

# RAPALA VMC CORPORATION ANNUAL ACCOUNTS & Q4 2012

February 6, 2013

RAPALA VMC CORP.

# Cornerstones of the Profitable Growth Strategy

## BRANDS

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

*In 2012 strengthened with Mora Ice and StrikeMaster.*

## 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.

*New distribution company opened in Chile in 2012 to strengthen presence in South America.*



## 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.

*New lure and hook manufacturing operations in Batam, Indonesia started operations in 2012.*

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# Summary of Q4 2012

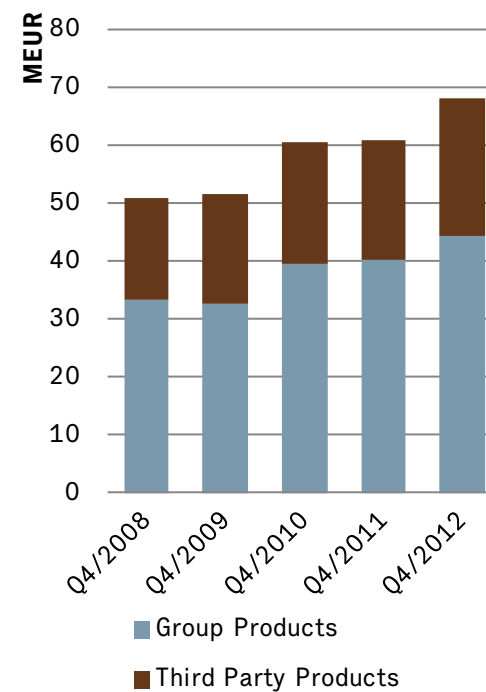
MEUR	IV/2012	vs IV/2011	I-IV/2012	vs I-IV/2011
Net Sales	67.9	+12%	290.7	+4%
Operating Profit - Reported	0.2	-94%	25.9	-16%
Operating Profit - Comparable	0.5	-79%	26.5	-13%
Net Profit for the Period	-2.1	-291%	13.9	-19%
EPS (basic), EUR	-0.05	-0.07	0.26	-0.10
Cash Flow From Operations	6.0	+7.6	25.2	+10.0
Net Interest-bearing Debt			89.9	-1.2

- SALES, CASH FLOW AND GEARING REACHED RECORDS
- Q4 RECORD SALES +12 % (+4% YTD)
  - Supported by new ice fishing business, continuing growth in Russia and foreign exchange rates
- Q4 COMPARABLE OPERATING PROFIT: 0.5 MEUR (-79%), YTD: 26.5 MEUR (-13%)
  - Weaker due to establishment of new manufacturing units, lower gross margin and impact of foreign exchange rates
- Q4 NET PROFIT -2.1 MEUR (-291%), YTD: 13.9 MEUR (-19%)
  - Impacted by start-up losses of new units, simultaneously increasing the effective tax rate
- Q4 CASH FLOW FROM OPERATING ACTIVITIES 6.0 MEUR (+7.6), YTD: 25.2 MEUR (+10.0)
  - Q4 reached a historically high level, full year was an all time record
  - Working capital as main driver, more specifically inventories
- OUTLOOK FOR 2013 POSITIVE

# Net Sales – Product Segments

MEUR	IV/2012	IV/2011	Q-on-Q	I-IV/2012	I-IV/2011	Y-on-Y
<b>Group Total</b>	<b>67.9</b>	<b>60.8</b>	<b>+12%</b>	<b>290.7</b>	<b>279.5</b>	<b>+4%</b>
Group Products	44.2	40.2	+10%	176.4	174.5	+1%
Third Party Products	23.7	20.6	+15%	114.3	105.0	+9%

- Q4 AND YTD COMPARABLE NET SALES AT LAST YEAR'S LEVEL
  - Comparable exchange rates and organization structure
- GROUP PRODUCTS 44.2 MEUR (+10%), YTD: 176.4 MEUR (+1%)
  - Despite the negative impact of the gift business divestment
  - Q4 sales (excluding gift business divestment) up 15% (7% YTD)
    - Supported by new ice fishing sales and good sales of lures and baits
  - YTD sales affected by slow winter sports equipment sales in the beginning of the year
- THIRD PARTY PRODUCTS 23.7 MEUR (+15%), YTD: 114.3 MEUR (+9%)
  - Sales grew following increased sales of fishing and hunting products
    - New sales of MarCum underwater cameras and sonars in North America
  - Negatively affected by winter sports equipment



