

RAPALA VMC CORPORATION INTERIM REPORT Q1 2014

April 17, 2014

RAPALA VMC CORP.

Summary of Q1 2014

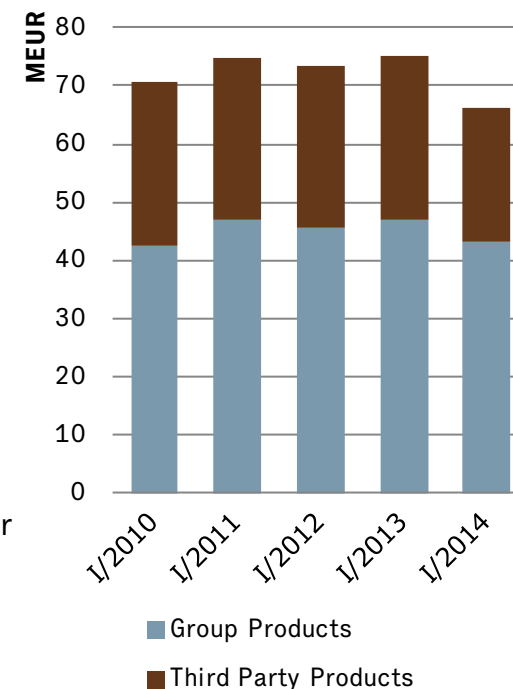
MEUR	I/2014	vs I/2013	I-IV/2013
Net Sales	66.2	-12%	286.6
Operating Profit - Reported	7.4	-14%	26.1
Operating Profit - Comparable	6.7	-17%	27.1
Net Profit for the Period	4.3	-35%	16.1
EPS (basic), EUR	0.11	-0.04	0.32
Cash Flow From Operations	-8.3	-0.2	15.3
Net Interest-bearing Debt	106.2	+5.8	96.3

- SLOW START FOR THE YEAR DUE TO WEATHER CONDITIONS, CURRENCY RATES AND ECONOMICAL UNCERTAINTIES
- Q1 NET SALES -12%
 - Changes in exchange rates explain nearly half of the decline
- Q1 COMPARABLE OPERATING PROFIT 6.7 MEUR (-17%)
 - Positive impact of improved gross margin, negative impact of lower sales and Batam ramp-up
- Q1 NET PROFIT 4.3 MEUR (-35%)
 - Negative impact of FX expenses in financial items, positive tax impact related to an agreement with the Finnish tax authority
- Q1 CASH FLOW FROM OPERATIONS -8.3 MEUR (-0.2)
 - Inventories and payables developed negatively
- GUIDANCE UNCHANGED

Net Sales – Product Segments

MEUR	I/2014	I/2013	Q-on-Q
Group Total	66.2	75.3	-12%
Group Products	43.3	47.1	-8%
Third Party Products	22.9	28.1	-19%
Eliminations	0.0	-	-

- Q1 NET SALES 66.2 MEUR (-12%)
 - Changes in FX rates reduce sales by some 4 MEUR. With comparable FX sales -6%.
 - Challenging weather and market conditions in several market areas
- GROUP PRODUCTS 43.3 MEUR (-8%)
 - With comparable FX -3%
 - Weather conditions impacted negatively US summer fishing product sales and winter fishing and winter sports product sales in Europe
- THIRD PARTY PRODUCTS 22.9 MEUR (-19%)
 - With comparable FX -12%
 - Negative impact of supplier's delivery problems



Net Sales – Geographical Areas

MEUR	I/2014	I/2013	Q-on-Q
North America	19.4	21.7	-11%
Nordic	13.2	15.2	-13%
Rest of Europe	26.6	29.5	-10%
Rest of the World	7.1	8.9	-20%

- **NORTH AMERICA**

- With comparable FX net sales -6%
- Extreme winter weather delayed sales of summer fishing products
- Replenishment sales of ice fishing products

