

RAPALA®



Annual Accounts 2007

February 5, 2008



AGENDA

- Q4 and 2007 in Brief
- Business Organisation – Latest Changes
- Sales Analysis
- Profitability Analysis
- Cash flow & Working Capital
- Strategy Implementation
- Outlook for 2008
- Rapala share performance and owners



Rapala®
ProWear



Rapala®
VMC

Q4 AND 2007 IN BRIEF

EUR million	IV/07	IV/06	2007	2006
Sales	53.7	49.2	242.5	226.6
EBITDA	4.3	2.4	33.8	28.0
Operating Profit (EBIT)	2.4	0.7	28.3	21.7
Profit Before Taxes	1.1	-0.3	23.3	14.6
Net Profit for the Period	2.0	0.5	17.5	11.0
EPS (basic), EUR	0.05	0.01	0.45	0.28
Equity-to-assets, %	38.2	33.4	38.2	33.4
Net Interest-bearing Debt	80.2	99.3	80.2	99.3

- **2007 a new sales record**, up 7% from last year, comparable sales up 11%.
- **Margin turnaround achieved**: comparable operating margin from 9.8% to 11.2%.
- **EPS an all time record** at EUR 0.45 (0.28) – proposed dividend: EUR 0.18 (0.12).
- **Outlook for 2008**: Net sales expected to increase 8-12% with 2007 fx-rates. Operating profit margin expected to improve from 2007 with 2007 fx-rates & without non-recurrings.