# Net Sales – Geographical Areas

MEUR	IV/2012	IV/2011	Q-on-Q	I-IV/2012	I-IV/2011	Y-on-Y
North America	25.6	18.7	+37%	83.6	69.1	+21%
Nordic	13.4	15.1	-11%	62.7	65.3	-4%
Rest of Europe	19.1	16.7	+14%	108.2	102.7	+5%
Rest of the World	9.8	10.3	-5%	36.2	42.4	-15%

- **NORTH AMERICA**

- New ice fishing business, improving US business conditions and strengthening of USD

- **NORDICS**

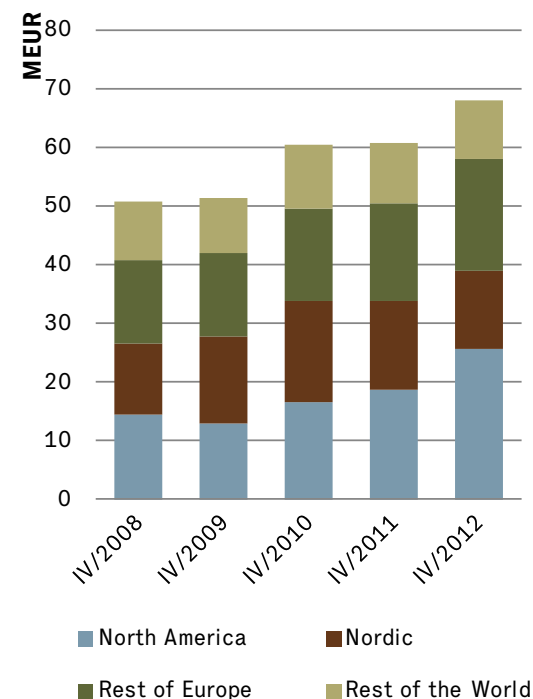
- Structural changes in Norway
- Challenging 2011/2012 winter conditions with knock-on effect for the fourth quarter especially in Finland.

- **REST OF EUROPE**

- Positive development in France and East Europe, especially in Russia
- UK sales reduced by change in distribution structure and bad weathers
- Spain, Hungary and Switzerland suffered from on-going economic uncertainties

- **REST OF THE WORLD**

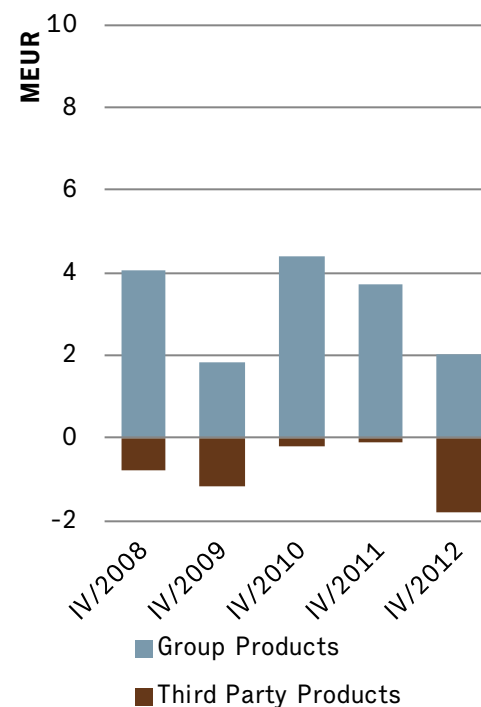
- Q4 sales (excluding gift business divestment) up 17% (12% YTD)
- Growth in all markets, especially in Japan



# Operating Profit

MEUR	IV/2012		IV/2011		I-IV/2012		I-IV/2011	
<b>Group Total (comparable)</b>	0.5	0.7%	2.4	4.0%	26.5	9.1%	30.5	10.9%
Group Products	2.0	4.6%	3.7	9.1%	18.9	10.7%	22.4	12.8%
Third Party Products	-1.8	-7.7%	-0.1	-0.7%	7.0	6.1%	8.4	8.0%
<b>Group Total (as reported)</b>	0.2	0.3%	3.5	5.8%	25.9	8.9%	30.7	11.0%

