

RAPALA®

Q2 INTERIM REPORT 2011

July 27, 2011



GROUP STRATEGY AND ORGANIZATION

SUPPLY

BRANDS

DISTRIBUTION

PRODUCT

SOURCE

GROUP BRANDS

HARD BAIT

Rapala
Storm

SPINNERS

Blue Fox

RAPALA

Finland
Estonia
Russia

SOFT BAIT

Storm

BIG GAME

Williamson

OTHER LURES

Blue Fox
Luhr Jensen
Storm Hard baits
Terminator
Trigger X
Dynamite Baits

WILLTECH

Hong Kong
China

DYNAMITE BAITS

Great Britain

HOOKS

TERMINAL TACKLE AND GIFT

KNIVES
XC-SKIS

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

OWN
MANUFACTURING
AND R&D

SOURCING
AND OWN
R&D

THIRD
PARTY
PRODUCTS

Rapala®



BLUE FOX®



TRIGGER X

PELTONEN

OWN DISTRIBUTION

USA	Australia	Belarus
Canada	South Africa	France
Japan	Brazil	Spain
Malaysia	Finland	Portugal
China	Sweden	Switzerland
Great Britain	Denmark	Poland
Thailand	Norway	Estonia
South Korea	Iceland	Lithuania
Indonesia	Mexico	Latvia

