July 27, 2011 at 12.00 noon

INTERIM REPORT FOR JANUARY TO JUNE 2011: SALES AND OPERATING PROFIT GREW FROM LAST YEAR, NEW STEPS TAKEN IN STRATEGY IMPLEMENTATION.

- Net sales for the second quarter increased by 4% from last year to 80.9 (77.6 MEUR), reaching highest quarterly sales in Rapala's history. Net sales for January to June increased by 5% to 155.6 MEUR (148.4 MEUR).
- Comparable operating profit increased from last year and reached 13.0 MEUR (12.6 MEUR) for the second quarter and 25.1 MEUR (24.4 MEUR) for the first six months. Comparable operating margin was slightly lower than last year amounting to 16.1% (16.2%) for the quarter and 16.2% (16.4%) for the six months. Reported operating profit for the second quarter amounted to 12.8 MEUR (12.5 MEUR) and 24.9 MEUR (24.2 MEUR) for the first half of the year.
- Net profit for the quarter was reduced to 8.0 MEUR (8.4 MEUR) and was 15.9 MEUR (17.5 MEUR) for the first six months due to currency impacts on financial items. Earnings per share were 0.17 EUR (0.18 EUR) and 0.35 EUR (0.40 EUR) respectively.
- Cash flow from operating activities for second quarter was down from last year's record levels at 17.0 MEUR (20.2 MEUR) and was 1.5 MEUR (8.2 MEUR) for the first half of the year due to working capital increase.
- Implementation of the Group's strategy continued:
    - by signing an agreement with Shimano to create a true 50:50 distribution joint venture in the UK,
    - by proceeding with plans to establish a lure manufacturing unit on Batam Island in Indonesia and
    - by continuing the planning and implementation of new supply chain and inventory management initiatives.
- Short term outlook remains positive. It is expected that in 2011 the net sales will increase from 2010. Profitability estimate is specified so that the comparable operating profit is expected to improve from 2010 and comparable operating margin to remain close to last year's level.

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

A conference call on the first quarter result will be arranged today at 3.00 p.m. Finnish time (2.00 p.m. CET). Please dial +44 (0)20 3147 4972 or +1 212 444 0891 or +358 (0)9 2310 1672 (pin code: 226519#) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)20 7111 1244 (pin code: 226519#). Financial information and teleconference replay facility are available at www.rapala.com.

For further information, please contact:

Jorma Kasslin, President and Chief Executive Officer, +358 9 7562 540
Jussi Ristimäki, Chief Financial Officer, +358 9 7562 540
Olli Aho, Investor Relations, +358 9 7562 540

Distribution: NASDAQ OMX Helsinki and Main Media

Market Situation and Sales

During the first half of the year Rapala's business has developed positively, mostly in line with expectations and as a result of good sales performance in several units, second quarter net sales reached record levels. Weathers, which impact the consumer demand and timing of the summer fishing season, have supported the sales in Western and Central Europe, whereas in major parts of North America season did not properly start until June, when sales were however strong. The continuing economical uncertainties have impacted consumer behavior in some countries and tighter credit control has impacted sales in some others. Changes in foreign exchange rates impacted the net sales negatively compared to last year. Group's supply chain has functioned well and products have been available in the distribution companies to meet the demand. Special sales initiatives to bring down Rapala's inventory levels have gradually started, which also had impact on the production volumes of the manufacturing units.

Net sales for the second quarter increased by 4% from last year reaching all-time quarterly high at 80.9 MEUR (77.6 MEUR), even though currency movements had 2.9 MEUR negative net impact on the sales. New units contributed 3.1 MEUR net sales in the second quarter. The six-month net sales were 155.6 MEUR (148.4 MEUR), 5% increase from last year. With comparable exchange rates and organization structure net sales increased 4% in the second quarter and 2% during the first six months.

Net sales of Group Fishing Products increased 4% in second quarter and 7% for the first six months, driven by fishing lines, accessories and Dynamite Baits' products, whereas lure sales is negatively impacted by the currency movements. Sales of Other Group Products grew 28% during the quarter and 16% year-to-date, following good second quarter sales in hunting and gift products. Sales of Third Party Products increased modestly by 1% during the quarter, while the small decrease in fishing products was offset with growth in hunting and outdoor products. Six months sales were at last year level.