- **NORDICS**

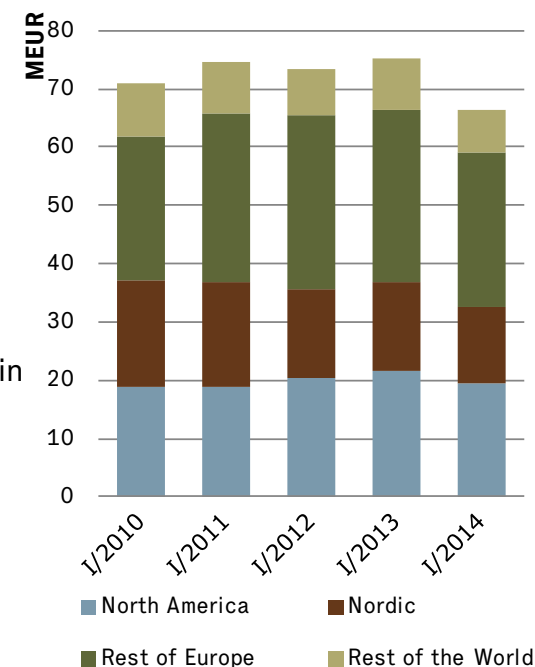
- Snowless winter impacted the winter sports and ice fishing product sales especially in Finland
- Summer fishing season starting early.

- **REST OF EUROPE**

- With comparable FX net sales -4%
- Direct and indirect impact of political turbulence in Russia and Ukraine
- Negative impact of suppliers' delivery problems and weak winter conditions

- **REST OF THE WORLD**

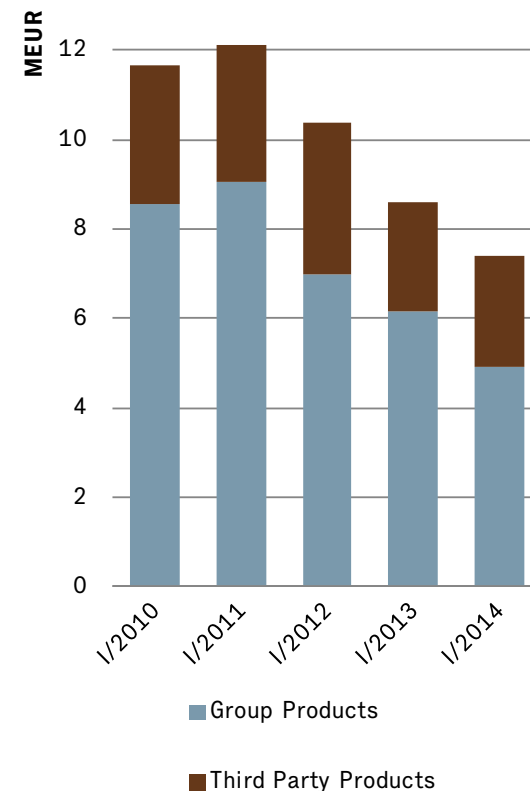
- With comparable FX net sales -7%
- Economic and political instability in South Africa and Thailand



Operating Profit

MEUR	I/2014		I/2013	
Group Total (comparable)	6.7	10.1%	8.1	10.8%
Group Products	4.9	11.4%	6.2	13.1%
Third Party Products	2.5	10.8%	2.4	8.6%
Group Total (as reported)	7.4	11.2%	8.6	11.4%

- Q1 COMPARABLE OPERATING PROFIT -17%
 - Excluding non-recurring items and mark-to-market valuation of operative currency derivatives
 - Profitability supported by improved gross margin, but suffering from lower sales
 - Batam ramp-up burdening the profitability
- Q1 REPORTED OPERATING PROFIT -14%
 - Mark-to-market valuation of operative currency derivatives gain 0.7 MEUR (0.5)
 - No material non-recurring items
- Q1 ROCE 12.4% (14.5%)



Net Profit and Financial Position

MEUR	I/2014	I/2013
Net Profit for the Period	4.3	6.6
Non-controlling Interests	0.0	0.9
Equity Holders of the Company	4.3	5.7
Financial ratios		
EPS (basic), EUR	0.11	0.15
Net Interest-bearing Debt, MEUR	106.2	100.4
Equity-to-assets, %	43.9%	42.3%
Debt-to-equity, %	76.5%	68.7%