Group Organization & Cornerstones of Strategy

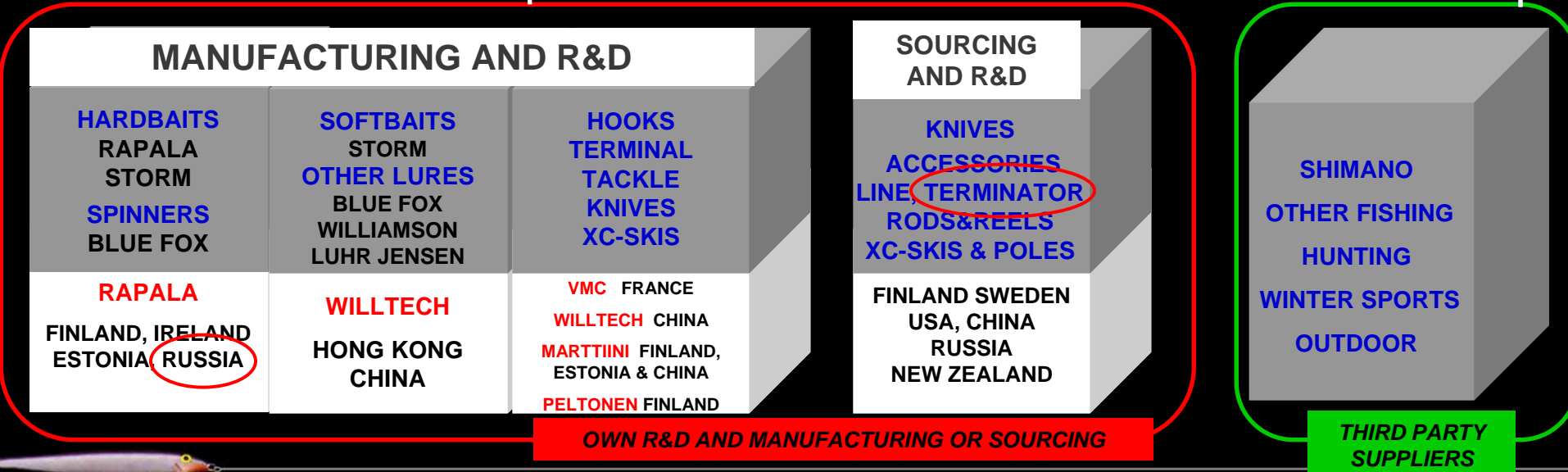
Distribution



Group Brands



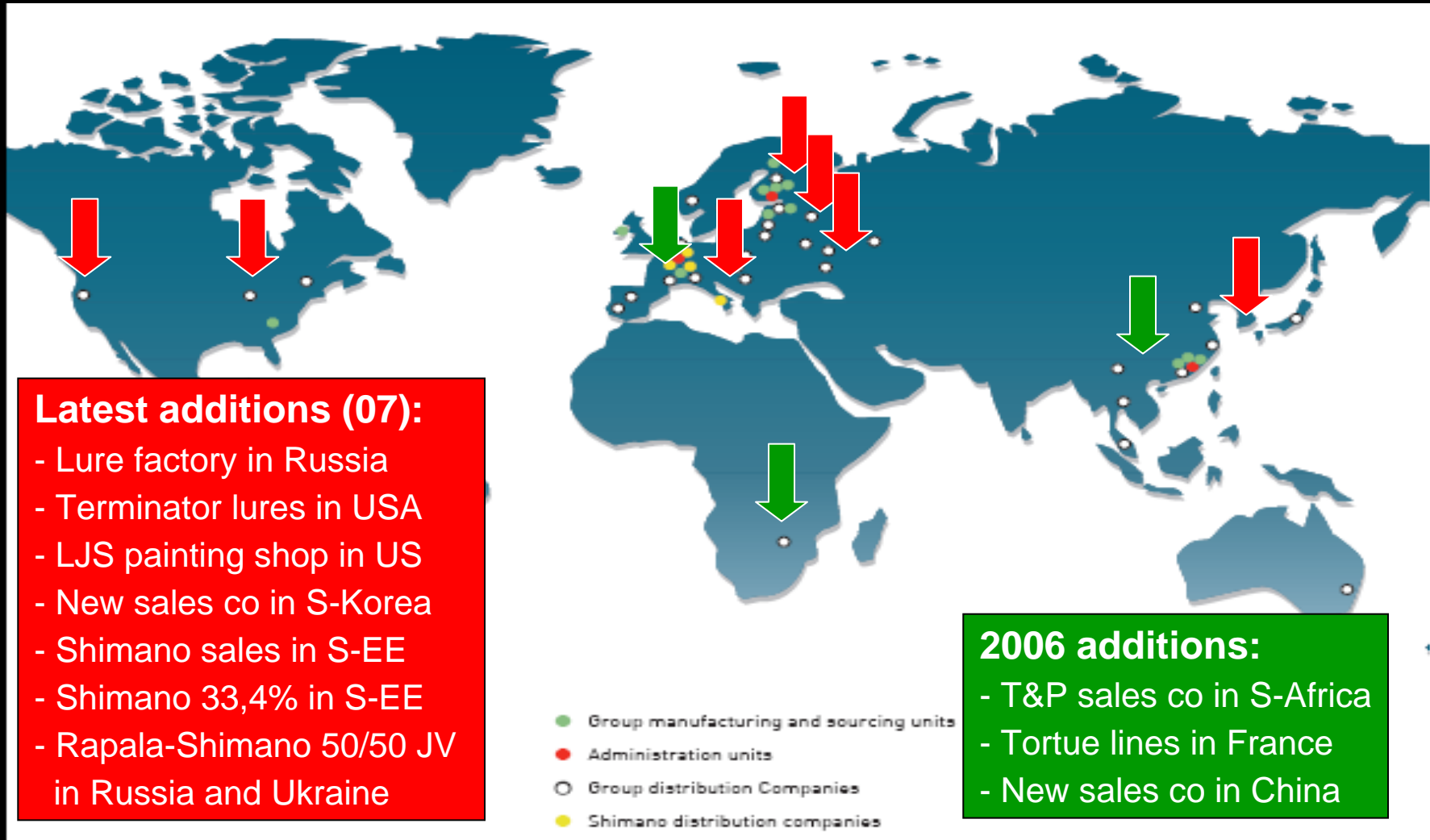
Supply SOURCE PRODUCT



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Location of Business Operations – Latest Updates



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Restructuring of European Operations

