



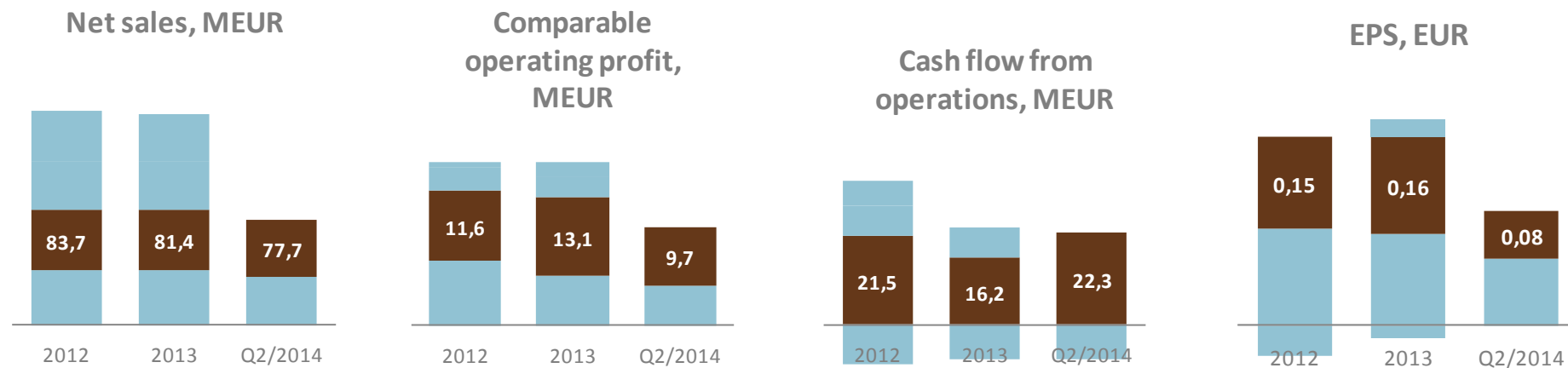
RAPALA VMC CORPORATION INTERIM REPORT Q2 2014

July 21, 2014

RAPALA VMC CORP.

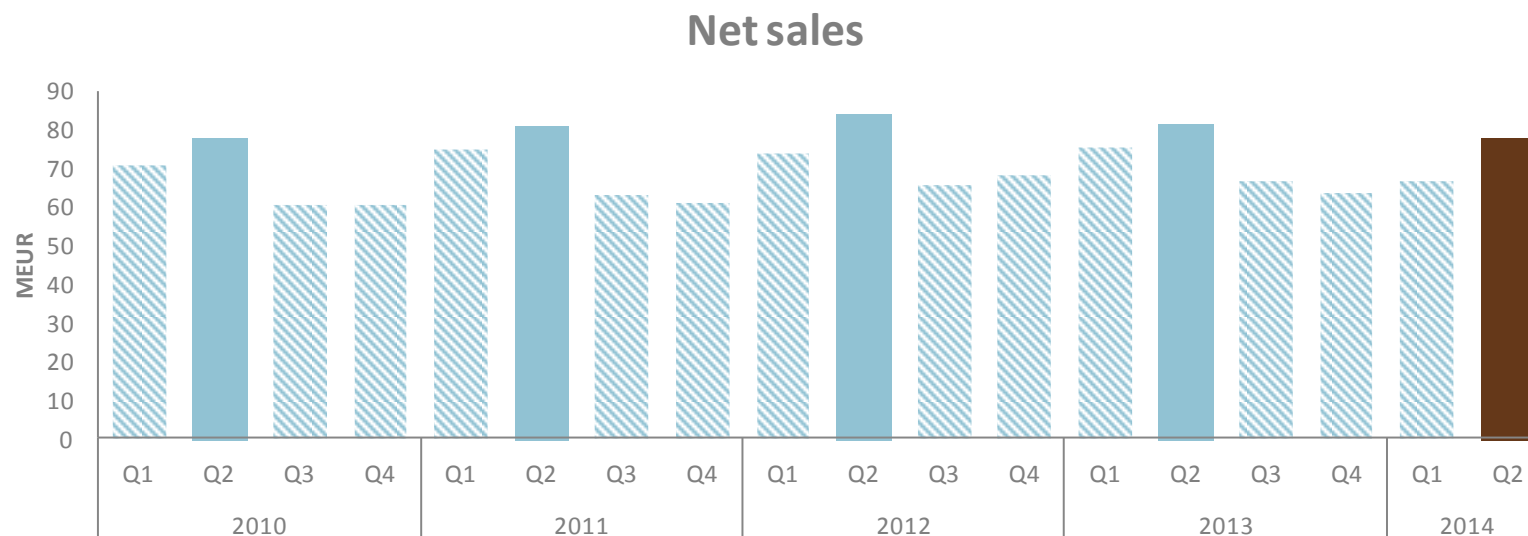
Summary of Q2 2014

- NET SALES 77.7 MEUR (-5%)
 - With comparable exchange rates sales up 1%
- COMPARABLE OPERATING PROFIT 9.7 MEUR (-26%)
 - Hurt by lower sales of Group products, aggressive sales campaigns and Batam ramp-up
- CASH FLOW FROM OPERATIONS 22.3 MEUR (+38%)
 - Record levels
- EPS 0.08 (-50%)