- Q1 FINANCIAL (NET) EXPENSES 1.9 MEUR (0.3)
 - Negative impact of FX expenses -1.0 MEUR (+0.4)
 - Interest expenses and other financial expenses increased slightly
- NET PROFIT IMPACTED BY COURT RULING AND AUTHORITY DECISION RELATED TO TAXES IN FINLAND
 - 1.0 MEUR positive impact concerning years 2006-2013
- SHARE OF NON-CONTROLLING INTEREST IN NET PROFIT DECREASED TO 0.0 MEUR
- EPS 0.11 EUR (0.15)
- NET INTEREST-BEARING DEBT INCREASE DUE TO SEASONALLY INCREASING WORKING CAPITAL

Cash Flow and Working Capital

MEUR	I/2014	I/2013
Change in Working Capital	-16.0	-15.1
Cash Flow From Operations	-8.3	-8.1
Net Cash Used in Investing Activities	-2.0	-2.0

Balance sheet

Inventories	118.2	116.4
Assets (non-interest-bearing)	82.2	89.0
Liabilities (non-interest-bearing)	56.5	62.3
Total Working Capital	143.9	143.2

- Q1 CASH FLOW FROM OPERATIONS -8.3 MEUR (-8.1)
 - Inventories and payables developed negatively
 - Q1 last year receivables developed more positively
- INVENTORIES INCREASED 1.8 MEUR FROM LAST YEAR
 - Currency impact decreased inventories 11 MEUR
 - Slowdown in sales and production transfer from China to Batam
- INVESTING ACTIVITIES MAINLY NORMAL CAPITAL EXPENDITURE

Cornerstones of the Profitable Growth Strategy

BRANDS

Portfolio of most recognized and respected brands in the fishing tackle industry.

Various new product introductions under Rapala, Storm, Sufix, VMC and other brands

Angry Birds co-operation

DISTRIBUTION

Industry's widest distribution network with own units in 35 countries, selling Group's own and selected 3rd party fishing, hunting and outdoor products.

Development of purchasing and supply chain



RAPALA CULTURE

Local entrepreneurial spirit and profit responsibility together with a low hierarchy, straightforward business culture and strong local knowledge are key to executing Rapala VMC's strategy.

MANUFACTURING

Efficient own manufacturing and sourcing platform to supply premium products for mass markets.