In North America sales were down by 8% for April to June and by 4% for the six-month period. This was significantly impacted by the US dollar, which was 6% weaker year-to-date against euro compared to last year. In local currency sales for the first six months were at last year's level. North American sales were also negatively impacted by the late beginning of the season as well as economical uncertainties which are impacting the consumer spending at the retail level.

In Nordic countries sales were up by 7% in second quarter and by 9% for the first half of the year. Especially in Finland and Sweden the sales of summer fishing and hunting equipment have proceeded well, whereas the Norwegian retail structure is currently going through some changes. In Rest of Europe sales increased by 14% for April to June and by 16% for the six-month period, supported by new sales generated by Dynamite Baits Ltd as well as good sales in France, while in Spain and Portugal economical uncertainties are impacting the sales. In Eastern Europe sales growth continued, although some sales were permanently lost due to the earlier problems with Russian logistics and some importation problems.

In Rest of the World net sales fell by 6% in the second quarter, but are still 4% higher for January to June. External sales in several Asian and Southern Hemisphere countries is growing well, while the production volumes at Group's Chinese manufacturing unit are temporarily reduced following the Group's ongoing working capital management projects.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, increased from last year and amounted to 13.0 MEUR (12.6 MEUR) for second quarter and 25.1 MEUR (24.4 MEUR) for the six-month period. Comparable operating margin was slightly lower than last year amounting to 16.1% (16.2%) for the quarter and 16.2% (16.4%) for the six months period. The margin was positively impacted by improved gross margin, whereas fixed cost inflation and currency items impacted negatively.

Reported operating profit for the second quarter increased from last year and amounted to 12.8 MEUR (12.5 MEUR) for the quarter and 24.9 MEUR (24.2 MEUR) for the first half of the year. Reported operating margin was 15.8% (16.1%) and 16.0% (16.3%) respectively. Reported operating profit for the quarter and for the first six months included 0.2 MEUR non-recurring restructuring and acquisition costs (0.2 MEUR non-recurring costs in January-June 2010). Return on capital employed fell to 22.6% (24.4%) for April to June and 22.0% (23.6%) for the six-month period, following the increased capital tied into inventories.

Key figures MEUR	**II** **2011**	II 2010	**I-II** **2011**	I-II 2010	I-IV 2010
Net sales	**80.9**	77.6	**155.6**	148.4	269.4
EBITDA as reported	**14.4**	14.1	**28.1**	27.2	37.4
EBITDA excl. one-off items	**14.6**	14.1	**28.4**	27.4	37.9
Operating profit (EBIT)	**12.8**	12.5	**24.9**	24.2	31.3
EBIT excl. one-off items	**13.0**	12.6	**25.1**	24.4	31.8

Operating profit for Group Fishing Products decreased 0.7 MEUR from last year in second quarter and 0.2 MEUR for the six-month period. Profitability has been impacted by currency movements and inventory clearance sales with lower margins. Benefitting from increased sales, operating profit for Other Group Products has increased by 0.3 MEUR for second quarter and as well as year-to-date, which also benefits from improved profitability of the winter sports equipment. Operating profit for Third Party Products increased by 0.7 MEUR in second quarter as well as year-to-date. Cheaper US dollar has supported the profitability of these products.

Net interest and other financing expenses remained close to last year levels at 1.1 MEUR (0.9 MEUR) for the quarter and 1.9 MEUR (1.8 MEUR) for the six months. Major negative change in financial items is coming from (net) currency exchange expenses of 0.4 MEUR (gain 0.5 MEUR) for the quarter and 0.6 MEUR (gain 1.8 MEUR) for the six months. Total financial (net) expenses were 1.5 MEUR (0.4 MEUR) for the quarter and 2.6 MEUR (gain 0.1 MEUR) for the six months.