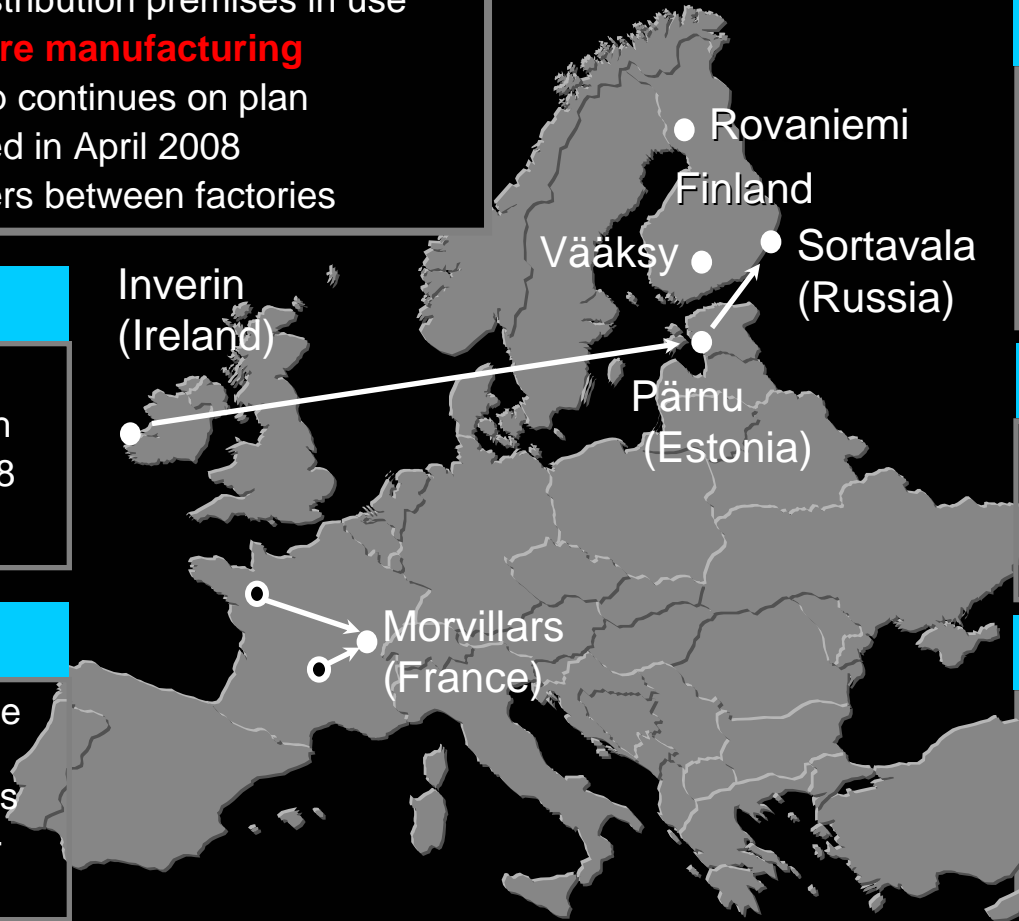
- **Consolidation of French operations**
 - Move from Bretagne completed
 - Move from Central France in mid-2008
 - New Morvillars distribution premises in use
- **Development of lure manufacturing**
 - Sortavala ramp-up continues on plan
 - Inverin to be closed in April 2008
 - Production transfers between factories

Inverin

- Focus on final assembly & dispatch
- Closure in April 2008
- 20 employees

Morvillars

- Manufacture of treble hooks
- 150->250 employees
- Location for consolidated operations



Marttiini

- Knife manufacturing
- 80 employees in Rovaniemi & Pärnu

Vääksi

- Focus on skilled and technical tasks in lures manufacturing process
- 200 employees

Sortavala

- Lure assembly
- Start-up in 2007
- 50 employees

Pärnu

- Focus on assembly with high manual labor content
- 280 employees

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Enhancement of Chinese Manufacturing Operations

- Major operational changes and improvements to enhance production efficiencies and shorten lead times
- International task force established to support the development of manufacturing and supply chain management in China

Guangzhou

- Rapala sourcing office
- 15 employees
- Local sourcing, design/development, quality control etc.