Ramp-up of Batam lure factory and closing down Chinese manufacturing

Ice drill manufacturing in Finland

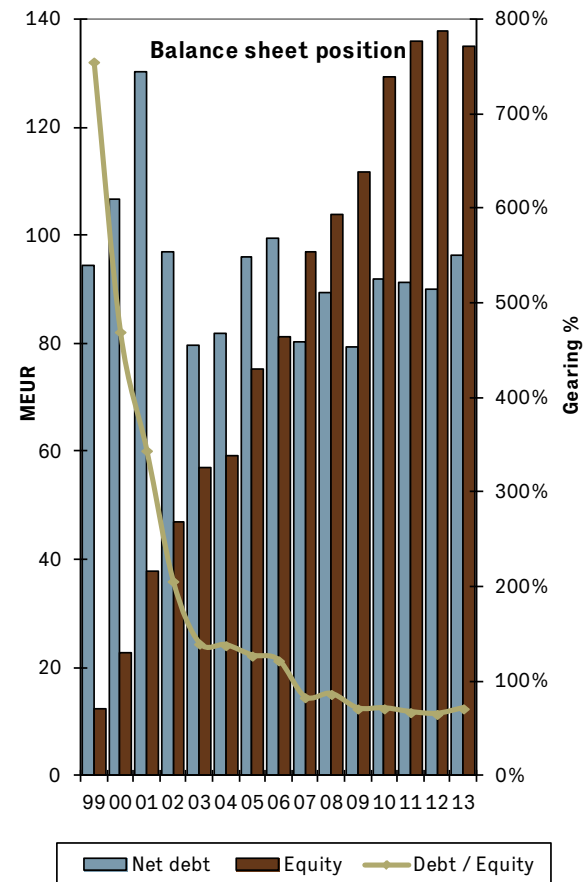
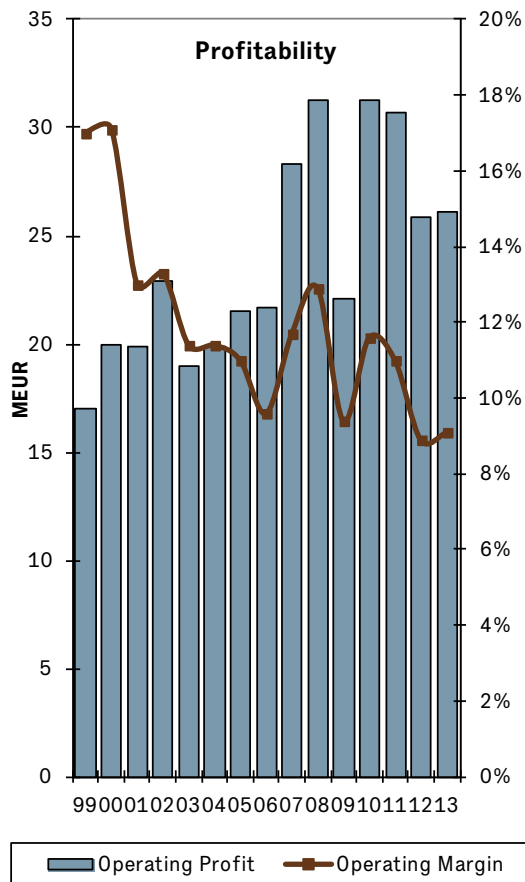
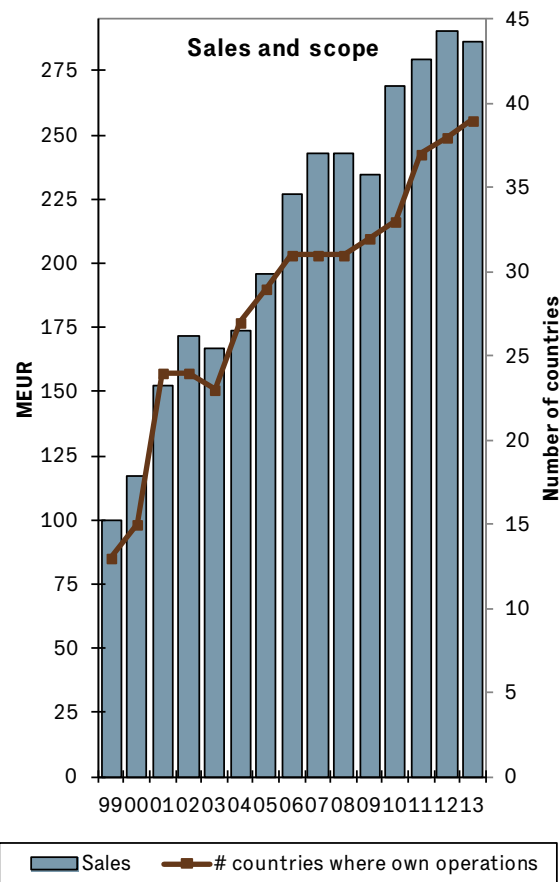
Strategy Implementation

- New ice drill manufacturing unit in Finland ready to produce significant volumes of ice drills and related accessories
- New lure manufacturing unit in Batam intensively focusing on increasing the capacity, operative efficiency and product quality
 - Manufacturing operations in China will be closed down by the end of Q2
- Streamlining the Group's supply chain
 - Focus on consolidation of purchasing and logistic processes in selected third party products in Europe
 - The new hub in Asia will enable further growth for selected fishing accessory products
- Discussions and negotiations regarding acquisitions and business combinations

Short-term Outlook

- Outlook for the rest of the year is still cautious and short-term visibility is limited
- In the US general retail and consumer sentiment is gradually improving
 - Summer fishing sales picking up
- In Europe early spring should support summer fishing sales
 - Poor winter impacting retailers' financial position and potential knock-on impact on next winter season
- Continuing political turbulence between Russia and Ukraine is raising concerns on these markets
 - Further escalation of the crisis may have negative impacts more widely in Europe
- Major changes in FX rates impact profit margins and consumer demand
- Closing down manufacturing operations in China and ramping up the new lure factory in Batam are proceeding
 - Some negative impact on profits in 2014. Situation expected to improve during H2.
- The Group expects sales to improve in Q2. Assuming comparable translation exchange rates, the Group expects to maintain full year net sales and comparable operating profit at 2013 level.
- Q2 interim report published on July 21, 2014