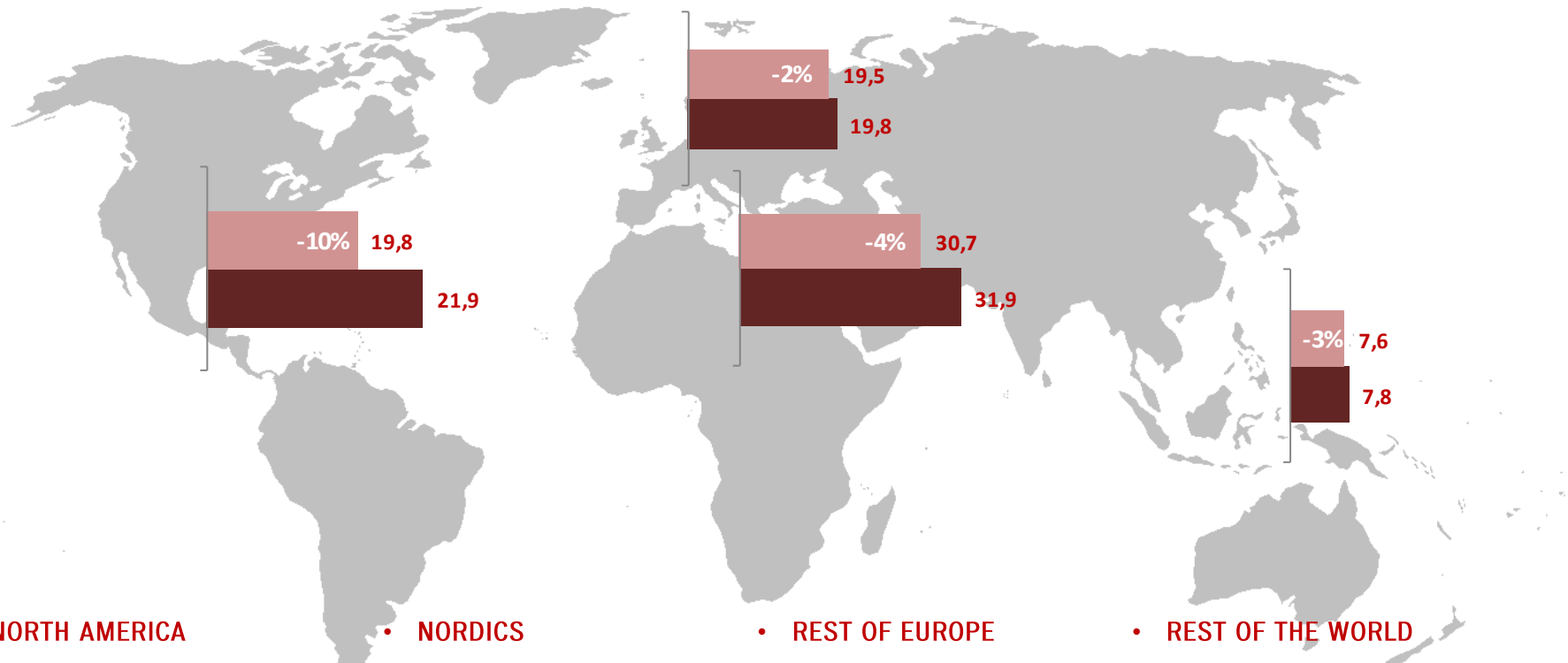


Net Sales

- Q2 NET SALES 77.7 MEUR (-5%)
 - Changes in FX rates reduced sales by 4.8 MEUR. With comparable FX sales +1%
 - Abnormal and extreme weather had an adverse impact on summer fishing peak season sales in some markets
 - Political unrest in Eastern Europe, unfavourable development of currencies and continuing economical uncertainty in some other markets continue to hurt sales
- YTD NET SALES 143.9 MEUR (-8%)
 - Changes in FX rates reduced sales by some 8.9 MEUR. With comparable FX sales -2%



Q2 Net Sales – Geographical Areas



• NORTH AMERICA

- Comparable net sales -4%
- Late and rainy spring/summer and flooding in some areas

• NORDICS

- Comparable net sales +2%
- Early spring supported beginning of summer fishing season
- Subsequent cooling down of weathers partly hurt sales.
- Norway and Marttiini up

• REST OF EUROPE

- Comparable net sales +3%
- Excluding Russia and Ukraine, comparable sales up +6%
- Improved sales in France, UK, Hungary and Spain
- Supplier delivery problems

• REST OF THE WORLD

- Comparable net sales +8%
- Positive development in Korea and Thailand
- Tough business conditions in Australia and South Africa

YTD Net Sales – Geographical Areas

- NORTH AMERICA

- Comparable net sales -5%
- Extreme winter weathers, late spring and rainy summer delayed sales of summer fishing products
- Replenishment sales of ice fishing products good

- NORDICS

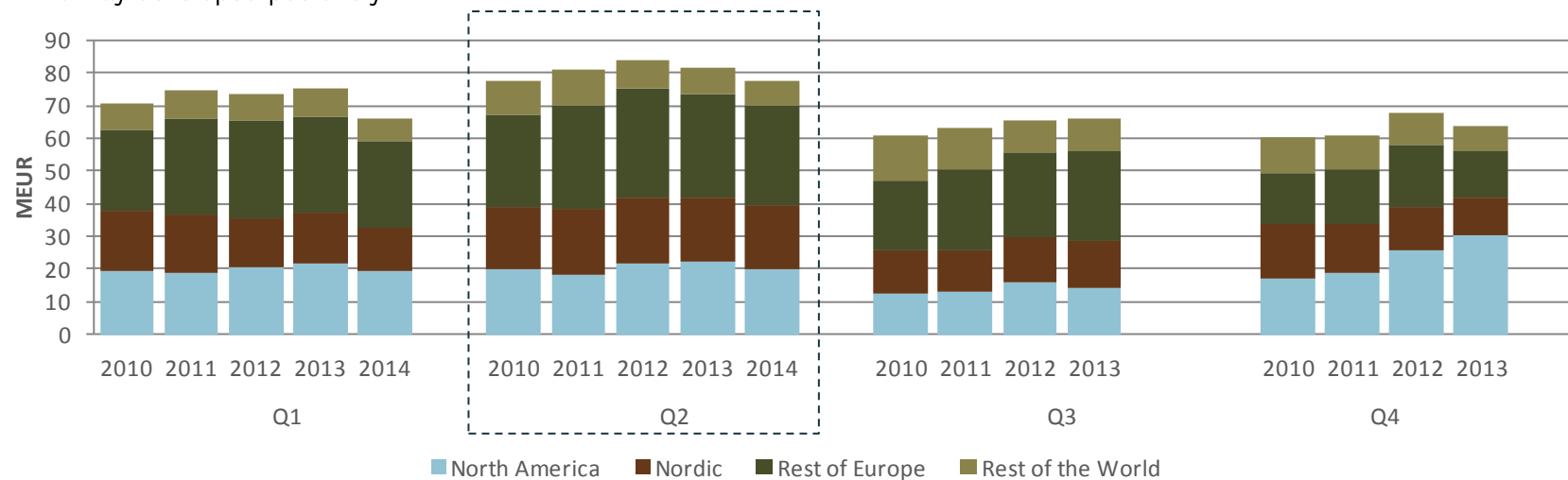
- Comparable net sales -3%
- Late and snowless winter impacted the winter sports and ice fishing product sales especially in Finland
- Norway developed positively