Shenzhen

- Willtech manufacturing facility
- 2 800 employees
- Lures (metal & plastic)
- Hook manufacturing
- Knife manufacturing
- Gift products
- Consolidated shipments

Hong Kong

- Admin of Willtech
- Sales, R&D and administration
- 40 employees



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Competition and Major Players in the Industry

Company	Worldwide sales MUSD*	Major product categories	Comments
Jarden Pure Fishing + Shakespeare	450	Rods, reels, combos, line, soft plastics	US sales ca. 60% of sales
Daiwa	450	Rods, reels, lures	Japan ca. 80% of total sales
Shimano	380	Rods, reels, accessories	Japan almost 50% of sales
Rapala VMC	330	Lures, hooks, accessories	3rd party products 1/3 of sales
Zebco	90	Rods & reels	USA
Gamakatsu	80	Hooks, rods, reels, accessories	Japan
Eagle Claw	60	Hooks, rods, reels, accessories	USA
Mustad	55	Hooks & accessories	Norway
Pradco	50	Lures	USA
Okuma	40	Rods & reels	Taiwan

* 2006 figures, partly estimated if published information not available, Rapala 2007

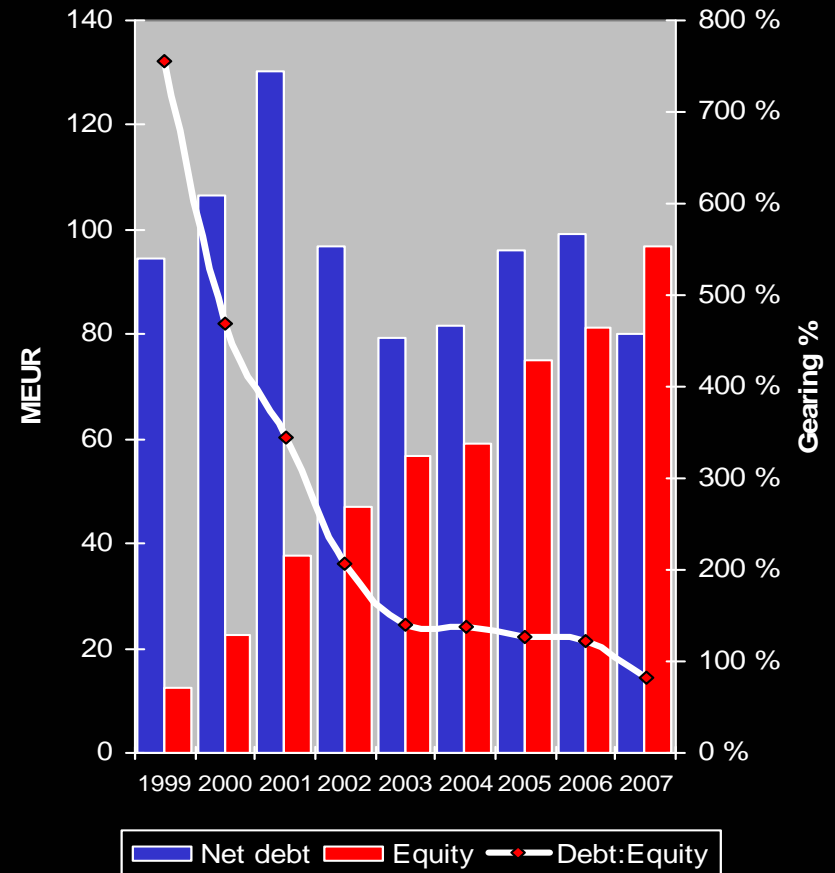
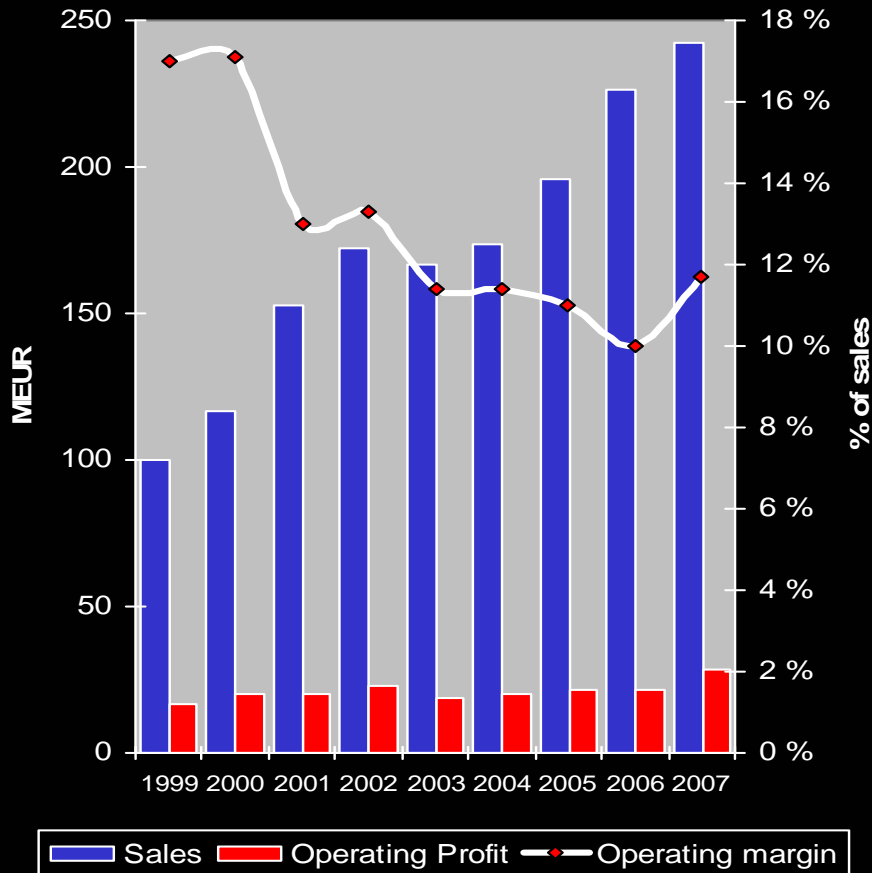