Net profit for the quarter was reduced to 8.0 MEUR (8.4 MEUR) and was 15.9 MEUR (17.5 MEUR) for the first half of the year, especially due to the currency impacts on financial items. Earnings per share for the second quarter reached 0.17 EUR (0.18 EUR) and was 0.35 EUR (0.40 EUR) for the six months, impacted also by increased amount of non-controlling interest in net income.

Cash Flow and Financial Position

Cash flow from operating activities for second quarter was 16% down from last year's record levels at 17.0 MEUR (20.2 MEUR) and was 1.5 MEUR (8.2 MEUR) for the first half of the year. Following the increased sales, more sales oriented focus in working capital management and ongoing changes in Group's supply chain management, Group's inventories increased 9.6 MEUR from last June to 116.2 MEUR (106.6 MEUR), while the currency movements reduced the value of inventories by 6.0 MEUR compared to last year. Compared to March inventories have decreased by 4.0 MEUR, releasing 3.7 MEUR more cash from working capital than in second quarter last year. As a whole, net change in working capital for the quarter was 6.4 MEUR (8.7 MEUR) and -20.2 MEUR (-12.8 MEUR) for the first half of the year, with main negative change coming from the change in trade and other short term payables.

Net cash used in investing activities was down to 2.3 MEUR (2.7 MEUR) for the quarter and 4.0 MEUR (4.4 MEUR) for the first six months.

Due to the increased working capital, net interest bearing debt increased to 103.4 MEUR (90.4 MEUR) in the end of June. Equity-to-assets ratio weakened accordingly to 40.4% (41.3%). Gearing was 79.9% (70.0%), remaining at same levels as in the end of March, but increasing from last June's record levels.

Strategy Implementation

Implementation of Rapala's strategy of profitable growth continued during the second quarter of the year by taking several actions relating to manufacturing and distribution activities as wells as Group's internal supply chain and inventory management.

In June Rapala and Shimano Inc. ("Shimano"), the leading manufacturer of rods and reels worldwide, signed an agreement to strengthen their European distribution alliance by merging their existing UK distribution activities into a true 50/50 joint venture distribution company. Rapala's products have since April been distributed in the UK by Dynamite Baits Ltd ("Dynamite"), a manufacturer and distributor of premium carp baits, which Rapala acquired in August 2010. This joint venture company ("JV"), currently still Shimano UK Ltd, will distribute both Rapala and Shimano products in UK on an exclusive basis. Dynamite's and Shimano's UK distribution activities will be merged. Dynamite branded bait manufacturing activities will remain fully in Rapala's control under Dynamite Baits Ltd. This transaction is expected to be closed by end of August, 2011. JV will be consolidated into Rapala's accounts by using the equity method.

In July Rapala also closed a deal to purchase a small UK based company Advanced Carp Equipment Ltd ("ACE"), engaged in design and sales of equipment and accessories for carp fishing. ACE will form the platform for Rapala's fast entry into these product categories in UK and in Europe.

In order to secure access to cost competitive production resources also in the future, Rapala made a decision to open a lure manufacturing unit on Batam Island in Indonesia. At first stage the operation will employ some 150-200 people and run parallel to Group's Chinese manufacturing operations. The main governmental approvals were received in June and after the necessary renovations and equipment installations the production of PVC soft plastic lures is expected to start by fourth quarter. The capital expenditure of this project is expected to total some 0.5 MEUR.

The planning and implementation of new initiatives and structural changes in Group's internal supply chain, inventory and product life-cycle management continued during the second quarter, targeting to permanently bring down Group's inventories to lower levels, while simultaneously improving the service levels to customers. The topic is high on the agenda of each Group unit and planned actions include among others special campaigns and clearance sales of slow-moving inventory as well as improving the information and product flow between Group's manufacturing and distribution units.

The establishment of Group's new distribution companies in Indonesia and Mexico proceeded according to plans and sales will start in July.

Relocation of Rapala's Finnish distribution company Normark Suomi Oy has gradually started and will be finalized by late autumn. Relocation of ski manufacturer Peltonen Ski Oy into larger premises will take place in July-August. Relocation of the warehouse of Group's Chinese distribution company will take place in June-July.