RAPALA-SHIMANO DISTRIBUTION

Russia	Hungary
Ukraine	Romania
Czech Republic	Great Britain
Slovak Republic	

SHIMANO

Italy
Germany
Netherlands
Belgium

LOCAL IMPORTERS

Rest of Europe
Rest of World



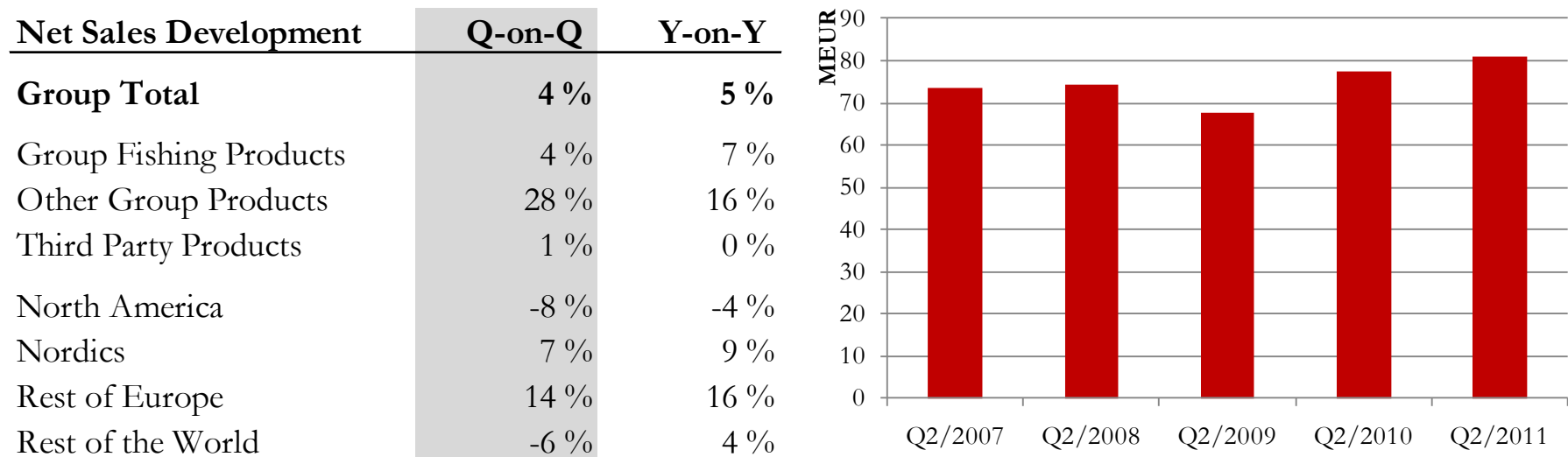
SUMMARY OF Q2 2011

EUR million	II/2011	II/2010	I-II/2011	I-II/2010	I-IV/2010
Net Sales	80.9	77.6	155.6	148.4	269.4
Operating Profit - Reported	12.8	12.5	24.9	24.2	31.3
Operating Profit - Comparable	13.0	12.6	25.1	24.4	31.8
Net Profit for the Period	8.0	8.4	15.9	17.5	20.7
EPS (basic), EUR	0.17	0.18	0.35	0.40	0.46
Cash flow from Operations	17.0	20.2	1.5	8.2	13.0
Net Interest-bearing Debt	103.4	90.4	103.4	90.4	92.0

- **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



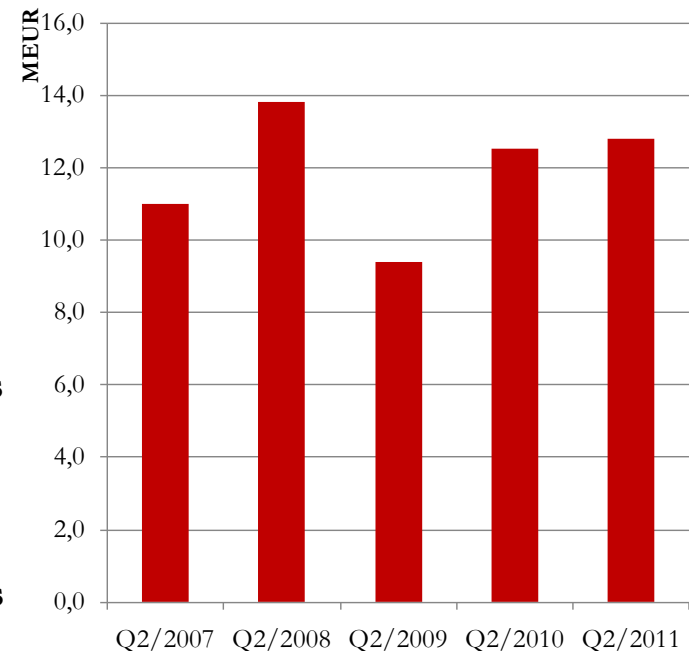
- Q2 net sales increased by 4% to quarterly record of 80.9 MEUR (77.6 MEUR). YTD net sales increased by 5% to 155.6 MEUR (148.4 MEUR).
- With **comparable exchange rates** and **organization structure** net sales increased 4% in the second quarter and 2% during the first six months.
- Sales of **Group 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

Operating profit (MEUR)	Q2/2011	Q2/2010	Q2/2011 YTD	Q2/2010 YTD
Group total (comparable)	13.0	12.6	25.1	24.4
Group Fishing Products	7.9	8.6	16.5	16.7
Other Group Products	0.4	0.1	0.9	0.6
Third Party Products	4.5	3.8	7.6	6.9
Group Total (as reported)	12.8	12.5	24.9	24.2

- **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

EUR million	II/2011	II/2010	I-II/2011	I-II/2010	I-IV/2010
Net profit for the period	8.0	8.4	15.9	17.5	20.7
Adjustments (reversal of non-cash items)	5.8	5.8	11.9	9.4	17.4
Financial items and taxes paid/rec	-3.3	-2.7	-6.2	-6.0	-12.1
Change in working capital	6.4	8.7	-20.2	-12.8	-13.0
Net cash from operating activities	17.0	20.2	1.5	8.2	13.0

- **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.