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Financial Position Healthy – Fuelled for Growth

- **Rapid growth** in last few years from €100m to above €240m.
- The promised **turnaround in operating margin** was delivered in 2007.
- Continuous growth, improving profitability, strong balance sheet & cash flow.

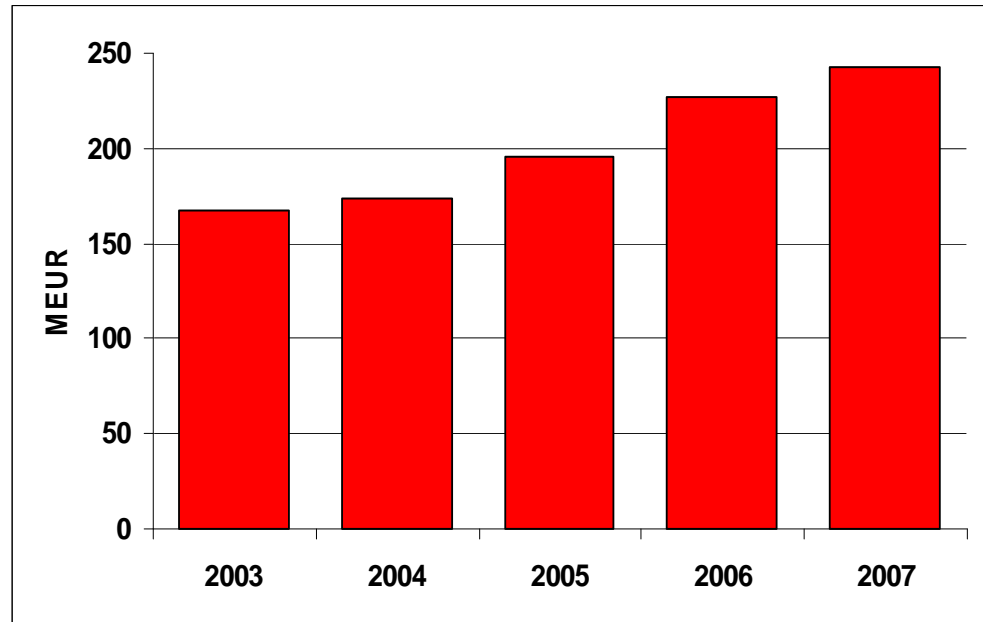


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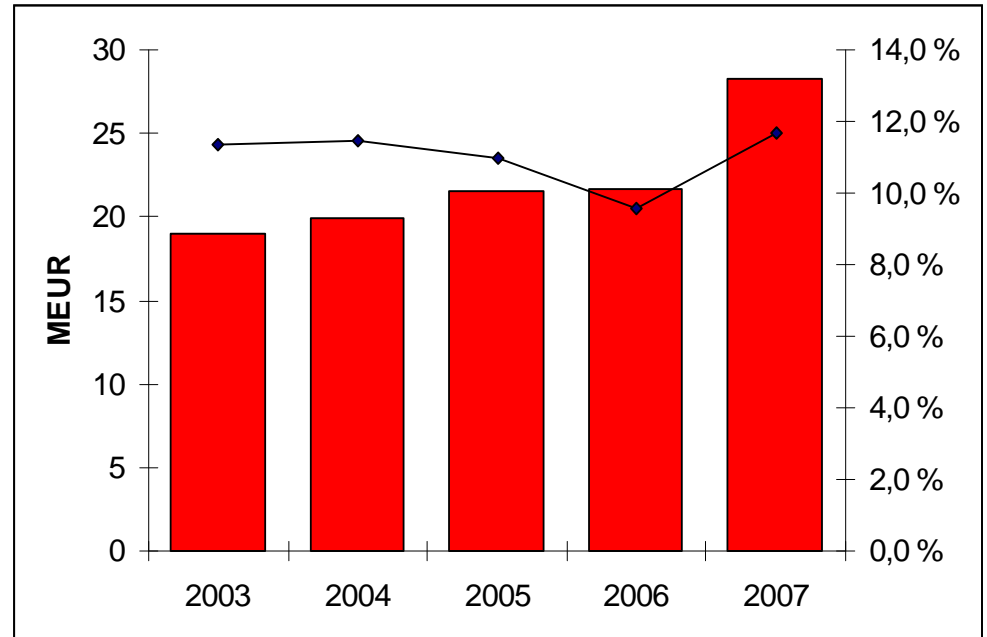
NET SALES ANALYSIS

- Net sales 2007 were up 7%, an all time record 242.5 MEUR (226.6).
- Q4 sales up 9% to 53.7 MEUR (49.2).
- Increase from Rest of Europe and Rest of World. Sales growth strongest in new markets. US sales affected 5.8 MEUR negatively by fx-rate.
- All product lines but accessories increased their sales: lures up 1%, hooks 14%, accessories -5%, 3rd party fishing products 19% and other products 13%.
- Fishing hooks (VMC) made their all time sales record.
- Businesses acquired during 2007 increased sales by some 2 MEUR (2006: 9).
- 90% of the sales growth organic!
- Comparable sales were up 11% (252.5 MEUR) for Group, 4% for North America.



OPERATING PROFIT ANALYSIS (1)

- Operating profit increased 30% to **28.3 MEUR** (21.7 MEUR).
- **Increased labor & raw materials** costs especially **in China & weakening of USD** and some other currencies (-1.6 MEUR) slowed down the increase of operating profit.
- **Non-recurring** net gain was 0.6 MEUR (net) in EBITDA and 1.6 MEUR in EBIT
- Promised margin turnaround done!
