

RAPALA®

Q2 INTERIM REPORT 2012

July 24, 2012

CORNERSTONES OF STRATEGY IMPLEMENTATION

STRATEGIC OBJECTIVE: PROFITABLE GROWTH

DISTRIBUTION COMPANY NETWORK

- Own distribution unit in 35 countries.
- Widest within the industry.
- Platform for future growth.

MANUFACTURING, SOURCING AND R&D

- Specialized and effective own manufacturing units and sourcing organization producing and supplying premium products for mass markets.

BRAND PORTFOLIO

- Rapala ® world's most recognized fishing tackle brand.
- Respected portfolio of global consumer brands.
- World class sales and marketing.

CORPORATE CULTURE

- Decentralized and flat corporate structure.
- Local decision making.
- Entrepreneurial spirit and profit responsibility.



RAPALA'S UNIQUE DISTRIBUTION POWER

Group's own
Manufacturing,
Sourcing and R&D
platform serving
Group's own Brands

RAPALA



Respected 3rd Party
Suppliers and with
World-Class Brands

*Shimano, Plano, Minn Kota,
Humminbird, Okuma, Bushnell,
Magellan, Remington, Beretta,
Alpina etc.*

Group's own
expanding
distribution
company
network in 35
countries all
over the world

Australia, Belarus*, Brazil,
Canada, Chile, China, Czech*,
Denmark, Estonia, Finland,
France, Hungary*, Iceland,
Indonesia, Japan, Kazakstan*,
Latvia, Lithuania, Malaysia,
Mexico, Norway, Poland,
Portugal, Romania*, Russia*,
Slovakia*, South Africa, South
Korea, Spain, Sweden,
Switzerland, Thailand, UK*,
Ukraine*, USA

** Co-owned with Shimano*

Retail
Customers
Globally

ranging from
world's largest
retailers to
smallest specialist
shops



SUMMARY OF Q2 2012

EUR million	II/2012	II/2011	I-II/2012	I-II/2011	I-IV/2011
Net Sales	83.7	80.9	157.1	155.6	279.5
Operating Profit - Reported	11.6	12.8	22.0	24.9	30.7
Operating Profit - Comparable	11.7	13.0	22.0	25.1	30.5
Net Profit for the Period	7.2	8.0	14.7	15.9	17.2
EPS (basic), EUR	0.15	0.17	0.31	0.35	0.36
Cash flow from Operations	21.5	17.0	12.2	1.5	15.2
Net Interest-bearing Debt	99.9	103.4	99.9	103.4	91.2

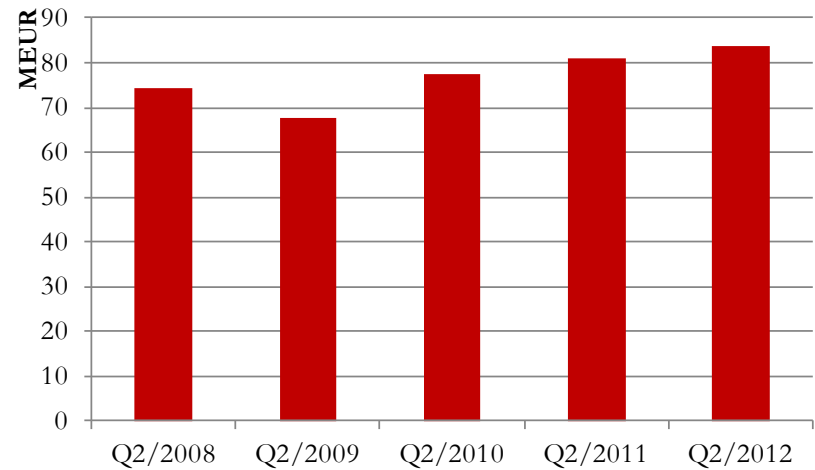
RECORD SALES AND CASH FLOW. PROFITABILITY WEAKER DUE TO CURRENCIES AND STOCK CLEARANCES.