The special performance improvement initiative in Rapala's Norwegian distribution company continued.

The range of new products for season 2012 have been introduced to the market in the major fishing tackle shows in Europe and USA in June and July. Group's products received awards in both and the feedback from customers has been positive. These new products will continue to support Rapala's organic growth.

Discussions and negotiations regarding acquisitions and business combinations continued during the second quarter.

Short-term Outlook

The view on general market situation and sentiment continues to be positive for the remaining of the year, with no major threats currently on sight. After a slowish start for the season in the major North American markets, the sales picked up strong in June and the short-term outlook seems good. Sales growth is expected to continue during summer season in East Europe. Encouraging signals have been received also from several other countries, while gloomier outlook is reported only from a few. Group's manufacturing units are better prepared to support the replenishment sales during the summer season.

In Finland the presales of winter sports equipment for next winter season has been better than last year, although there is always uncertainties concerning the weathers and timing of the shipments. The start of winter sports equipment distribution in Russia will trigger some additional sales on these to fourth quarter, whereas in Norway the market situation is more unclear.

It is expected that in 2011 the net sales will increase from 2010. Profitability estimate is specified so that the comparable operating profit is expected to improve from 2010 and comparable operating margin to remain close to last year's level.

Third quarter interim report will be published on October 27.

Helsinki, July 27, 2011

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**II** **2011**	II 2010	**I-II** **2011**	I-II 2010	I-IV 2010
Net sales	**80.9**	77.6	**155.6**	148.4	269.4
Other operating income	**0.3**	0.1	**0.4**	0.2	0.7
Materials and services	**36.4**	36.4	**68.3**	67.7	123.9
Personnel expenses	**16.0**	14.8	**31.5**	29.2	59.1
Other costs and expenses	**14.4**	12.4	**28.0**	24.5	49.7
EBITDA	**14.4**	14.1	**28.1**	27.2	37.4
Depreciation and amortization	**1.6**	1.6	**3.2**	3.0	6.1
Operating profit (EBIT)	**12.8**	12.5	**24.9**	24.2	31.3
Financial income and expenses	**1.5**	0.4	**2.6**	-0.1	1.8
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0	0.0
Profit before taxes	**11.3**	12.1	**22.4**	24.2	29.5
Income taxes	**3.3**	3.7	**6.4**	6.7	8.7
Net profit for the period	**8.0**	8.4	**15.9**	17.5	20.7
Attributable to:					
Equity holders of the Company	**6.6**	7.2	**13.6**	15.8	18.0
Non-controlling interests	**1.4**	1.1	**2.3**	1.7	2.8
Earnings per share for profit attributable to the equity holders of the Company					
Earnings per share, EUR (diluted = non-diluted)	**0.17**	0.18	**0.35**	0.40	0.46

STATEMENT OF COMPREHENSIVE INCOME MEUR	**II** **2011**	II 2010	**I-II** **2011**	I-II 2010	I-IV 2010
Net profit for the period	**8.0**	8.4	**15.9**	17.5	20.7
Other comprehensive income, net of tax					
Change in translation differences	**-1.1**	6.1	**-5.3**	11.6	7.8
Gains and losses on cash flow hedges	**-0.2**	-0.6	**0.3**	-1.6	-1.2
Gains and losses on hedges of net investments	**0.2**	-1.3	**0.8**	-2.2	-1.1
Total other comprehensive income, net of tax	**-1.1**	4.2	**-4.2**	7.8	5.5
Total comprehensive income for the period	**6.9**	12.5	**11.8**	25.4	26.3
Total comprehensive income attributable to:					
Equity holders of the Company	**5.5**	11.3	**9.6**	23.3	23.1
Non-controlling interests	**1.4**	1.2	**2.2**	2.0	3.2