- REST OF EUROPE

- Comparable net sales slightly behind last year
- Political turbulence in Russia and Ukraine affected sales
- Excluding Russia and Ukraine, comparable sales +2%

- REST OF THE WORLD

- Comparable net sales slightly above last year
- Good development in several Asian and Latin American countries
- Negative impact of production transfer from China to Batam



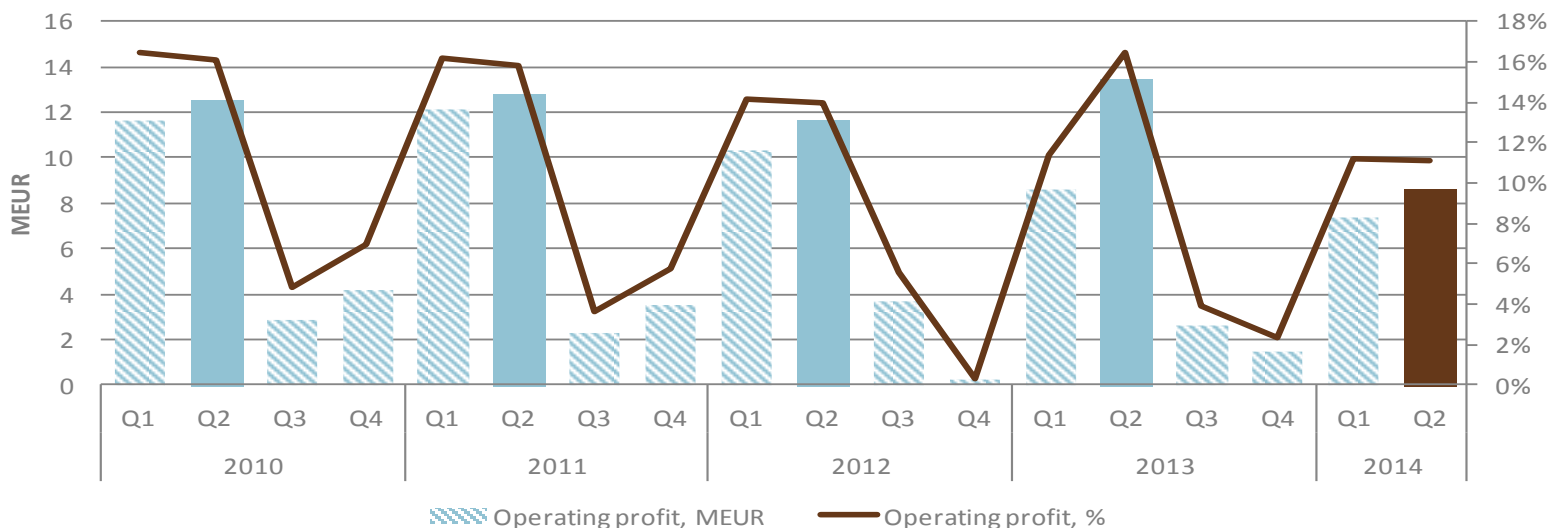
Net Sales – Product Segments

- GROUP PRODUCTS 47.0 MEUR (-5%), YTD 90.3 MEUR (-7%)
 - Comparable net sales at last year's level, YTD -2%
 - Negative impact of unfavourable weather conditions to sales of summer fishing tackle, particularly the US
 - First half sales also impacted by lower sales of winter fishing and winter sports products in Europe due to mild winter.
- THIRD PARTY PRODUCTS 30.7 MEUR (-4%), YTD 53.6 MEUR (-11%)
 - Comparable net sales +3%, YTD -4%
 - Challenges due to economical instabilities and weather conditions and supplier's delivery problems