- **Operating margin** up to **11.7%** (9.6%).
- **ROCE** increased to a good level of **15.9%** (12.3%).
- All **geographical segments** except Rest of Europe (restructuring in France and Ireland) improved their operating profits. Biggest improvement came from Nordics (50% sale of JV).
- **Hedging result** of +1.0 MEUR (+0.3 MEUR) booked in financial items.



OPERATING PROFIT ANALYSIS (2)

Management Analysis	2007	2006		2007	2006
Net sales as reported	242.5	226.6	Operating profit as reported	28.3	21.7
Foreign exchange effects	10.0	0.0	Non-recurring items (net)	-1.6	0.4
Comparable net sales	252.5	226.6	Foreign exchange effects	1.6	0.0
			Comparable operating profit	28.3	22.1
Operating (profit) margin	11.7%	9.6%	Comparable operating margin	11.2%	9.8%

- **2007 non-recurring items:** 50% sale of joint-venture to **Shimano** (+4.9 MEUR), consolidation of **French operations** (-2.5 MEUR), closing of **Irish lure factory** (-1.1 MEUR) and negative goodwill from the acquisition of **Terminator** (+1.0 MEUR). The net of other non-recurring items was -0.7 MEUR (-0.4 MEUR).
- **Comparable operating profit** increased to 28.3 MEUR (22.1 MEUR).
- **Comparable operating margin**, excluding non-recurring items and using 2006 exchange rates, **improved and reached 11.2% (9.8%)**.
- A **major turnaround and stop for the trend of declining profit margins**.
- **Net result up 59% to an all time high** at 17.5 MEUR (11.0 MEUR).
- **Record EPS** at 0.45 EUR (0.28 EUR).