STATEMENT OF FINANCIAL POSITION MEUR	**Jun 30** **2011**	Jun 30 2010	Dec 31 2010
ASSETS			
Non-current assets			
Intangible assets	**65.1**	63.1	67.8
Property, plant and equipment	**28.5**	29.3	28.7
Non-current financial assets			
Interest-bearing	**1.7**	0.4	1.7
Non-interest-bearing	**8.7**	9.4	9.2
	104.0	102.3	107.4
Current assets			
Inventories	**116.2**	106.6	112.2
Current financial assets			
Interest-bearing	**0.0**	0.5	0.0
Non-interest-bearing	**67.9**	63.6	56.5
Cash and cash equivalents	**32.3**	39.7	27.9
	216.5	210.5	196.6
Total assets	**320.4**	312.8	304.0
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**122.4**	122.9	121.8
Non-controlling interests	**6.9**	6.3	7.4
	129.3	129.2	129.2
Non-current liabilities			
Interest-bearing	**23.6**	39.1	27.1
Non-interest-bearing	**13.0**	10.9	13.7
	36.6	50.0	40.8
Current liabilities			
Interest-bearing	**113.9**	92.0	94.6
Non-interest-bearing	**40.7**	41.7	39.4
	154.6	133.7	134.0
Total equity and liabilities	**320.4**	312.8	304.0

KEY FIGURES	**II** **2011**	II 2010	**I-II** **2011**	I-II 2010	I-IV 2010
EBITDA margin, %	**17.8%**	18.2%	**18.1%**	18.3%	13.9%
Operating profit margin, %	**15.8%**	16.1%	**16.0%**	16.3%	11.6%
Return on capital employed, %	**22.6%**	24.4%	**22.0%**	23.6%	15.2%
Capital employed at end of period, MEUR	**232.7**	219.6	**232.7**	219.6	221.3
Net interest-bearing debt at end of period, MEUR	**103.4**	90.4	**103.4**	90.4	92.0
Equity-to-assets ratio at end of period, %	**40.4%**	41.3%	**40.4%**	41.3%	42.6%
Debt-to-equity ratio at end of period, %	**79.9%**	70.0%	**79.9%**	70.0%	71.2%
Earnings per share, EUR	**0.17**	0.18	**0.35**	0.40	0.46
Fully diluted earnings per share, EUR	**0.17**	0.18	**0.35**	0.40	0.46
Equity per share at end of period, EUR	**3.15**	3.15	**3.15**	3.15	3.13
Average personnel for the period	**2 304**	2 214	**2 304**	2 250	2 317

Definitions of key figures in the interim report are consistent with those in the Annual Report 2010.

STATEMENT OF CASH FLOWS MEUR	**II 2011**	II 2010	**I-II 2011**	I-II 2010	I-IV 2010
Net profit for the period	**8.0**	8.4	**15.9**	17.5	20.7
Adjustments to net profit for the period *	**5.8**	5.8	**11.9**	9.4	17.4
Financial items and taxes paid and received	**-3.3**	-2.7	**-6.2**	-6.0	-12.1
Change in working capital	**6.4**	8.7	**-20.2**	-12.8	-13.0
Net cash generated from operating activities	**17.0**	20.2	**1.5**	8.2	13.0
Investments	**-1.7**	-1.5	**-3.5**	-3.3	-6.2
Proceeds from sales of assets	**0.0**	0.0	**0.2**	0.1	0.3
Dynamite Baits acquisition, net of cash	**-**	-	**-**	-	-4.8
Sufix brand acquisition	**-0.7**	-1.2	**-0.7**	-1.2	-1.2
Acquisition of other subsidiaries, net of cash	**-**	0.0	**-**	0.0	0.0
Change in interest-bearing receivables	**0.0**	0.0	**0.0**	0.0	-1.3
Net cash used in investing activities	**-2.3**	-2.7	**-4.0**	-4.4	-13.2
Dividends paid to parent company's shareholders	**-9.0**	-7.4	**-9.0**	-7.4	-7.4
Dividends paid to non-controlling interest	**-2.7**	-	**-2.7**	-	-
Net funding	**3.4**	2.6	**19.7**	12.5	6.0
Purchase of own shares	**-**	-0.4	**0.0**	-0.5	-1.1
Net cash generated from financing activities	**-8.3**	-5.3	**8.0**	4.6	-2.5
Adjustments	**0.0**	-0.4	**0.0**	-1.0	-0.5
Change in cash and cash equivalents	**6.4**	11.8	**5.5**	7.3	-3.2
Cash & cash equivalents at the beginning of the period	**26.0**	26.0	**27.9**	29.0	29.0
Foreign exchange rate effect	**-0.1**	1.9	**-1.1**	3.4	2.2
Cash and cash equivalents at the end of the period	**32.3**	39.7	**32.3**	39.7	27.9