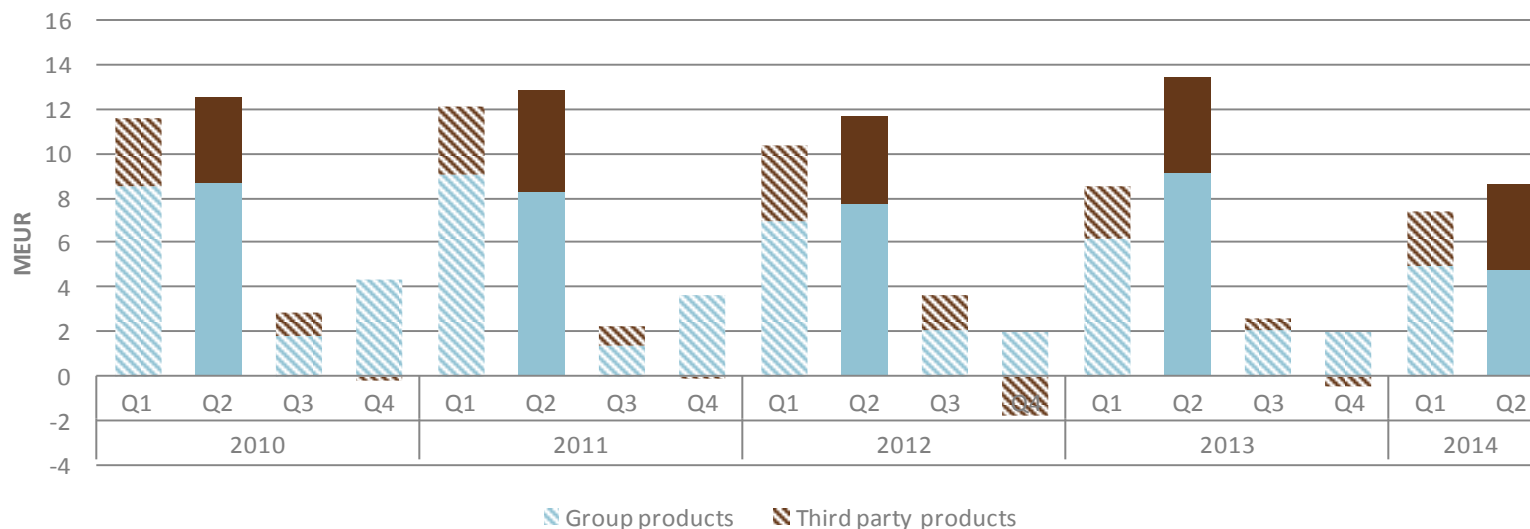
Operating Profit

- **COMPARABLE OPERATING PROFIT** 9.7 MEUR (-26%), YTD 16.3 MEUR (-23%)
 - Q2 hurt by lower sales, both at distribution and manufacturing level, as well as more aggressive sales campaigns reducing the margins
 - Ramp-up of the new factory in Batam had significant negative contribution
 - Supported by favourable FX impact on purchases, improved result of UK JV and improved margin in Q1
- **REPORTED OPERATING PROFIT** 8.6 MEUR (-36%), YTD 16.0 MEUR (-27%)
 - Mark-to-market valuation of operative currency derivatives -0.6 MEUR (+0.5), YTD +0.1 MEUR (+0.9)
 - Non-recurring items -0.5 MEUR (-0.1), YTD -0.4 MEUR (-0.1)
 - Related to the closing down of the manufacturing operations in China.



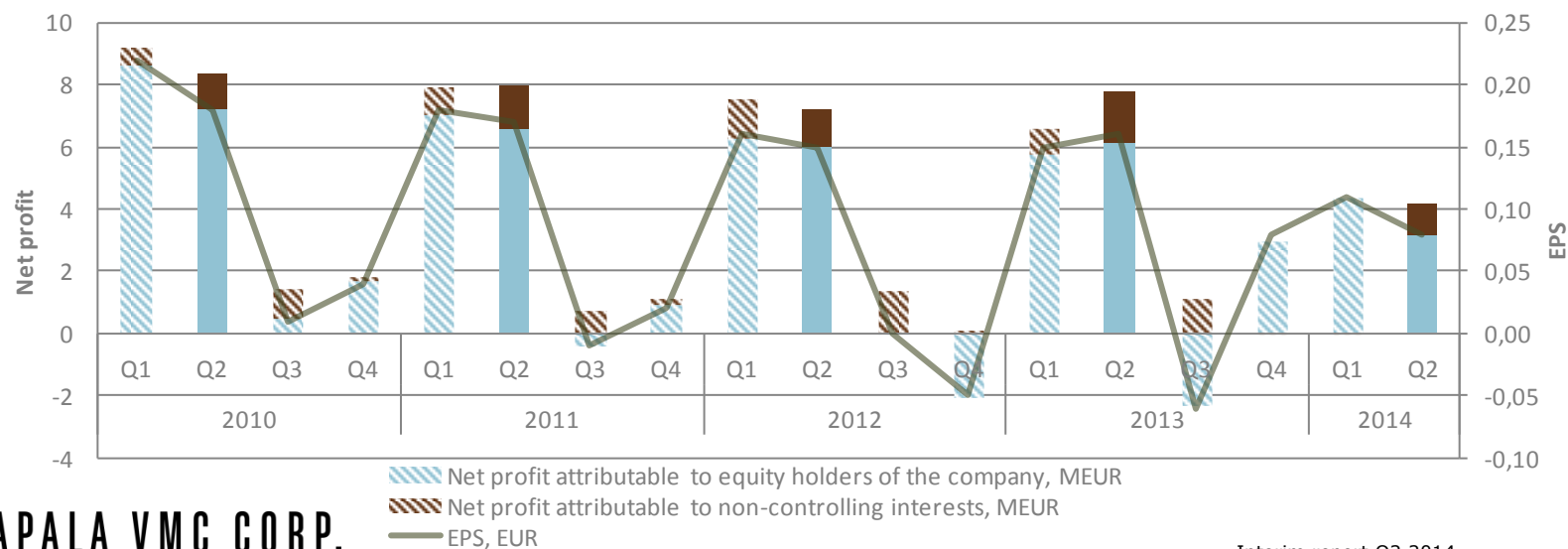
Operating Profit – Product segments

- GROUP PRODUCTS 4.7 MEUR (-48%), YTD 9.7 MEUR (-37%)
 - Lower sales impacting profitability both at distribution and manufacturing level, special campaigns and costs related to ramp-up of the Batam unit
 - Negatively impacted by FX rates
 - Non-recurring expenses from closing of manufacturing in China
- THIRD PARTY PRODUCTS 3.9 MEUR (-9%), YTD 6.4 MEUR (-4%)
 - Supported by more FX rates on purchases and recovery of margin while burdened by lower sales