- Q4 COMPARABLE OPERATING PROFIT -79% (-13% YTD)
  - Reduced gross margin impacted by intense focus on cash flow and working capital
  - YTD burdened by start-up expenses and lower than expected demand for products from the new manufacturing facilities, divestment of gift business, difficult 2011/2012 winter season, foreign exchange rates
  - Q4 impacted by slower than expected start of the lower margin ice fishing business
- REPORTED OPERATING PROFIT -94% (-16% YTD)
  - Non-recurring costs mainly related to divestment of gift business
- Q4 ROCE 0.4% (6.2%), YTD: 11.4% (13.8%)



# Net Profit and Financial Position

MEUR	IV/2012	IV/2011	I-IV/2012	I-IV/2011
<b>Net Profit for the Period</b>	-2.1	1.1	13.9	17.2
Non-controlling Interests	0.0	0.2	3.8	3.2
Equity Holders of the Company	-2.1	0.9	10.1	14.0
<b>Financial ratios</b>				
EPS (basic), EUR	-0.05	0.02	0.26	0.36
Net Interest-bearing Debt, MEUR			89.9	91.1
Equity-to-assets, %			42.3%	43.2%
Debt-to-equity, %			65.1%	67.1%

- Q4 FINANCIAL (NET) EXPENSES 2.0 MEUR (1.0 MEUR), YTD: 4.9 MEUR (5.5 MEUR)
  - Interest expenses close to last year level
  - Positive YTD impact from currency exchange rates
    - Q4 impact negative
- Net profit also impacted by start-up losses of the new units increasing the effective tax rate
- EPS impacted by increased profitability of joint venture companies with non-controlling shareholders
- Strengthening of the Group's balance sheet continued
- A Dividend of 0.23 EUR per share proposed to the AGM

# Cash Flow and Working Capital

MEUR	IV/2012	IV/2011	I-IV/2012	I-IV/2011
Change in Working Capital	5.7	-1.6	4.2	-7.3
Cash Flow From Operations	6.0	-1.6	25.2	15.2
Net Cash Used in Investing Activities	-1.2	-1.4	-13.6	-9.6

## Balance sheet

Inventories			110.6	115.5
Assets (non-interest-bearing)			69.7	66.3
Liabilities (non-interest-bearing)			54.4	51.8
<b>Total Working Capital</b>			<b>125.9</b>	<b>130.0</b>

- Positive operative cash flow impact for Q4 and YTD from net change in working capital
  - Q4 positive despite receivables tied up into the new ice fishing business
  - YTD operative cash flow reached all time annual record
  - Main driver inventories, where the actions to reduce the tied up capital created results
- Comparable inventories reduced by 10.7 MEUR
  - New ice fishing business, new business units and impact of currency movements
- Investing activities include acquisition of StrikeMaster and Mora Ice brands 6.7 MEUR
  - Q4 included 0.8 MEUR proceeds related to disposal of the gift business