STRATEGIC DISTRIBUTION ALLIANCE WITH SHIMANO IN UK



- 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 co-operation 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

Location of Batam, Indonesia



Rapala factory



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

Rapala expansion to Batam

- 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



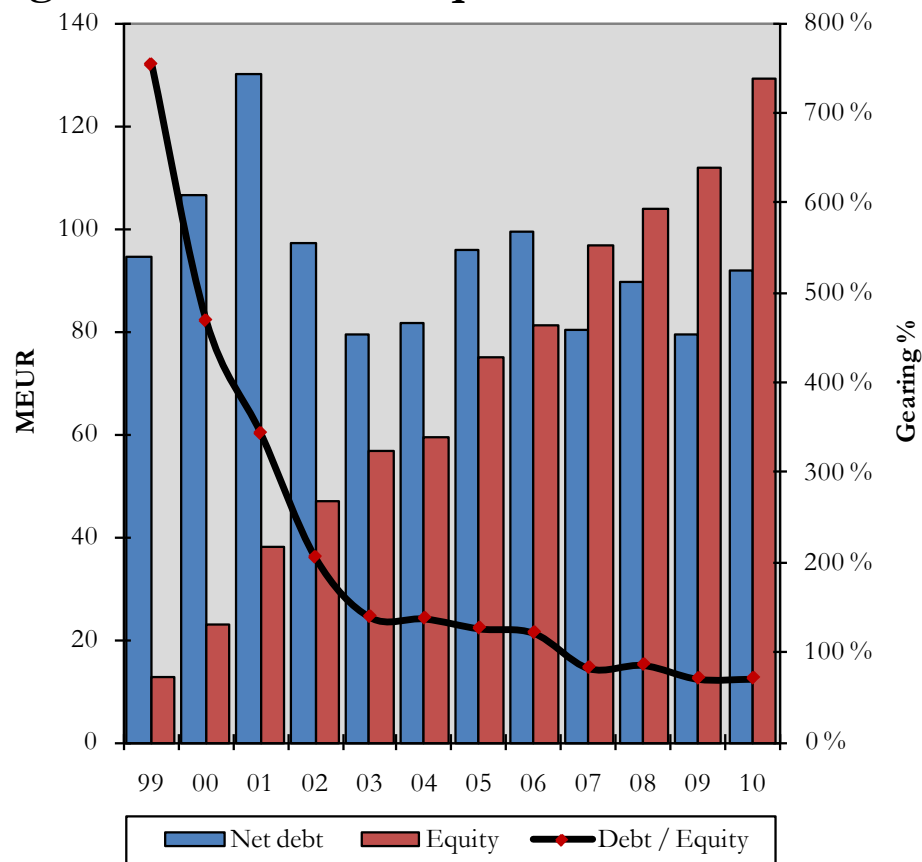
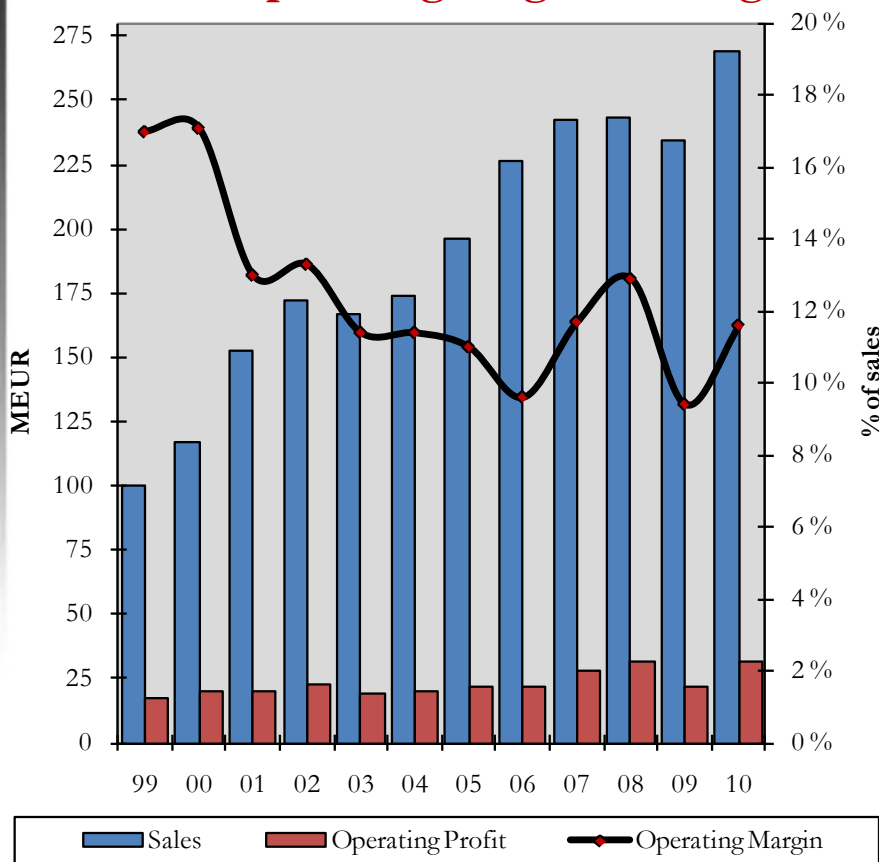
SHORT-TERM OUTLOOK