CASH FLOW AND WORKING CAPITAL

STATEMENT OF CASH FLOWS	IV	IV	I-IV	I-IV
	2007	2006	2007	2006
EUR million				
Net profit for the period	2.0	0.5	17.5	11.0
Adjustments	-2.4	-0.7	3.7	7.1
Change in working capital	0.2	0.2	-3.1	-8.1
Net cash from operating activities	-0.3	-0.1	18.2	10.0
Net cash used in investing activities	2.8	-4.4	-3.7	-14.7
Cash flow before financing	2.5	-4.5	14.5	-4.7

- **Cash flow from operating activities up 82%** and reached 18.2 MEUR (10.0 MEUR)
- **Working capital decreased** to 96.7 MEUR (97.8 MEUR) despite sales growth. Working capital to net sales decreased to 40% (43%).
- Net cash used in investing activities -3.7 MEUR (-14.7) include capital expenditure of 9.9 MEUR (15.5) and proceeds from disposal of assets of 6.3 MEUR (0.6 MEUR).
- **Net interest-bearing debt decreased** to 80.2 MEUR (99.3) and gearing to 82.8% (122.2)
- **Equity-to-asset ratio increased** to 38.2% (33.4%). 5 MEUR shares issued for Shimano.



STRATEGY IMPLEMENTATION – GROWTH

- In 2007 management continued discussions and negotiations regarding **acquisitions and business combinations** to implement the Group's strategy for profitable growth.
- These discussions resulted in a major business combination when Rapala and Shimano agreed to establish a **distribution joint venture in Russia & Ukraine**. This will increase Group sales by some 10 MEUR in 2008.
- Rapala and Shimano also established the **South East European distribution centre**.
- **Terminator** branded spinner bait and lure business was acquired in the USA: number two in the US spinner bait market with net sales of 2 MEUR.
- Also organic growth continued strong. A **lure assembling factory** was established in **Russia** and a new **distribution company in South Korea**.
- The sales growth especially in Eastern Europe, Asia, Australia and South Africa continued strong.
- Development of organic growth also in terms of **new product lines, extensions of current product categories** as well as special marketing, **sales and brand initiatives continued**. Both the market coverage and the product portfolio were expanded and the Group's position in current markets and product categories was strengthened.
- **New products for 2008 season** were finalized and introduced to distribution channels. The deliveries of these new products started in the last quarter of 2007 and they have reached or are about to reach the retail stores by now.



STRATEGY IMPLEMENTATION – PROFITABILITY

- Increasing **focus on performance improvement** initiatives continued with the **target to turn around the declining trend in operating profit margin**.
- **Consolidation of French operations** into one location proceeds on plan. New premises are operational and move of the distribution unit in Bretagne is completed. Move of the units located in Central France is planned for summer 2008. Annual savings are expected to reach 1-2 MEUR. Effects of the changes will be seen from the latter half of 2008 onwards and full effect in 2009.
- **Development of the European lure manufacturing** proceeded on plan. In Russia, the number of personnel and assembling volumes increase each quarter. While assembling work from Estonia is allocated to Russia, Estonian factory receives more work in finalizing, testing and packaging the products as a result of the closing of operations in Ireland. This strengthens the Group's position as the world's leading manufacturer of hard-bodied lures and increase production efficiencies and capacity.
- **Major operational changes and improvements in China** proceed on plan. Target is to enhance production efficiencies and shorten lead times to restore the profitability of the operations burdened by the increased raw material prices and personnel costs. Results have started to materialize but full benefits only later in 2008.
- Most of the **other performance improvement and cost cutting initiatives** have been completed. Results of these initiatives have started to materialize gradually but the full impact of these will be seen from the beginning of 2008 onwards.