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

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Non-controlling interests	**Total equity**
Equity on Jan 1, 2010	**3.6**	**16.7**	**-0.3**	**-12.3**	**4.9**	**-1.4**	**96.3**	**4.2**	**111.7**
Comprehensive income*	-	-	-1.6	9.1	-	-	15.8	2.0	**25.4**
Purchase of own shares	-	-	-	-	-	-0.5	-	-	**-0.5**
Dividends paid	-	-	-	-	-	-	-7.4	-	**-7.4**
Share based payment	-	-	-	-	-	-	0.1	-	**0.1**
Equity on Jun 30, 2010	**3.6**	**16.7**	**-1.9**	**-3.2**	**4.9**	**-1.9**	**104.8**	**6.3**	**129.2**
Equity on Jan 1, 2011	**3.6**	**16.7**	**-1.5**	**-6.0**	**4.9**	**-2.5**	**106.7**	**7.4**	**129.2**
Comprehensive income*	-	-	0.3	-4.4	-	-	13.6	2.2	**11.8**
Purchase of own shares	-	-	-	-	-	0.0	-	-	**0.0**
Dividends paid	-	-	-	-	-	-	-9.0	-2.7	**-11.7**
Other changes	-	-	-	-	-	-	-	0.0	**0.0**
Equity on Jun 30, 2011	**3.6**	**16.7**	**-1.1**	**-10.3**	**4.9**	**-2.5**	**111.3**	**6.9**	**129.3**

* For the period (net of tax)

SEGMENT INFORMATION*

MEUR **Net Sales by Operating Segment**	**II 2011**	II 2010	**I-II 2011**	I-II 2010	I-IV 2010
Group Fishing Products	**44.5**	42.7	**86.4**	80.4	139.5
Other Group Products	**5.1**	4.0	**10.4**	9.0	25.2
Third Party Products	**31.4**	31.1	**59.3**	59.4	105.6
Intra-Group (Other Group Products)	**-0.2**	-0.2	**-0.5**	-0.4	-0.9
Total	**80.9**	77.6	**155.6**	148.4	269.4

Operating Profit by Operating Segment					
Group Fishing Products	**7.9**	8.6	**16.5**	16.7	21.4
Other Group Products	**0.4**	0.1	**0.9**	0.6	2.0
Third Party Products	**4.5**	3.8	**7.6**	6.9	7.8
Total	**12.8**	12.5	**24.9**	24.2	31.3

Assets by Operating Segment	**Jun 30 2011**	Jun 30 2010	Dec 31 2010
Group Fishing Products	**192.4**	186.0	190.5
Other Group Products	**16.5**	10.5	12.7
Third Party Products	**77.4**	75.6	71.1
Non-interest-bearing assets total	**286.3**	272.1	274.3
Unallocated interest-bearing assets	**34.1**	40.7	29.7
Total assets	**320.4**	312.8	304.0

Liabilities by Operating Segment			
Group Fishing Products	**36.2**	35.4	35.1
Other Group Products	**4.2**	2.3	2.9
Third Party Products	**13.3**	14.8	15.1
Non-interest-bearing liabilities total	**53.6**	52.6	53.1
Unallocated interest-bearing liabilities	**137.5**	131.1	121.7
Total liabilities	**191.1**	183.7	174.8

Net Sales by Area**	**II 2011**	II 2010	I-II 2011	I-II 2010	I-IV 2010
North America	**18.5**	20.1	**37.4**	39.1	68.5
Nordic	**33.8**	31.6	**69.7**	63.7	110.4
Rest of Europe	**36.3**	31.9	**70.6**	61.0	104.6
Rest of the world	**17.3**	18.4	**36.8**	35.4	69.6
Intra-Group	**-25.0**	-24.4	**-58.9**	-50.9	-83.8
Total	**80.9**	77.6	**155.6**	148.4	269.4

* The operating segments include the following product lines: Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, Other Group Products include Group manufactured and/or branded gift products and products for winter sports and some other businesses and Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports.