Financial Trends



- Assuming comparable translation exchange rates, the Group expects to maintain net sales and comparable operating profit at 2013 level

Shares and Shareholders

SHARE RELATED DATA (03/2013)

- Market capitalization 217.7 MEUR
- 12-month high/low 5.67/4.52 EUR
- All-time high/low 8.40/2.50 EUR

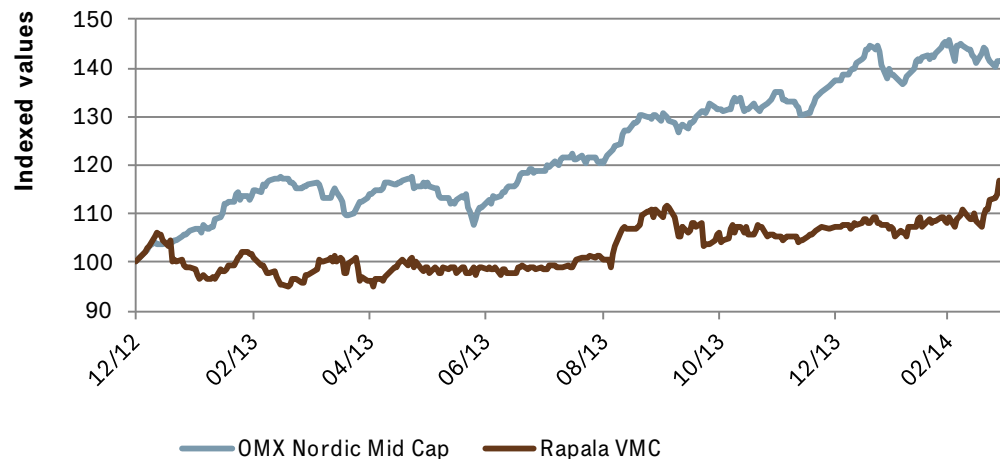
MAJOR SHAREHOLDERS (03/2013)

- VMC Holdings 34%
- Sofina 19%
- Nordea Funds 11%
- Odin Funds 4%
- State Pension fund 3%
- Shimano 2%
- Evli Funds 1%
- Tapiola Funds 1%
- Ilmarinen 1%
- Taaleritehdas Funds 1%

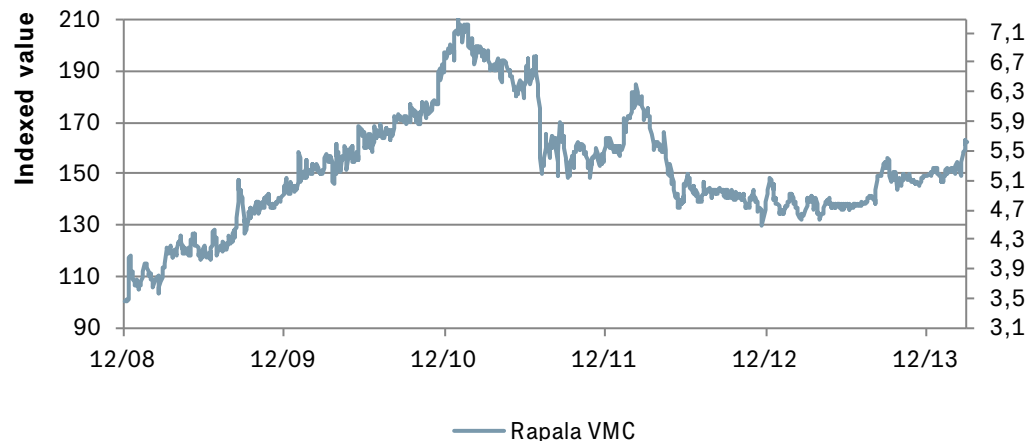
Own shares: 933 856 shares (2.4%)

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Share price index performance in Jan 2013 – Mar 2014



Share price performance in Jan 2009 – Mar 2014



Rapala VMC



END OF PRESENTATION

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