OUTLOOK FOR 2008

- Outlook for 2008 is quite good. No major changes expected in the markets.
- Expected that Group's net sales for 2008 will increase 8-12% with comparable fx-rates.
- Possible additional acquisitions during 2008 would further increase the sales.
- The profitability of the Group's ongoing operations continues to improve. Special initiatives to further improve the profitability will continue. In addition, prices have been increased to compensate for labor and raw material cost increases.
- Business development expenses and start-up costs are expected to remain on 2007 levels while new initiatives are planned and implemented.
- Operating profit margin is expected to improve from 2007.
- Order backlog close to last year levels at 35.2 MEUR (35.8 MEUR).
- Negotiations & discussions for new acquisitions and business combinations continue.
- First real estate from two in France sold in January 2008 for a gain of 0.9 MEUR.
- Board proposes to AGM a dividend of EUR 0.18 for 2007 (EUR 0.12), which represent 40% of the EPS.
- Annual Report for 2007 will be published on the week starting on March 17, 2008.
- Interim reports published: Q1 on April 23, Q2 on July 23 and Q3 on October 22, 2008.



Share Price Performance

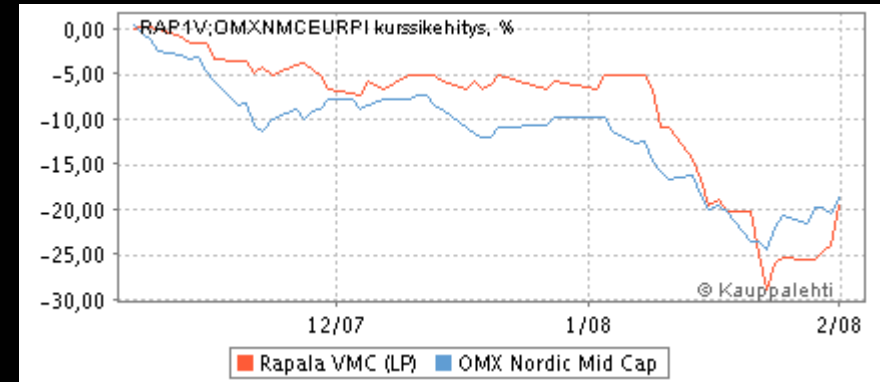
Share Related Data (12/2007)

- Market Cap 219 MEUR
- 12-month high 6.27 EUR
- 12-month low 5.40 EUR
- All-time high 8.40 (2/99)
- All-time low 2.50 (11/01)

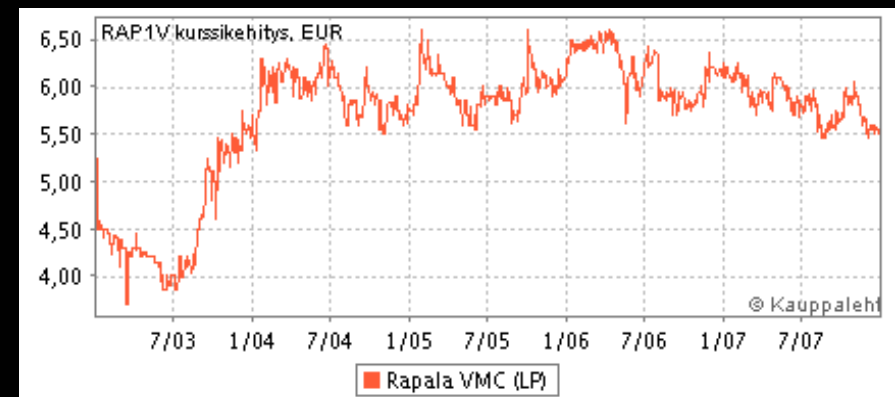
Major Shareholders

- VMC 27 %
- Sofina 19 %
- Odin Funds 9 %
- Utavia 4 %
- William Ng 2 %
- Shimano 2 %

Share price performance for last 3 months

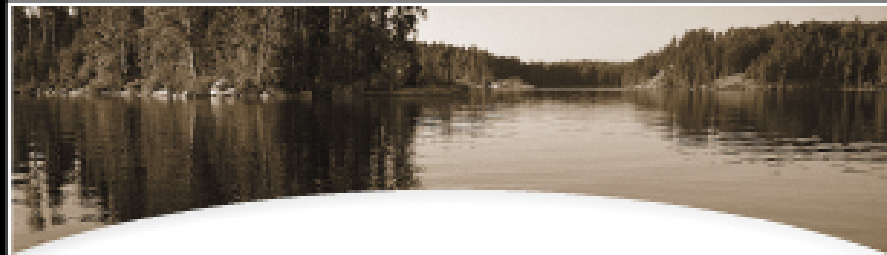


Share price performance for 2003-2007 (5 years)



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