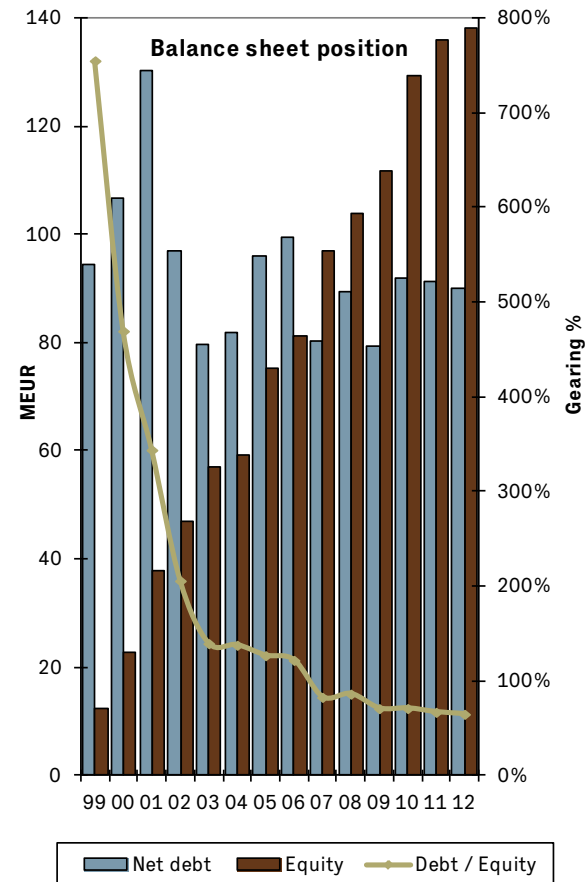
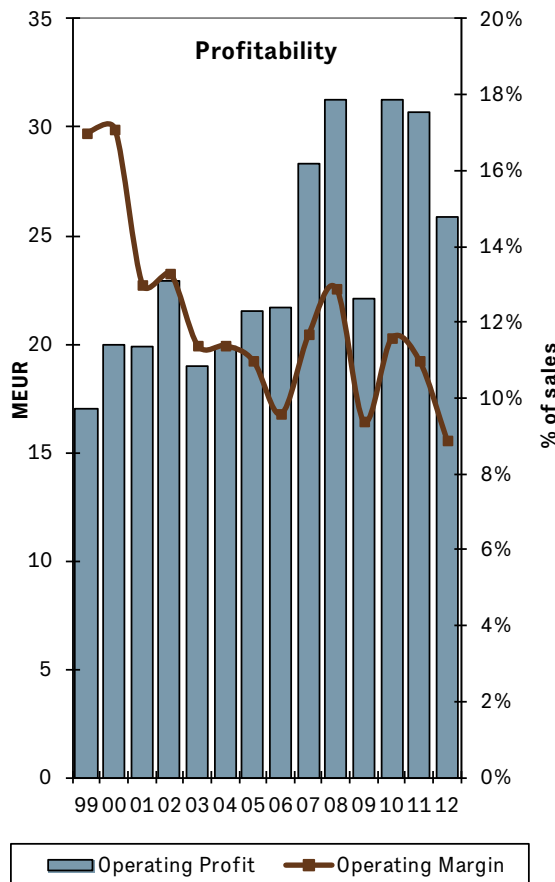
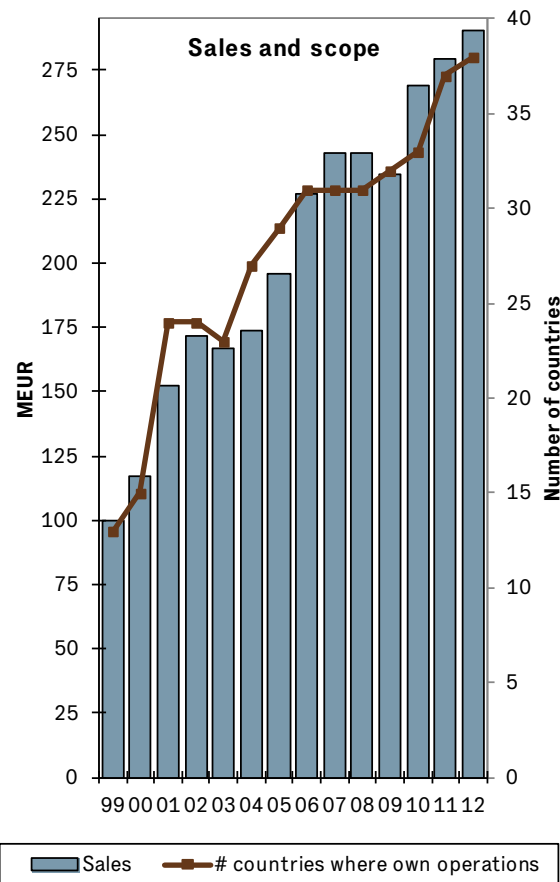
# Strategy Implementation

- Entry into ice fishing category through acquisition of StrikeMaster and Mora Ice auger brands, and US distribution agreement for MarCum underwater cameras and sonars
- Lure manufacturing in Batam, Indonesia started, and production gradually transferred from China to Batam
  - First phase of lure production transfer to be finalized in Q1
  - Construction and installation work for tripling the size of the lure manufacturing proceeding and certain new production phases already started in Q4
  - New products and production phases to be added gradually during the next 12–18 months
- Hook manufacturing in Batam
  - Technically fully ramped up by March 2013
- Sales started in new Chilean distribution company
  - Strengthens presence in Latin America
- Performance improvement initiatives carried out in Norwegian and Swiss distribution units
- Working capital and cash flow management still one of the top priorities of the Group
- New innovative products introduced to the market
  - Best New Hard Lure and Best New Metal Lure awards at EFTTEX 2012
  - Scatter Rap lure family launch in February, available in the US in early 2013
- Discussions and negotiations regarding acquisitions and business combinations continued