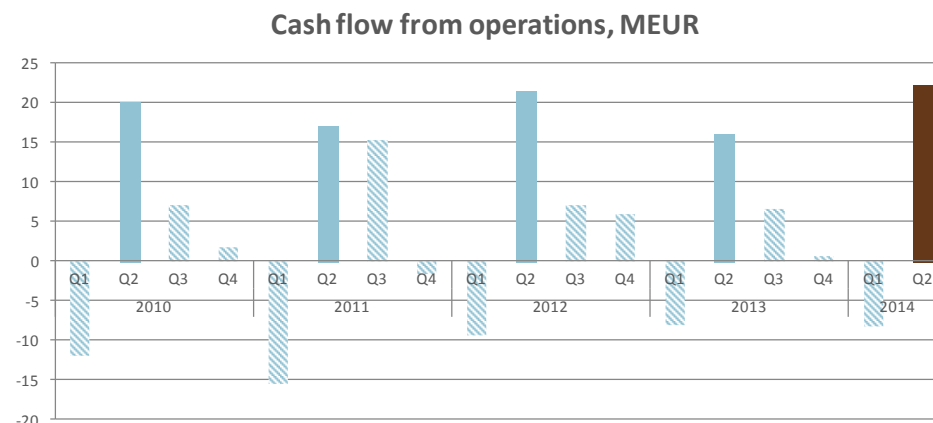
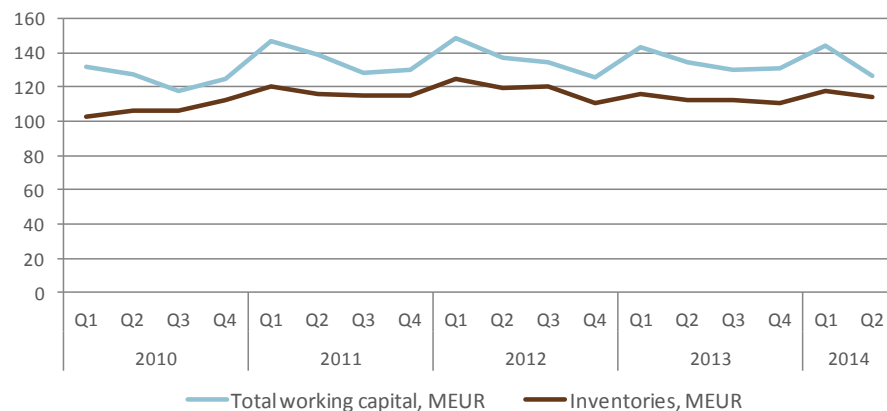
Net Profit and EPS

- FINANCIAL (NET) EXPENSES 1.6 MEUR (1.9), YTD 3.5 MEUR (2.2)
 - Negative impact of FX expenses 0.5 MEUR (0.8), YTD 1.5 MEUR (0.4)
 - Net interest and other financial expenses 1.0 MEUR (1.0), YTD 1.9 MEUR (1.8)
- NET PROFIT 4.1 MEUR (7.8), YTD 8.4 (14.4)
 - YTD includes a positive tax impact of 1.0 MEUR related to an agreement with the Finnish tax authority on the parent company's taxation in years 2006-2013.
- SHARE OF NON-CONTROLLING INTEREST 1.0 MEUR (1.6), YTD 0.9 MEUR (2.5)
- EPS 0.08 EUR (0.16), YTD 0.19 (0.31)



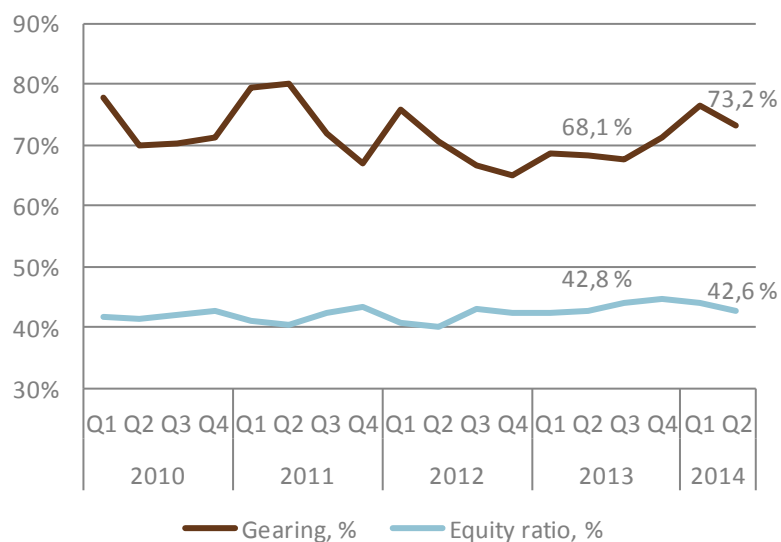
Cash Flow and Working Capital

- CASH FLOW FROM OPERATIONS 22.3 MEUR (16.2), YTD 14.0 MEUR (8.1)
 - Q2 record. Positive development in the net working capital as especially receivables released more cash
 - High Q2 cash flow reflects earlier timing of purchases and later collection of cash compared to last year
 - Change in working capital 13.6 MEUR (2.1), YTD -2.4 MEUR (-13.0)
- INVENTORIES 113.9 MEUR (112.5)
 - Increased 1.4 MEUR from last year
 - Currency impact decreased inventories by some 5.8 MEUR
 - Increase driven primarily by slowdown in sales and transfer of production from China to Batam
- INVESTING ACTIVITIES MAINLY NORMAL CAPITAL EXPENDITURE