**Geographical sales information has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales 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.

KEY FIGURES BY QUARTERS MEUR	I 2010	II 2010	III 2010	IV 2010	I-IV 2010	**I 2011**	**II 2011**
Net sales	70.8	77.6	60.6	60.4	269.4	**74.7**	**80.9**
EBITDA	13.1	14.1	4.5	5.7	37.4	**13.7**	**14.4**
Operating profit	11.7	12.5	2.9	4.2	31.3	**12.1**	**12.8**
Profit before taxes	12.1	12.1	1.7	3.5	29.5	**11.1**	**11.3**
Net profit for the period	9.1	8.4	1.4	1.8	20.7	**7.9**	**8.0**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Annual Report 2010, except for the adoption of the new or amended standards and interpretations. Adoption of amendments of IAS 24 and IAS 32 as well as the new interpretations, IFRIC 14 and IFRIC 19 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Use of estimates and rounding of figures

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

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

Events after the end of the 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 January-June 2011. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On June 30, 2011, the book value of inventories included a provision for net realizable value of 2.8 MEUR (2.8 MEUR at June 30, 2010 and 3.0 MEUR at December 31, 2010).

Non-recurring income and expenses included in operating profit MEUR	**II 2011**	II 2010	**I-II 2011**	I-II 2010	I-IV 2010
Costs related to business acquisitions	**-0.1**	-	**-0.1**	-	-0.2
Restructuring of Hungarian operations	**-**	0.0	**-**	-0.2	-0.2
Relocation of Finnish operations	**-0.1**	-	**-0.1**	-	-
Other restructuring costs	**0.0**	-	**0.0**	-	-0.1
Other non-recurring items	**-**	0.0	**-**	0.0	-0.1
Total included in EBITDA	**-0.2**	-0.1	**-0.2**	-0.2	-0.5
Non-recurring impairment of non-current assets in China	**-**	-	**-**	-	-0.0
Total included in operating profit	**-0.2**	-0.1	**-0.2**	-0.2	-0.5

Commitments MEUR	**Jun 30** **2011**	Jun 30 2010	Dec 31 2010
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.1**	0.2	0.1
Minimum future lease payments on operating leases	**10.1**	9.9	9.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-II 2011					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**0.1**	**0.0**	**0.0**	**0.0**
Management	**-**	**0.2**	**-**	**-**	**0.0**
I-II 2010					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.0	0.0	0.0
Management	-	0.1	-	0.0	0.0
I-IV 2010					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.2	0.1	0.0	-
Management	-	0.3	-	0.0	0.1

* Lease agreement for the real estate for the consolidated operations in France and a service fee.

Open derivatives MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
June 30, 2011				
Foreign currency options and forwards	**6.0**	**0.0**	**0.4**	**-0.4**
Interest rate swaps	**84.3**	**-**	**1.5**	**-1.5**
Total	**90.3**	**0.0**	**1.9**	**-1.9**
June 30, 2010				
Foreign currency options and forwards	3.5	0.5	0.0	0.5
Interest rate swaps	89.1	-	2.6	-2.6
Total	92.5	0.5	2.6	-2.1
December 31, 2010				
Foreign currency options and forwards	9.1	0.0	0.3	-0.3
Interest rate swaps	86.3	-	2.0	-2.0
Total	95.4	0.0	2.3	-2.3

The Group’s financial risks and hedging principles are described in detail in the Annual Report 2010.

Share-based payments

On March 31, 2011, the Group's synthetic option plan (2006) expired. The reward totaling to 0.3 MEUR was disbursed during the second quarter.