- 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

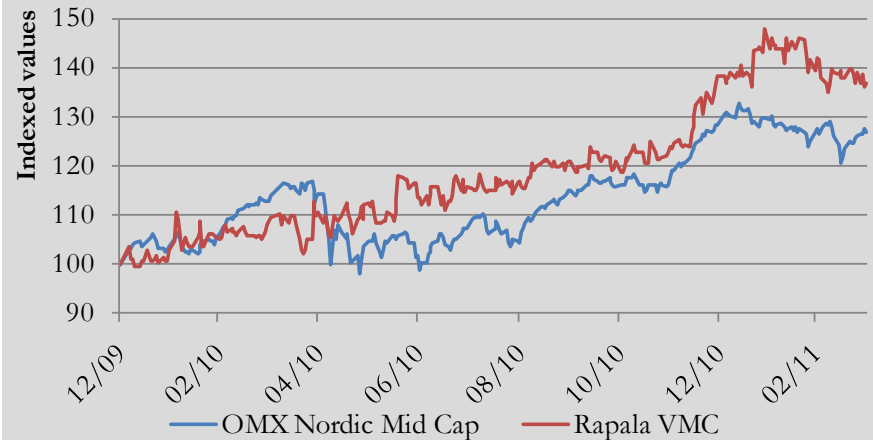
SHARE RELATED DATA (06/2011)

- Market capitalization 249.5 MEUR
- 12-month high/low 7.38/5.52 EUR
- All-time high/low 8.40/2.50 EUR

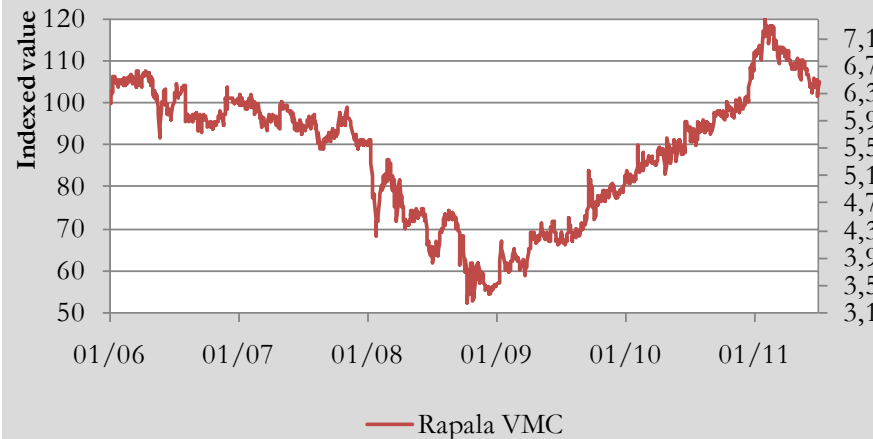
MAJOR SHAREHOLDERS (06/2011)

- 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 %

Share price index performance in Jan 2010 – Mar 2011



Share price performance in Jan 2006 – Mar 2011



RAPALA®

END OF PRESENTATION

Tight lines!