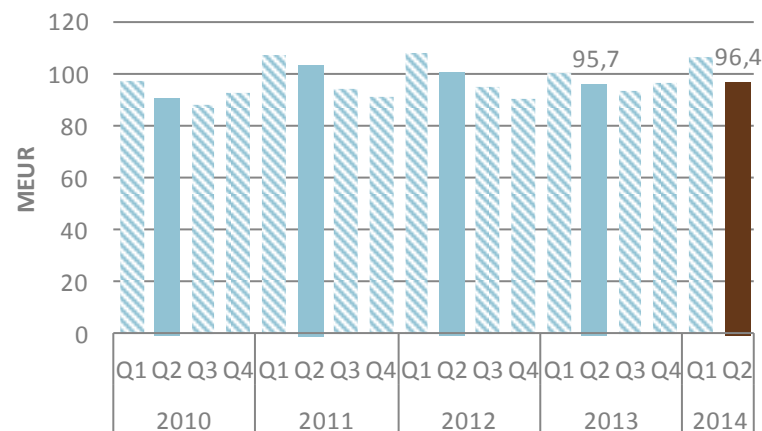


Financial Position

- LIQUIDITY POSITION OF THE GROUP WAS GOOD
 - Following an increased focus on cash management, cash and cash equivalents reduced to 15.6 MEUR (28.1)
- NET INTEREST-BEARING DEBT AND GEARING INCREASED
 - Equity-to-assets ratio slightly below last year level at 42.6% (42.8)
 - The Group fulfils all financial covenants related to its credit facilities



Net interest-bearing debt, MEUR



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.

Two Best New Product awards at EFTTEX trade show.

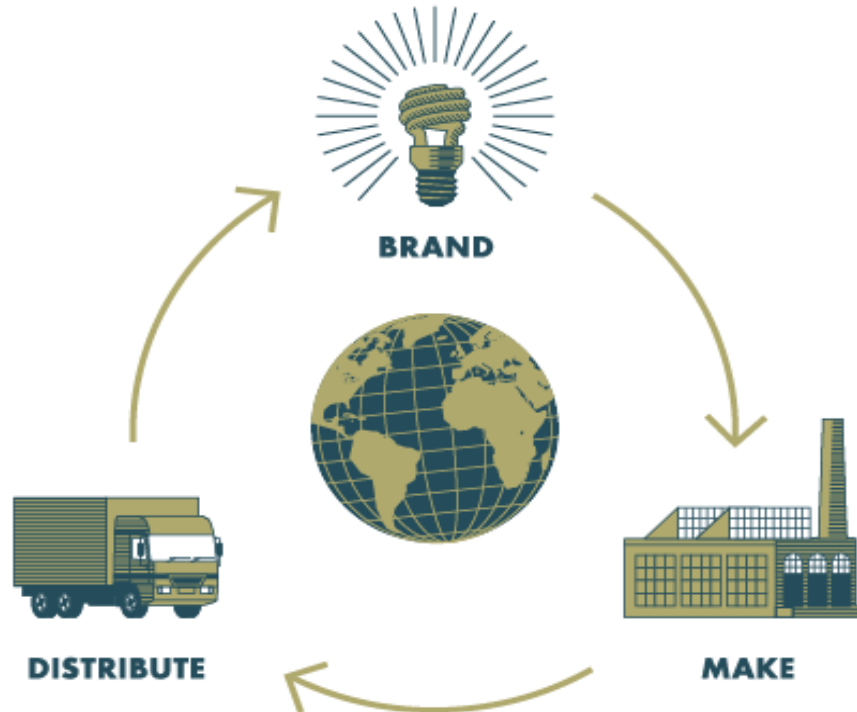
DISTRIBUTION

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

Consolidation of purchasing and logistic processes in Europe.

The new logistics hub in Asia.

Restructuring and formalizing Group-level supply chain organization to boost inventory reductions.



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.

Own lure manufacturing operations in China ceased.

New unit in Batam intensively focusing on increasing the operative efficiency to capitalize the benefits of streamlined production processes and cheaper production costs.

New ice drill manufacturing unit in Finland fully operational.

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Short-term Outlook

- While there were also some positive signs especially in Europe, the short-term visibility still limited and outlook is careful
 - H1 affected by adverse weathers, volatile FX rates and economical and political uncertainties
 - Slowdown of sales in several major markets
- In the US the consumer demand for guns and ammunition slowing down, raising outdoor retailers' interest again also towards other outdoor categories such as fishing
- In North America the presales of ice fishing products for the coming winter season has been good and will support the sales in latter part of the year
- In Europe previous winter's bad weathers will have some knock-on impact on next winter season's sales
- The continuing political turbulence between Russia and Ukraine still a concern
- Drastic changes in FX rates may impact negatively the profit margins and consumer demand in some countries
- The closure of manufacturing operations in China will still trigger some extra costs during 2014, but the new factory is expected to clearly improve the situation during latter part of the year as the ramp-up period is coming to the end
- The Group will increase the focus on bringing down the increased inventory levels
- The Group expects full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) to be below 2013 levels
 - The guidance is unchanged from July 11, 2014
- Q3 interim report published on October 21, 2014

A wide-angle landscape photograph of a serene mountain scene. In the background, jagged, snow-covered mountain peaks rise against a sky filled with soft, white clouds. The mountains and sky are perfectly mirrored in the still, glassy surface of a lake that occupies the middle ground. In the foreground, several large, dark, flat rocks are scattered across a shoreline covered with patches of yellowish-brown moss or lichen. The overall mood is peaceful and majestic.

