Q1 INTERIM REPORT 2011
May 3, 2011
GROUP STRATEGY AND ORGANIZATION

**SUPPLY**

**PRODUCT**
- HARD BAITS
  - Rapala
  - Storm
- SPINNERS
  - Blue Fox

**SOURCE**
- RAPALA
  - Finland
  - Estonia
  - Russia

**GROUP BRANDS**
- WILLTECH
  - Hong Kong
  - China
- DYNAMITE BAITS
  - Great Britain
- VMC, France
  - WILLTECH, China
- MARTTIINI, Finland and Estonia
- PELTONEN, Finland

**DISTRIBUTION**

**OWN DISTRIBUTION**
- USA
- Canada
- Japan
- Malaysia
- China
- Great Britain
- Thailand
- South Korea
- Belgium
- Rest of Europe

**RAPALA-SHIMANO DISTRIBUTION**
- Russia
- Ukraine
- Czech Republic

**SHIMANO**
- Italy
- Germany
- Netherlands
- Belgium
- Great Britain

**LOCAL IMPORTERS**
- Rest of World
**SUMMARY OF Q1 2011**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>74.7</td>
<td>70.8</td>
<td>269.4</td>
</tr>
<tr>
<td>Operating Profit - Reported</td>
<td>12.1</td>
<td>11.7</td>
<td>31.3</td>
</tr>
<tr>
<td>Operating Profit - Comparable</td>
<td>12.1</td>
<td>11.8</td>
<td>31.8</td>
</tr>
<tr>
<td>Net Profit for the Period</td>
<td>7.9</td>
<td>9.1</td>
<td>20.7</td>
</tr>
<tr>
<td>EPS (basic), EUR</td>
<td>0.18</td>
<td>0.22</td>
<td>0.46</td>
</tr>
<tr>
<td>Cash flow from Operations</td>
<td>-15.5</td>
<td>-12.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Net Interest-bearing Debt</td>
<td>106.7</td>
<td>96.6</td>
<td>92.0</td>
</tr>
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</table>

- **Net sales** for the first quarter increased by 6% to a quarterly record of 74.7 MEUR, supported by good sales in various European, Asian and Southern hemisphere countries, new units and impact of currencies.

- **Comparable operating profit** improved and reached all time first quarter record of 12.1 MEUR. **Comparable operating margin** was 16.2% (16.7).

- **EPS** were 0.18 EUR.

- **Cash flow from Operations** dropped seasonally to -15.5 MEUR (-12.0) as the inventories increased following more sales oriented working capital management.

- It is expected that in 2011 the net sales will increase from 2010 and also the comparable operating margin is targeted to improve.
**Analysis of Net Sales**

<table>
<thead>
<tr>
<th>Net Sales Development</th>
<th>Q-on-Q</th>
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<tbody>
<tr>
<td>Group Total</td>
<td>6 %</td>
</tr>
<tr>
<td>Group Fishing Products</td>
<td>11 %</td>
</tr>
<tr>
<td>Other Group Products</td>
<td>6 %</td>
</tr>
<tr>
<td>Third Party Products</td>
<td>-1 %</td>
</tr>
<tr>
<td>North America</td>
<td>-1 %</td>
</tr>
<tr>
<td>Nordics</td>
<td>12 %</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>18 %</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>15 %</td>
</tr>
</tbody>
</table>

- Net sales for Q1 increased by 6% reaching quarterly record at 74.7 MEUR (70.8 MEUR).
- With comparable exchange rates, net sales increased 3%. The newly acquired and established subsidiaries contributed to net sales 1.5 MEUR.
- **Group Fishing Products** grew to 41.9 MEUR (37.7), supported with sales of Sufix fishing lines and products of Dynamite Baits. **Other Group Products** benefit from sales of winter sports equipment. **Third party products** amounted to 27.9 MEUR (28.2), but suffering some delivery problems and year-end timing of shipments.
- **North America** affected by long winter and timing of shipments. Norway and Denmark strong in **Nordics**. **Rest of Europe** good performance in West and Southern Europe and Russia, despite some logistical problems. Steady growth in **Rest of the World**.
- The earthquake in Japan did not have any material impact on Group’s business or operations.
ANALYSIS OF OPERATING PROFIT

- Comparable operating profit reached quarterly record at 12.1 MEUR (11.8). Comparable operating margin was 16.2% (16.7).

- Non-recurring costs of 0.0 MEUR (0.1) relate to business restructurings.

- Reported operating profit was 12.1 MEUR (11.7). Reported operating margin was 16.2% (16.5).

- Comparable operating profit was positively impacted by increased sales and improved gross margin, whereas new units, fixed cost inflation and currency items burdened the profitability.

- Operating profit margin of Group Fishing Products affected by stock clearance sales. Third Party Products in line with last year.

- ROCE was 21.0% (22.6).

