GROUP STRATEGY AND ORGANIZATION

SUPPLY

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

SOURCE
- RAPALA
  - Finland
  - Estonia
  - Russia
- WILLTECH
  - Hong Kong
  - China
- DYNAMITE BAITS
  - Great Britain

GROUP BRANDS

OWN DISTRIBUTION
- USA
- Canada
- Japan
- Malaysia
- China
- Great Britain
- Thailand
- South Korea
- Indonesia
- Mexico
- Belarus
- France
- Spain
- Portugal
- Switzerland
- Poland
- Estonia
- Lithuania
- Latvia

RAPALA-SHIMANO DISTRIBUTION
- Russia
- Ukraine
- Czech Republic
- Slovak Republic
- Hungary
- Romania
- Great Britain

SHIMANO
- Italy
- Germany
- Netherlands
- Belgium

LOCAL IMPORTERS
- Rest of Europe
- Rest of World

SOURCES AND OWN R&D
- OWN MANUFACTURING AND R&D
  - Soft Baits
    - Storm
    - Williamson
  - Other Lures
    - Blue Fox
    - Luhr Jensen
  - Storm Hard Baits
  - Terminator
  - Trigger X
  - Dynamite Baits
- Hooks
- Terminal Tackle and Gift
- Knives
- XC-Skis

SOURCE
- VMC, France
- WILLTECH, China
- MARTTIINI, Finland and Estonia
- PELTONEN, Finland

ACCESSORIES, RODS & REELS
- Fishing Lines
- XC-Skis & Poles

BAITS AND ATTRACTANTS
- China and Taiwan
- Taiwan and China
- Finland and Russia
- Great Britain and Taiwan

THIRD PARTY PRODUCTS
- Shimano
- Other Fishing
- Hunting
- Winter Sports
- Outdoor
SUMMARY OF Q2 2011

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Net Sales</td>
<td>80.9</td>
<td>77.6</td>
<td>155.6</td>
<td>148.4</td>
<td>269.4</td>
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<tr>
<td>Operating Profit - Reported</td>
<td>12.8</td>
<td>12.5</td>
<td>24.9</td>
<td>24.2</td>
<td>31.3</td>
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<tr>
<td>Operating Profit - Comparable</td>
<td>13.0</td>
<td>12.6</td>
<td>25.1</td>
<td>24.4</td>
<td>31.8</td>
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<tr>
<td>Net Profit for the Period</td>
<td>8.0</td>
<td>8.4</td>
<td>15.9</td>
<td>17.5</td>
<td>20.7</td>
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<td>EPS (basic), EUR</td>
<td>0.17</td>
<td>0.18</td>
<td>0.35</td>
<td>0.40</td>
<td>0.46</td>
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<tr>
<td>Cash flow from Operations</td>
<td>17.0</td>
<td>20.2</td>
<td>1.5</td>
<td>8.2</td>
<td>13.0</td>
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<tr>
<td>Net Interest-bearing Debt</td>
<td>103.4</td>
<td>90.4</td>
<td>103.4</td>
<td>90.4</td>
<td>92.0</td>
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</table>

- **Net sales** for the quarter increased by 4% to 80.9 (77.6 MEUR), reaching highest quarterly sales in Rapala’s history. YTD Net sales 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.
- **EPS** were 0.17 EUR (0.18 EUR) for the quarter and 0.35 EUR (0.40 EUR) YTD respectively.
- **Cash flow from operating activities** for the quarter was down from last year’s record levels at 17.0 MEUR (20.2 MEUR) and was 1.5 MEUR (8.2 MEUR) YTD due to working capital increase.
- 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.
**ANALYSIS OF NET SALES**

<table>
<thead>
<tr>
<th>Net Sales Development</th>
<th>Q-on-Q</th>
<th>Y-on-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Total</td>
<td>4 %</td>
<td>5 %</td>
</tr>
<tr>
<td>Group Fishing Products</td>
<td>4 %</td>
<td>7 %</td>
</tr>
<tr>
<td>Other Group Products</td>
<td>28 %</td>
<td>16 %</td>
</tr>
<tr>
<td>Third Party Products</td>
<td>1 %</td>
<td>0 %</td>
</tr>
<tr>
<td>North America</td>
<td>-8 %</td>
<td>-4 %</td>
</tr>
<tr>
<td>Nordics</td>
<td>7 %</td>
<td>9 %</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>14 %</td>
<td>16 %</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>-6 %</td>
<td>4 %</td>
</tr>
</tbody>
</table>

- Q2 net sales increased by 4% to quarterly record of 80.9 MEUR (77.6 MEUR). YTD net sales increased by 5% to 155.6 MEUR (148.4 MEUR).
- With comparable exchange rates and organization structure net sales increased 4% in the second quarter and 2% during the first six months.
- Sales of Group Fishing Products were driven by fishing lines, accessories and Dynamite Baits’ products. Other Group Products grew following good second quarter sales in hunting and gift products. In Third Party Products small decrease in fishing products was offset with growth in hunting and outdoor products.
- North American sales were negatively impacted by USD and late beginning of the season. In Nordics Finland and Sweden strong. Rest of Europe supported by new sales generated by Dynamite Baits Ltd as well as good sales in France. Steady growth in Rest of the World while the production volumes at Group’s Chinese manufacturing unit are temporarily reduced.
ANALYSIS OF OPERATING PROFIT

Comparable operating profit amounted to 13.0 MEUR (12.6) for Q2 and 25.1 MEUR (24.4) YTD. Comparable operating margin was 16.1% (16.2%) and 16.2% (16.4%) YTD.