END OF PRESENTATION

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APPENDICES

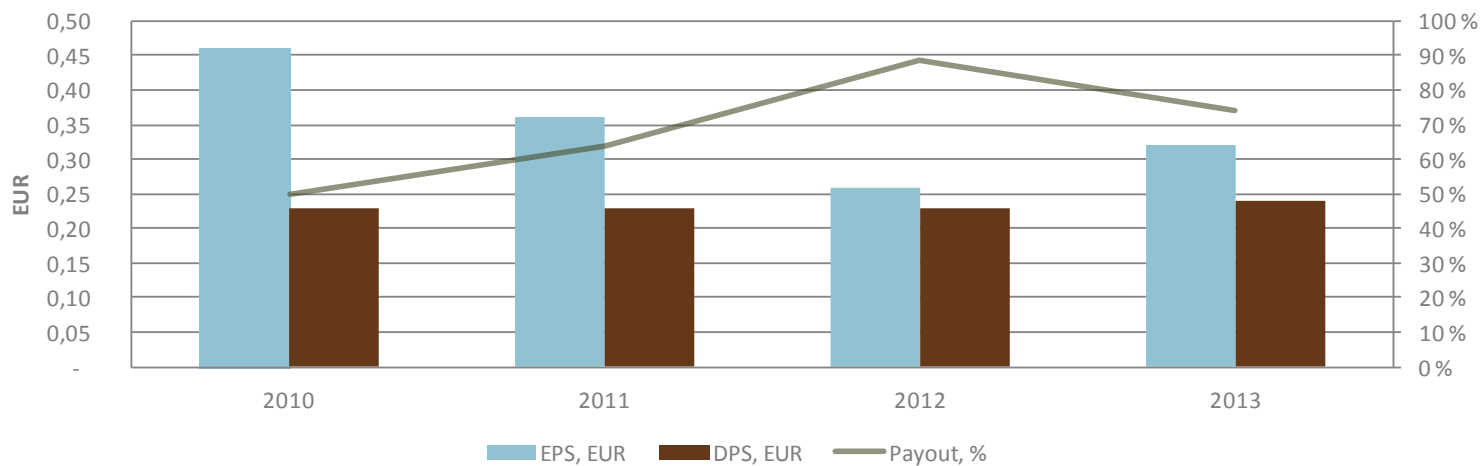
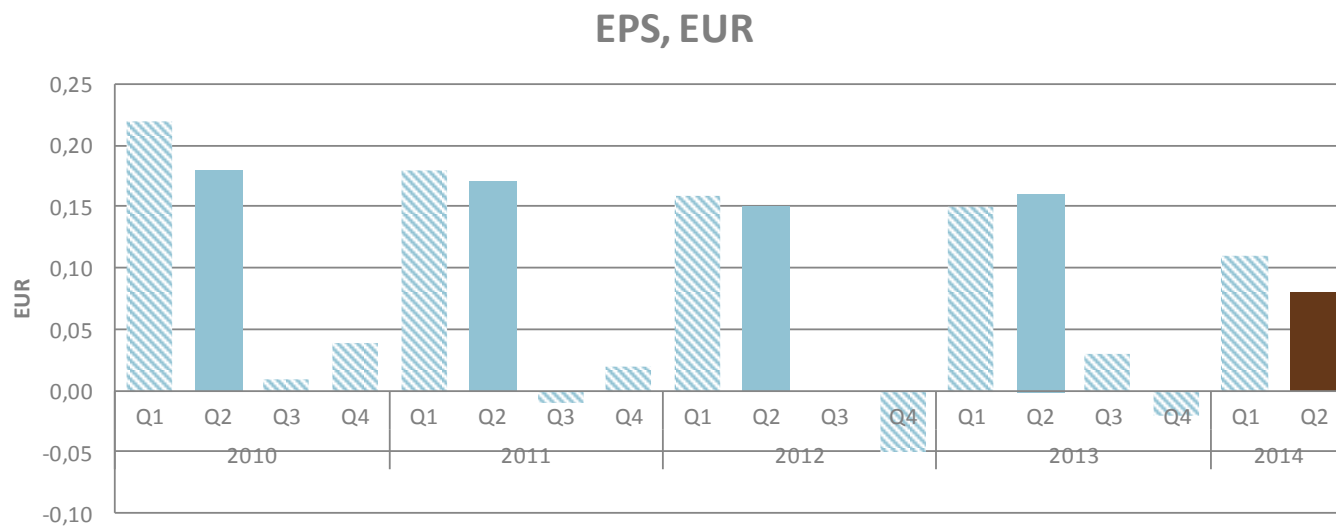
QRT Key figures

MEUR	Q2/2014	Q2/2013	Q1-Q4/2013
Net sales	77.7	81.4	286.6
Operating profit	8.6	13.4	26.1
Operating profit margin, %	11.1%	16.5%	9.1%
Comparable operating profit	9.7	13.1	27.1
Comparable operating profit margin, %	12.4%	16.1%	9.5%
Net profit for the period	4.1	7.8	16.1
EPS (basic), EUR	0.08	0.16	0.32
Cash flow from operations	22.3	16.2	15.3
Net interest-bearing debt	96.4	95.7	96.3
ROCE, %	14.6%	22.3%	11.4%
Gearing, %	73.2%	68.1%	71.2%
Equity to assets, %	42.6%	42.8%	44.5%

YTD Key figures

MEUR	Q1-Q2/2014	Q1-Q2/2013	Q1-Q4/2013
Net sales	143.9	156.7	286.6
Operating profit	16.0	22.0	26.1
Operating profit margin, %	11.1%	14.1%	9.1%
Comparable operating profit	16.3	21.2	27.1
Comparable operating profit margin, %	11.4%	13.5%	9.5%
Net profit for the period	8.4	14.4	16.1
EPS (basic), EUR	0.19	0.31	0.32
Cash flow from operations	14.0	8.1	15.3
Net interest-bearing debt	96.4	95.7	96.3
ROCE, %	13.9%	19.0%	11.4%
Gearing, %	73.2%	68.1%	71.2%
Equity to assets, %	42.6%	42.8%	44.5%

