Q1 Interim Report 2009
April 28, 2009
Crafted from Experience – Positioned for Further Growth

1936

1945

1959

1962

1975

1989

1998

2005-
Agenda

• Q1 in Brief
• Business Organisation and Competitor Situation
• Sales Analysis
• Status of Performance Improvement Initiatives
• Profitability Analysis
• Cash flow & Working Capital
• Strategy Implementation
• Outlook for 2009
• Financial Trend History for Rapala
• Dividend Pay-out Trends
• Rapala Share Performance and Owners
**Q1 in Brief**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>65.0</td>
<td>65.1</td>
<td>243.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>11.6</td>
<td>12.2</td>
<td>37.5</td>
</tr>
<tr>
<td>EBITDA, excl. non-recurring items</td>
<td>11.7</td>
<td>11.2</td>
<td>36.7</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>10.0</td>
<td>10.6</td>
<td>31.3</td>
</tr>
<tr>
<td>Operating Profit, excl. non-recurrings</td>
<td>10.1</td>
<td>9.6</td>
<td>30.5</td>
</tr>
<tr>
<td>EPS (basic), EUR</td>
<td>0.15</td>
<td>0.16</td>
<td>0.45</td>
</tr>
<tr>
<td>Equity-to-assets, %</td>
<td>35.3</td>
<td>36.3</td>
<td>38.0</td>
</tr>
<tr>
<td>Net Interest-bearing Debt</td>
<td>112.3</td>
<td>96.5</td>
<td>89.5</td>
</tr>
</tbody>
</table>

- Q1 2009 net sales on last year levels in a challenging business environment.
- Operating profit, excluding non-recurring items, increased to 10.1 (9.6) MEUR.
- Performance improvement initiatives on plan, results have started to capitalize.
- **Outlook for 2009:** Net sales for 2009 expected to be at previous year levels with a target to keep the operating margin quite close to the good levels reached in 2008, excl. non-recurring items.
## Group Organization & Cornerstones of Strategy

### Supply

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hardbaits</strong></td>
<td>Rapala</td>
</tr>
<tr>
<td>Rapala</td>
<td>Finland</td>
</tr>
<tr>
<td>Storm</td>
<td>Estonia</td>
</tr>
<tr>
<td><strong>Spinners</strong></td>
<td>Russia</td>
</tr>
<tr>
<td>Blue Fox</td>
<td></td>
</tr>
<tr>
<td><strong>Softbaits</strong></td>
<td>Wilitech</td>
</tr>
<tr>
<td>Storm</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Big Game</td>
<td>China</td>
</tr>
<tr>
<td>Williamson</td>
<td></td>
</tr>
<tr>
<td><strong>Hooks</strong></td>
<td>VMC, France</td>
</tr>
<tr>
<td>Terminal Tackle and Gift</td>
<td></td>
</tr>
<tr>
<td>Knives</td>
<td>Wilitech, China</td>
</tr>
<tr>
<td>XC-Skis</td>
<td>Marttiini, Finland and Estonia</td>
</tr>
<tr>
<td><strong>Accessories, Rods &amp; Reels</strong></td>
<td>Peltonen, Finland</td>
</tr>
<tr>
<td>Fishing Lines</td>
<td>China</td>
</tr>
<tr>
<td>Terminator Lures</td>
<td>Taiwan</td>
</tr>
<tr>
<td>XC-Skis &amp; Poles</td>
<td>Mexico</td>
</tr>
<tr>
<td>Baits and Attractants</td>
<td>Finland and Russia</td>
</tr>
<tr>
<td></td>
<td>New Zealand and Taiwan</td>
</tr>
</tbody>
</table>

### Brands

- **Rapala**
- **VMC**
- **STORM**
- **BLUE FOX**
- **LUHR JENSEN**
- **Sufix**
- **Marttiini**
- **Peltonen**

### Distribution

#### Own Distribution
- USA
- Canada
- Japan
- Malaysia
- China
- Thailand
- South Korea
- Australia
- France
- Spain
- Rest of Europe
- Rest of World

#### Shimano Distribution
- Russia
- Ukraine
- Czech Republic
- Hungary
- Slovak Republic

#### Local Importers
- Rest of Europe
- Rest of World

#### Rapala Importing Distribution
- South Africa
- Switzerland
- Brazil
- Portugal
- Finland
- Poland
- Sweden
- Estonia
- Lithuania
- Latvia

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**Note:** The table above provides an overview of the supply, brands, and distribution of the group's products. The table includes specific names of brands, products, and their respective manufacturing and distribution locations.
## Competition & Major Players in the Industry