# Short-term Outlook

- Outlook for 2013 is positive
- Sales expected to grow in most markets, especially in East Europe and USA
  - USA supported with early introduction of the new Scatter Rap lure family and distribution of Otter winter fishing products
  - Questionable whether summer season can start as early as last year in USA and Central Europe
  - Q1 winter sports equipment sales should benefit from more favorable weathers in Finland
  - Development of foreign exchange rates
- Profitability of the new manufacturing units and few other underperforming units expected to improve gradually
- Continuing actions to reduce inventory levels may impact profitability but support cash flow
  
- Sales expected to increase and comparable operating profit to be 30 MEUR plus or minus 10%
  - Excluding non-recurring items and mark-to-market valuations of currency derivatives
  
- Financial Statements and Corporate Governance Statement published during week 12
- Annual General Meeting planned for April 11, 2013
  - 0.23 EUR dividend per share proposed to the AGM
- Q1 interim report published on April 24, 2013

# Financial Trends



- Net sales expected to increase and comparable operating profit to be 30 MEUR plus or minus 10%

# Shares and Shareholders

## SHARE RELATED DATA (12/2012)

- Market capitalization 188.0 MEUR
- 12-month high/low 6.50/4.52 EUR
- All-time high/low 8.40/2.50 EUR

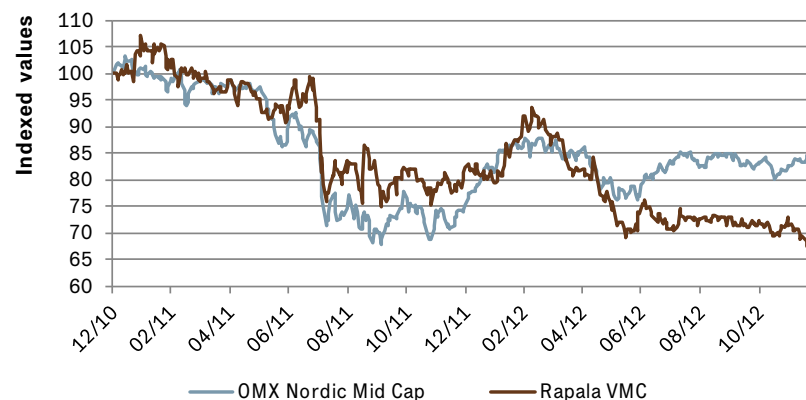
## MAJOR SHAREHOLDERS (12/2012)

- VMC Holdings 32%
- Sofina 19%
- Nordea Funds 11%
- Odin Funds 3%
- State Pension fund 3%
- Shimano 2%
- Ilmarinen 2%
- OP Funds 2%
- Evli Funds 1%

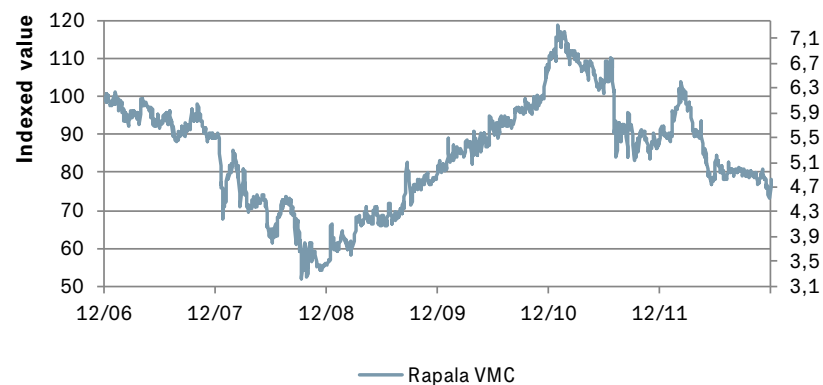
Own shares: 701 400 shares (1.8%)

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Share price index performance in Jan 2011 – Dec 2012



Share price performance in Jan 2007 – Dec 2012



A scenic landscape at sunset or sunrise over a body of water. The sky is filled with large, dark clouds, some of which are illuminated from below by the setting or rising sun, creating a warm, golden glow. The water in the foreground is calm, reflecting the colors of the sky. In the distance, there are dark, silhouetted hills or mountains. The overall mood is serene and dramatic.

# END OF PRESENTATION

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