Non-recurring costs of 0.2 MEUR (0.2) YTD relate to restructurings and acquisition costs.

Reported operating profit was 12.8 MEUR (12.5). Reported operating margin was 15.8% (16.1) and 16.0 % (16.3) YTD.

The margin was positively impacted by improved gross margin, whereas fixed cost inflation and currency items impacted negatively.

OP margin of Group Fishing Products affected by stock clearance sales and currencies. Other Group Products benefited from improved profitability of winter sport equipment. Cheaper USD improved margins of Third Party Products.

Q2 ROCE was 22.6% (24.4) and YTD 22.0% (23.6).
Net Result and Cash Flow

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<tr>
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<tbody>
<tr>
<td>Net profit for the period</td>
<td>8.0</td>
<td>8.4</td>
<td>15.9</td>
<td>17.5</td>
<td>20.7</td>
</tr>
<tr>
<td>Adjustments (reversal of non-cash items)</td>
<td>5.8</td>
<td>5.8</td>
<td>11.9</td>
<td>9.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Financial items and taxes paid/rec</td>
<td>-3.3</td>
<td>-2.7</td>
<td>-6.2</td>
<td>-6.0</td>
<td>-12.1</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>6.4</td>
<td>8.7</td>
<td>-20.2</td>
<td>-12.8</td>
<td>-13.0</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>17.0</td>
<td>20.2</td>
<td>1.5</td>
<td>8.2</td>
<td>13.0</td>
</tr>
</tbody>
</table>

- **Q2 financial (net) expenses** 1.5 MEUR (0.4) and 2.6 MEUR (gain 0.1) YTD, negatively impacted by change in (net) currency exchange expenses.
- **EPS** at 0.17 EUR (0.18) for Q2 and 0.35 EUR (0.40) YTD.
- **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.
- 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.
- **Net interest bearing debt** increased to 103.4 MEUR (Q2/2010: 90.4 & Q4/2010: 92.0 ) due to increased working capital.
- **Equity to assets ratio** weakened accordingly to 40.4% (41.3). **Gearing** was 79.9% (70.0). At December 2010 equity to assets ratio was 42.6% and gearing 71.2%.
STRATEGY IMPLEMENTATION

• Several actions relating to manufacturing and distribution activities as well as Group’s internal supply chain and inventory management.

• Signing an agreement with Shimano on distribution JV in UK.

• Closing a deal to purchase a small UK based company Advanced Carp Equipment Ltd, engaged in design and sales of equipment and accessories for carp fishing in July.

• Proceeding with plans to open a lure manufacturing unit on Batam Island in Indonesia.

• New distribution companies in Indonesia and Mexico start in July.

• Planning and implementation of new initiatives and structural changes in Group’s internal supply chain, inventory and product life-cycle management.

• Relocations of operations in Finland (distribution and ski factory) and China.

• The special performance improvement initiative in Norway.

• Discussions and negotiations regarding acquisitions and business combinations continued in Q2.
Rapala and Shimano have decided to strengthen their European distribution alliance by merging their existing UK distribution activities into a 50/50 owned true Joint Venture and agreed on European-wide cooperation in the carp business.

Closing of the deal is expected to be made before end of August, 2011.

The JV will be consolidated to Rapala Group by using equity method.

Dynamite Baits Ltd (manufacturing and sourcing of Dynamite and ACE branded carp baits and accessories) will stay in full ownership of Rapala Group and make a distribution agreement of UK market with the JV.

Already before this transaction, Rapala Group distributes Shimano rods and reels in South Africa and 27 countries in Europe. Rapala and Shimano have joined ownership in distribution companies in six East European countries. These companies are controlled by Rapala. Shimano distributes Rapala branded products (now including Dynamite carp baits and accessories) in four countries in Europe.
Expansion of Production to Indonesia

New factory will be opened in Batam to secure access to cost competitive production resources. Chinese labor costs are increasing and labor availability is becoming more challenging. Additionally, currency appreciation is widely anticipated in China.

Multiple locations in Asia were evaluated and Batam was clearly the most competitive choice.

Production is started with PVC soft plastic lures by Q4/2011.

The plant will employ some 150-200 people at first stage.

The plant is run in parallel to the Chinese manufacturing unit.

The capital expenditure of the project is some 0.5 MEUR.

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Key facts of Batam

- Part of a Special Economic Zone with Singapore
- One hour ferry-ride from Singapore
- Low unit labor cost
- Good labor availability
- Multi-ethnic workforce
- Government support from Indonesia and Singapore
- Free trade area
- Material supplies platform developed
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.
- 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 market situation more unclear.
- 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.

- 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.
Financial Trends in Rapala

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

SHARE RELATED DATA (06/2011)
• Market capitalization 249.5 MEUR
• 12-month high/low 7.38/5.52 EUR
• All-time high/low 8.40/2.50 EUR

MAJOR SHAREHOLDERS (06/2011)
• 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!