- No major changes in the competitive environment in Q1 2009

<table>
<thead>
<tr>
<th>Company</th>
<th>Worldwide sales MUSD*</th>
<th>Major product categories</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jarden</td>
<td>500-700*</td>
<td>Rods, reels, combos, line, soft plastics</td>
<td>US sales ca. 50% of sales</td>
</tr>
<tr>
<td>Pure Fishing + Shakespeare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daiwa</td>
<td>630*</td>
<td>Rods, reels, lures &amp; sporting goods</td>
<td>Japan 79% of total sales</td>
</tr>
<tr>
<td>Shimano</td>
<td>570*</td>
<td>Rods, reels, accessories, excl. bike</td>
<td>Japan ca. 50% of total sales</td>
</tr>
<tr>
<td>Rapala</td>
<td>360*</td>
<td>Lures, hooks, accessories</td>
<td>3rd party products 1/3 of sales</td>
</tr>
<tr>
<td>Zebco</td>
<td>80-90 *</td>
<td>Rods &amp; reels</td>
<td>USA</td>
</tr>
<tr>
<td>Gamakatsu</td>
<td>80-90 *</td>
<td>Hooks, rods, reels, accessories</td>
<td>Japan</td>
</tr>
<tr>
<td>Eagle Claw</td>
<td>60 *</td>
<td>Hooks, rods, reels, accessories</td>
<td>USA</td>
</tr>
<tr>
<td>Mustad</td>
<td>50-60 *</td>
<td>Hooks &amp; accessories</td>
<td>Norway</td>
</tr>
<tr>
<td>Pradco</td>
<td>40 *</td>
<td>Lures</td>
<td>USA</td>
</tr>
<tr>
<td>Okuma</td>
<td>40 *</td>
<td>Rods &amp; reels</td>
<td>Taiwan</td>
</tr>
</tbody>
</table>

* 2008 figures, partly estimated if published information not available
Net Sales Analysis

• First quarter net sales on last year levels at 65.0 MEUR (65.1).
• Good winter season boosted sales in Nordic countries.
• Strengthening of USD increased net sales in North America.
• Rest of Europe’s net sales suffered from the weakening of many currencies.
• Rest of the World improved from 2008 as a result of new sales of Sufix products, good performance of many Asian distribution units and strengthening of USD.
• Net sales of Group Fishing Products up 11% (Sufix & USD), Other Group Products down 21% (gifts & subcontracting) and Third Party Products down 11% (currencies).
• Summer fishing tackle sales was affected by cold winter & late spring in some markets.
• Additional price increases in many markets to compensate weakening of currencies.
• The net effect of the strengthening of USD and weakening of Russian ruble and many other currencies increased first quarter net sales by 0.4 MEUR.
Restructuring of European Operations

- **Consolidation of French operations**
  - 3 out of 4 units already in new premises
  - VMC Europe to move next summer
  - Capital gains (1.4 MEUR) in 2008
  - Personnel down by more than 40 vs. Q1 2008

- **Development of lure manufacturing**
  - Sortavala fully operational and Ireland closed
  - Production reduced to reach WCM targets
  - Personnel down by ca. 150 vs. Q1 2008

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**Inverin**
- Focus on final assembly & dispatch
- Closed in April 2008

**Morvillars**
- Manufacture of treble hooks
- New consolidated distribution center
- 200 employees

**Marttiini**
- Knife manufacturing
- 60 employees in Rovaniemi & Pärnu

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

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

**Pärnu**
- Focus on assembly, finishing & testing
- 170 employees

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Inverin (Ireland)

Pärnu (Estonia)

Morvillars (France)

Sortavala (Russia)

Rovaniemi (Finland)

Vääksy

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Slide 8
Enhancement of Chinese Manufacturing

- Major operational changes and improvements to enhance production efficiencies and shorten lead times & physical split of fishing tackle & gifts
- Major increase of outsourcing and production fine-tuned to reach WCM targets
- Personnel down ca. 2100 from Q1 2008 and more than 800 from Q4 2008

**Guangzhou**
- Rapala sourcing office
- 20 employees
- Local sourcing, design/development, quality control etc.

**Shenzhen**
- Willtech manufacturing facility
- Some 1 000 employees
- Lures (metal & plastic)
- Hook manufacturing
- Knife manufacturing
- Gift production
- Consolidated shipments