EPS



Profit and loss account

MEUR	Q2 2014	Q2 2013	Q1-Q2/2014	Q1-Q2/2013	Q1-Q4 2013
Net sales	77.7	81.4	143.9	156.7	286.6
Other operating income	0.2	0.2	0.3	0.3	0.8
Materials and services	35.8	36.0	64.3	71.2	134.4
Personnel expenses	17.1	16.7	34.0	32.9	64.0
Other costs and expenses	14.8	13.7	26.7	27.3	54.9
Share of results in associates and joint ventures	0.2	0.0	0.2	-0.2	-0.5
EBITDA	10.4	15.2	19.5	25.4	33.6
Depreciation, amortization and impairments	1.8	1.7	3.5	3.4	7.5
Operating profit (EBIT)	8.6	13.4	16.0	22.0	26.1
Financial income and expenses	1.6	1.9	3.5	2.2	5.5
Profit before taxes	7.0	11.6	12.5	19.8	20.6
Income taxes	2.9	3.8	4.1	5.4	4.6
Net profit for the period	4.1	7.8	8.4	14.4	16.1

Balance sheet

MEUR	Q1-Q2 2014	Q1-Q2 2013	Q1-Q4 2013
ASSETS			
Non-current assets			
Intangible assets	70.7	71.8	70.0
Property, plant and equipment	30.9	29.6	30.6
Non-current assets			
Interest-bearing	3.8	3.4	3.0
Non-interest-bearing	9.6	10.3	10.1
	115.0	115.0	113.7
Current assets			
Inventories	113.9	112.5	110.3
Current assets			
Interest-bearing	1.0	2.3	1.0
Non-interest-bearing	64.2	70.8	62.1
Cash and cash equivalents	15.6	28.1	16.9
	194.7	213.7	190.3
Total assets	309.7	328.7	304.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	122.4	129.1	123.1
Non-controlling interests	9.3	11.4	12.0
	131.7	140.5	135.1
Non-current liabilities			
Interest-bearing	40.1	70.1	39.4
Non-interest-bearing	12.3	13.8	12.8
	52.4	83.9	52.2
Current liabilities			
Interest-bearing	76.6	59.5	77.8
Non-interest-bearing	49.0	44.9	38.9
	125.6	104.3	116.7
Total equity and liabilities	309.7	328.7	304.1

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Shares and Shareholders

SHARE RELATED DATA (06/2014)

- Market capitalization 220.7 MEUR
- 12-month high/low 6.00/4.70 EUR
- All-time high/low 8.40/2.50 EUR

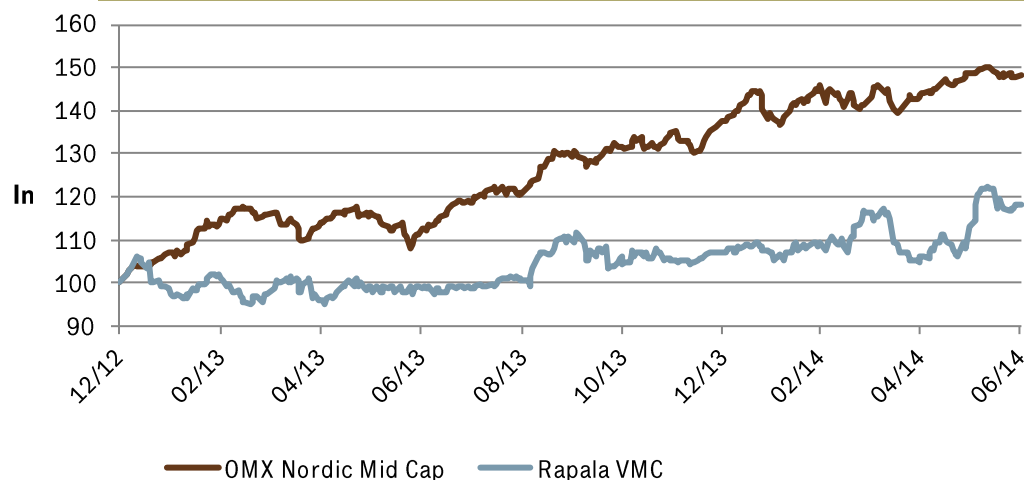
MAJOR SHAREHOLDERS (06/2014)

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

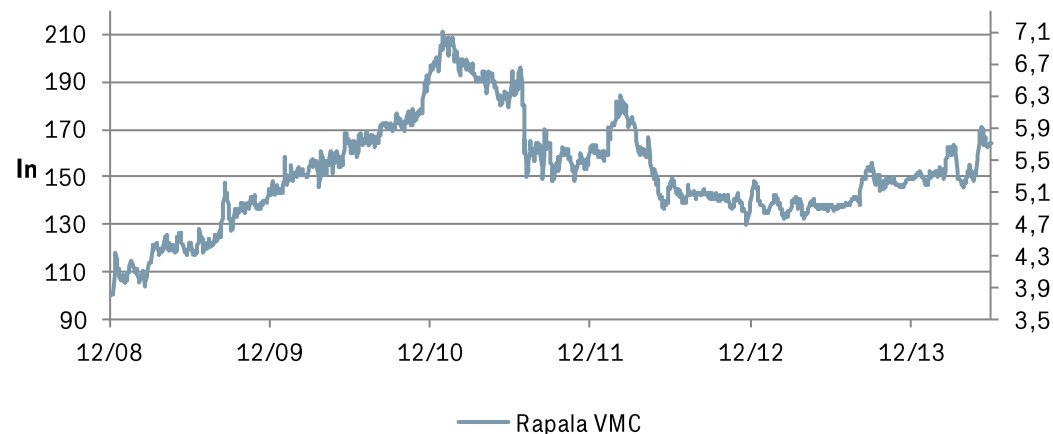
Own shares: 491 286 shares (1.3%)

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Share price index performance in Jan 2013 – Jun 2014



Share price performance in Jan 2009 – Jun 2014



Financial Trends

