all the markets where sales will start after a short interim period – in the USA from the end of July onwards.
- Rapala aims to expand its fishing line sales from 7 MEUR in 2007 to some 25-40 MEUR and gain a significant market share in the next few years.
- This deal will have an immaterial effect on the Group's 2008 net sales and profitability but it is expected to increase Rapala's fishing line sales close to 10 MEUR in 2009 compared to 2007.

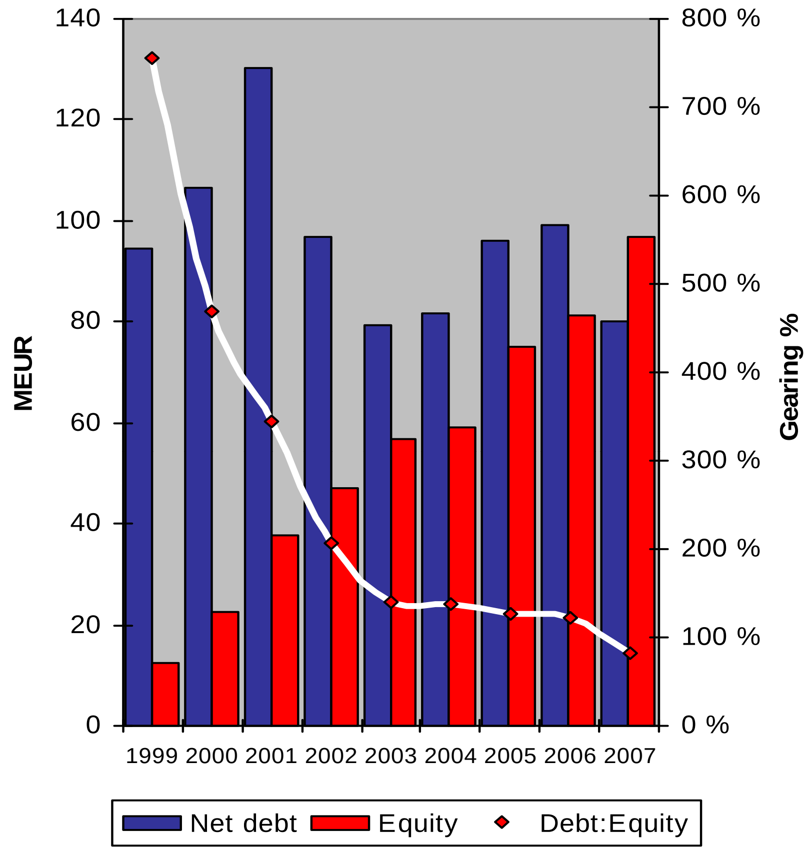
Outlook for 2008

- Market outlook for 2008 looks challenging.
- Slowdown in the US economy is expected to affect the sales in North America.
- Q3 traditionally a slow period for fishing tackle business and increase of other products, especially hunting and towards the end of Q3 also winter sports.
- Australia and South Africa go towards their spring season in the end of Q3.
- Profitability of the Group's ongoing operations continues to be good.
- Special initiatives are being implemented to further improve the profitability. In addition, prices have been increased and further price increases are planned to compensate for increases in raw material costs and wages especially in China. Business development and integration expenses and start-up costs are not expected to exceed the comparable costs in 2007 (excluding non-recurrings).
- It is expected that the Group's net sales for the financial year 2008 will increase 5-10% from 2007 assuming comparable exchange rates. Possible additional acquisitions during latter half of 2008 would further increase the sales.
- Assuming comparable exchange rates and excluding non-recurring items, operating margin is expected to improve from 2007.
- Negotiations regarding further acquisitions and business combinations to implement the Group's strategy continue. Also the project to manage working capital continues.
- Third quarter interim report will be published on October 22.

Financial Position Healthy - Fuelled for Growth

- Rapid growth in last few years from €100m to above € 240m.
- Promised turnaround in operating margin delivered in 2007.
- Positive development in operating margin expected for 2008 vs. 2007





Share Price Performance & Shareholders

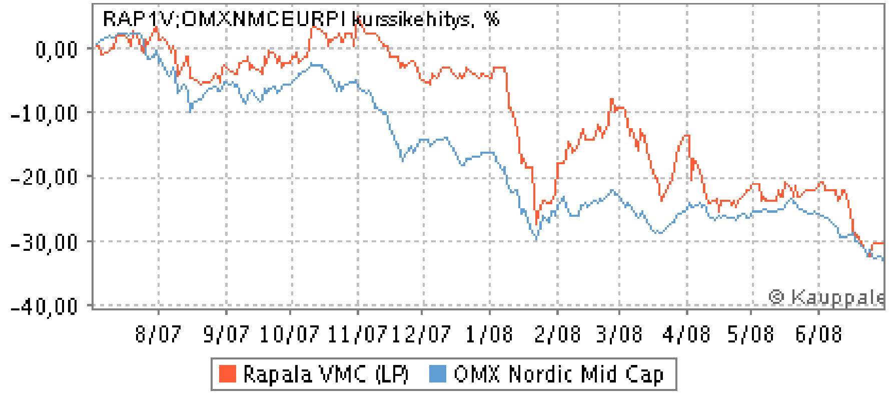
Share Related Data (6/2008)

- Market Cap 160 MEUR
- 12-month high 6.06 EUR
- 12-month low 3.85 EUR
- All-time high 8.40 (2/99)
- All-time low 2.50 (11/01)

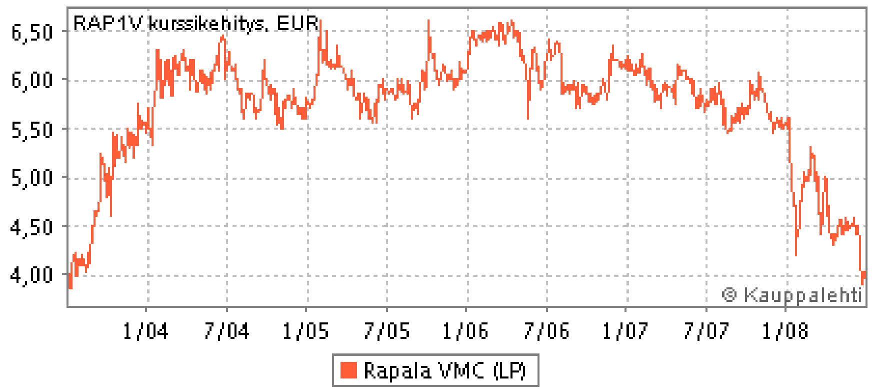
Major Shareholders

VMC	27 %
Sofina	19 %
Odin Funds	9 %
Utavia	4 %
State Pension Fund	3%
William Ng	2 %
Shimano	2 %

Share price for the last 12 months



Share price performance 6/2003-6/2008 (5 years)



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