The IFRS accounting effect of share based payment programs on operating profit was 0.0 MEUR (-0.0 MEUR) for the second quarter and 0.1 MEUR (-0.0 MEUR) in January-June due to change in fair value of programs. Terms and conditions of the share-based payment programs are described in detail in the Annual Report 2010.

In June the Board has made a principal decision to establish a new share-based long term retention and incentive program for key management for years 2011-2016. Program will be launched during second half of the year, once all details have been determined.

Shares and share capital

Based on authorization given by the Annual General Meeting (AGM) 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 AGM. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next AGM.

On June 30, 2011, the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares in January-June 2011 was 39 468 449. At the end of June 2011, Rapala held 540 198 own shares, representing 1.4% of the total number and the total voting rights of Rapala shares. The average share price of all repurchased own shares held by Rapala was EUR 4.71.

During the first six months, 5 394 111 shares (1 337 294) were traded at a high of 7.38 EUR and a low of 6.16 EUR. The closing share price at the end of the period was 6.41 EUR.

Short term risks and uncertainties

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased when Rapala has continued to expand its operations. Accordingly, Group management also continues to develop risk management practices and internal controls during 2011. Detailed description of the Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2010.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, business has traditionally been seasonally stronger in the first half of the financial year compared to the second half. The biggest deliveries for both summer and winter seasons are concentrated into relatively short time-periods, which require proper functioning of the supply chain. The Group's sales are also to some extent affected by weather as it impacts consumer demand and the timing and length of the seasons. In Nordic countries longer lasting summer fishing season may generate some additional fishing equipment sale, but simultaneously delay the beginning of winter sports season impacting timing of year-end deliveries and cause permanent loss of sales.

A major supply chain and logistics initiative to improve Group's inventory turns and shorten the factory lead-times continues in 2011, including planning of new initiatives. Before fully implemented, these initiatives may temporarily have negative impact on the Group's inventory levels. The possible product life-cycle initiatives as well as inventory clearance sales supporting the inventory reduction targets may also have some short-term negative impacts on sales and profitability of some product groups.

The ramp-up phase of the new production facility in Batam, Indonesia, may increase certain production and supply chain risks temporarily. The relocation of Peltonen Ski and the Finnish distribution operations might also temporarily increase the level of operational risk of these units.

The increased sales and accordingly increased working capital levels have put pressure on the cash flow covenant of the Group‘s financing facilities. Covenants are monitored closely on a monthly basis. In the second quarter of 2011 the Group negotiated with its banks waivers for the cash flow covenant for the second quarter of 2011.

Even though the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses, such as gasoline price, uncertainties concerning employment and governmental austerity measures may temporarily affect consumer spending also in fishing tackle. However the underlying consumer demand has historically proven to be fairly solid.

The truly global nature of the Group's sales and operations is spreading the market risks caused by the ongoing uncertainties in the global economy. The Group is cautiously monitoring the economic development in all markets. Due to these uncertainties in future demand and the length of the Group’s internal supply chain, the supply chain management is balancing between risk of shortages and risk of excess production and purchasing and consequent excess inventories in the Group. Also the importance of cash collection and credit risk management has increased and this may affect sales to some customers. Quality of the accounts receivable is monitored closely and write-downs are initiated if needed.

The Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar and other currencies connected to it. The Group is actively monitoring the currency position and risks and using e.g. foreign currency denominated loans to generate natural hedging. In order to fix the exchange rates of some of the future USD-denominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting to currency hedging agreements in accordance with IAS 39, the change in fair value of these unrealized currency hedging agreements has an impact on the Group's operating profit. Development of oil price may impact value of Russian ruble, which has become significant inflowing currency for the Group. The continuing strengthening of Chinese renminbi together with possible strengthening of US dollar is putting pressure on costs. The Group is closely monitoring the situation and considering possibility and feasibility of price increases and hedging actions.

The market prices of some commodity raw materials have started to increase again and this together with other inflation trends would put pressure on pricing of some products in the future.

No significant changes are identified in the Group's strategic risks or business environment.