**Hong Kong**
- Sales, R&D and administration
- Sufix Fishing Lines
- 30 employees
Operating Profit Analysis

- Comparable operating profit, excluding one-offs, was 10.1 MEUR (9.6) and comparable operating margin 15.5% (14.7%).
- Q1 2008 included a net one-off gain of 1.0 MEUR (restructuring & real estate sale)
- Q1 ROCE was 19.3% (22.8%).
- Result was positively affected by performance improvement initiatives and FX movements (1y lead-time)
- Operating profit by Operating Segment
  - Group Fishing Products MEUR 7.8 (5.5)
  - Other Group Products MEUR 0.1 (1.6)
  - Third Party Products MEUR 2.2 (3.5)
- Reported operating profit was 10.0 MEUR (10.6) and operating margin 15.5% (16.3)
- Net interest expenses were 0.9 MEUR (1.4) and FX losses 0.6 MEUR (0.1 gain).
- Net profit for Q1 amounted to 6.2 MEUR (6.8) and EPS was 0.15 EUR (0.16).
**Cash Flow and Working Capital**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net profit for the period</td>
<td>6.2</td>
<td>6.8</td>
<td>19.2</td>
</tr>
<tr>
<td>Adjustments</td>
<td>5.2</td>
<td>5.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Financial items and taxes paid and received</td>
<td>-2.2</td>
<td>-2.8</td>
<td>-14.0</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-29.0</td>
<td>-25.3</td>
<td>-12.7</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>-19.8</td>
<td>-16.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-0.5</td>
<td>-2.0</td>
<td>-6.8</td>
</tr>
<tr>
<td><strong>Cash flow before financing</strong></td>
<td>-20.3</td>
<td>-18.3</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

- Cash flow from operating activities was below 2008 due to increased working capital.
- Inventories and trade receivables increased seasonally but were also above 2008.
- Major working capital management project started in November 2008. Results expected to start gradually from Q2 onwards.
- Net cash used in investing activities, incl. acquisitions & disposals, 0.5 MEUR (2.0).
- Net interest-bearing debt seasonally up to 112.3 MEUR (Dec 2008: 89.5, I/2008: 96.5).
- Equity-to-asset ratio down to 35.3% (Dec 08: 38.0); gearing up to 101.7% (Dec 08: 86.4)
Rapala continued to implement its strategy for profitable growth.
Discussions & negotiations on acquisitions & business combinations continued.
Integration of Sufix business progress on plan and sales started strong.
- In next 2 – 3 years Rapala aims to expand fishing line sales to above 20 MEUR
- Strategic long-term target is to increase the fishing line sales to 30-40 MEUR.
Sales of new Trigger-X products started well in selected distribution channels.
Strong emphasis on performance improvement initiatives continued.
New initiatives started targeting at cost savings and increase of productivity.
Operational changes and improvements in the Chinese factory proceeded.
- Increase of sub-contracting, split of Fishing & Gift, changes to production planning
Benefits of restructuring in France have started to materialize. After moving hook distributor VMC Europe to joint premises (summer 2009), the consolidation is completed. Annual savings are expected to reach 1-2 MEUR.
Major decrease of Group’s headcount mainly due to the new operating mode in Chinese manufacturing unit (-2100), but French consolidation of units, restructuring of European lure manufacturing and adjusting manufacturing volumes to support ongoing working capital project have resulted in a further reduction of almost 200 employees.
Simultaneously, new personnel recruited to support the growth in Sufix business and some distribution units.
Outlook for 2009

– In general, the market outlook for 2009 remains unchanged from February and continues challenging.
– The slowdown and uncertainty in North America and European economies as well as in many Asian countries is expected to continue during the coming months.
– Fishing tackle business has typically been quite non-cyclical during recessions, which together with the Group’s strong brand and distribution power raises cautious optimism even in the current market situation.
– Healthy demand for the Group products is expected to continue.
– It is expected that the Group’s net sales for the financial year 2009 will be at previous year levels.
– Excluding non-recurring items, the target is to maintain the operating margin quite close to the good levels reached in 2008.
– Key themes in 2009 are
  • reduction of working capital and increase of cash flow from operating activities.
  • integration of acquired Sufix fishing line business, and
  • finalization of the ongoing performance improvement initiatives
– Second quarter interim report will be published on July 24.
Financial Position Healthy – Focus on WCM

• Rapid growth in last few years from €100m to above € 240m.
• Promised turnaround in operating margin continued in 2008.
• Focus in 2009-2010: to reduce working capital and improve cash flow.
Dividend Pay-out Trends

- Dividend per share increase in each of the last 5 years
- In 5 years dividend more than doubled from 0.09 euro to 0.19 euro
- Steady growth in dividend per earnings: from 28.2% to 42.2%
- Dividend per share price (dividend yield) increased each of the last 5 years
- Effective dividend yield increased from 1.6% to 5.5%
Share Price Performance & Shareholders

Share Related Data (3/2009)
- Market Cap  156 MEUR
- 12-month high  5.09 EUR
- 12-month low  2.95 EUR
- All-time high  8.40 (2/99)
- All-time low  2.50 (11/01)

Major Shareholders
- VMC  28 %
- Sofina  19 %
- Odin Funds  9 %
- Utavia  4 %
- State Pension Fund  3%
- William Ng  2 %
- Shimano  2 %