<table>
<thead>
<tr>
<th>Operating profit (MEUR)</th>
<th>Q1/2011</th>
<th>Q1/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group total (comparable)</td>
<td>12.1</td>
<td>11.8</td>
</tr>
<tr>
<td>Group Fishing Products</td>
<td>8.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Other Group Products</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Third Party Products</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Group Total (as reported)</td>
<td>12.1</td>
<td>11.7</td>
</tr>
</tbody>
</table>
**NET RESULT AND CASH FLOW**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net profit for the period</td>
<td>7.9</td>
<td>9.1</td>
<td>20.7</td>
</tr>
<tr>
<td>Adjustments (reversal of non-cash items)</td>
<td>6.0</td>
<td>3.6</td>
<td>17.4</td>
</tr>
<tr>
<td>Financial items and taxes paid/rec</td>
<td>-2.9</td>
<td>-3.3</td>
<td>-12.1</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-26.6</td>
<td>-21.4</td>
<td>-13.0</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>-15.5</td>
<td>-12.0</td>
<td>13.0</td>
</tr>
</tbody>
</table>

- **Q1 financial (net) expenses** 1.0 MEUR (gain 0.5), negatively impacted by change in (net) currency exchange expenses.
- **EPS** at 0.18 EUR (0.22) for Q1.
- **Cash from operating activities** was seasonally down to -15.5 MEUR (-12.0) as the inventories increased following more sales oriented working capital management aiming at securing fill rates and gaining market share as well as due to the on-going changes in Group’s supply chain management.
- Cash used in investing activities amounted to 1.7 MEUR (1.7).
- **Net interest bearing debt** increased to 106.7 MEUR (Q1/2010: 96.6 & Q4/2010: 92.0 ) due to the cycle of the business and increased working capital.
- **Equity to assets** ratio was down 50 basis points to 41.2% (41.7). **Gearing** increased to 79.5% (77.7). At December 2010 equity to assets ratio was 42.6% and gearing 71.2%.
The Group continued the implementation of its strategy of profitable growth during Q1 with emphasis on setting up and integrating the newly established and acquired companies into Group’s manufacturing and distribution company network as well as launching new initiatives to improve Group’s internal supply chain and inventory management.

Preparations to take over the distribution of Rapala products into the UK distribution system of Dynamite continued, with launch taking place in the beginning of April.

Distribution of Dynamite’s products through various Rapala distribution companies outside UK has also started and plans to expand the use of Dynamite brand are proceeding.

The Group’s new distribution companies in Indonesia and Mexico were established and the sales will commence during Q2. In addition to Mexico and Brazil, Rapala is actively considering business opportunities also in other Latin American countries.

The Group made investments and started to plan and implement new initiatives and structural improvements in its internal supply chain and product life-cycle management, with target to ensure improved service levels to customers while simultaneously bringing Group’s inventories permanently to lower levels.

Special performance improvement program started in Norwegian distribution company.

Organic growth in terms of new products (e.g. Sufix 832 fishing line and Rapala Clackin’ Minnow lure) and extensions of current product categories as well as special marketing, sales and brand initiatives continued.

Discussions and negotiations regarding acquisitions and business combinations continued in Q1.
SHORT-TERM OUTLOOK

• In line with the first quarter performance, the view on general market situation and sentiment continues to be positive for 2011.

• In some major markets the summer fishing season did not fully start during the first quarter due to long and snowy winter. This together with some Q1 logistical delays are expected to shift some sales to the second quarter.

• The long winter as such will support next winter season’s presales and autumn deliveries of winter sports equipment in the Nordic countries and Russia, where the distribution of winter sports equipment will start in Q4.

• The delivery performance of Group’s manufacturing units and distribution companies is good, which combined with good range of new products is supporting the sales. New supply chain initiatives already enable additional sales during the end of the season.

• The still ongoing uncertainties in the current status and development pace of the global economies continue to create some disturbance in some markets like in Southern Europe and North America, where the increase in fuel price could have negative implications on consumer behavior.

• It is expected that in 2011 the net sales will increase from 2010 and also comparable operating margin is targeted to improve.

• Second quarter interim report will be published on July 27.
It is expected that in 2011 the net sales will increase from 2010 and also comparable operating margin is targeted to improve.

Financial position getting even stronger allowing headroom for new acquisitions.
SHARES AND SHAREHOLDERS

SHARE RELATED DATA (03/2011)
• Market capitalization 268.4 MEUR
• 12-month high/low 7.38/5.03 EUR
• All-time high/low 8.40/2.50 EUR

MAJOR SHAREHOLDERS (03/2011)
• VMC Holdings 30 %
• Sofina 19 %
• Odin Funds 8 %
• Ilmarinen 5 %
• OP Funds 5 %
• Nordea Funds 4 %
• State Pension fund 3 %
• Pension Fennia 2 %
• Shimano 2 %
END OF PRESENTATION

Tight lines!