- **Net sales** for the second quarter increased by 3% from last year to 83.7 (80.9 MEUR) and was up by 1% at 157.1 MEUR (155.6 MEUR) for January to June. Sales were supported by foreign exchange rates and growth in sales especially in North America.
- **Comparable operating profit** decreased from last year and reached 11.7 MEUR (13.2 MEUR) for the second quarter and 22.0 MEUR (25.3 MEUR) for the first six months, driven by reduced gross margin due to foreign exchange rate changes and stock clearance campaigns.
- **Net profit** for the quarter reduced to 7.2 MEUR (8.0 MEUR) and was 14.7 MEUR (15.9 MEUR) for the first half of the year.
- Quarterly **EPS** were 0.15 EUR (0.17 EUR) and 0.31 EUR (0.35 EUR) for the first half.
- **Cash flow from operating activities** for second quarter improved significantly to 21.5 MEUR (17.0 MEUR) and was 12.2 MEUR (1.5 MEUR) for the first half of the year.
- It is expected that in 2012 the net sales will increase from 2011. Profitability estimate is specified so that comparable operating profit is expected to remain close to last year's level



ANALYSIS OF NET SALES

Net Sales Development	Q-on-Q	Y-on-Y
Group Total	3 %	1 %
Group Products	-1 %	-2 %
Third Party Products	11 %	5 %
North America	16 %	12 %
Nordics	5 %	-5 %
Rest of Europe	4 %	3 %
Rest of the World	-23 %	-17 %



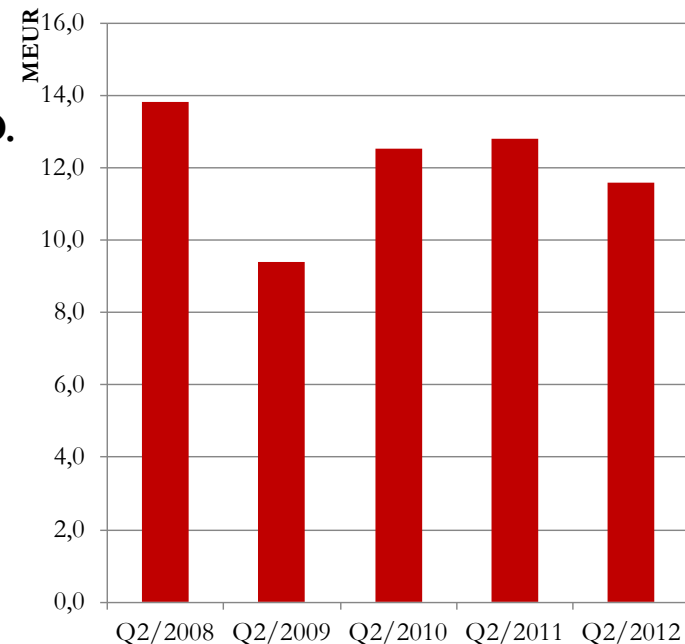
- Q2 sales +3% from last year reaching all-time high at 83.7 MEUR (80.9 MEUR). The six-month net sales were 157.1 MEUR (155.6 MEUR), 1% increase from last year.
- With **comparable exchange rates** and **organization structure**, net sales increased by 3% in the second quarter and 1% during the first six months.
- **Group Products** affected by the impact from gift business divestment, structural changes in UK distribution, and slow winter sports equipment sales. Excluding these Q2 sales were up by 7% and YTD sales up by 5%. **Third Party Products** sales grew following good Q2 sales in fishing, hunting and outdoor products.
- External net sales in **North America** were up impacted by strengthening US dollar and improvement in the North American business environment. In **Nordics** sales were impacted by winter business conditions and structural changes in the Norwegian retail market. **Rest of Europe** sales supported by Eastern Europe, Baltics, and France, while negatively impacted by Spain, Hungary and Switzerland. In **Rest of the World** sales decreased as a result of the divestment of the gift business. Excluding gift business divestment, sales were up in all Asian markets.



ANALYSIS OF OPERATING PROFIT

Operating profit (MEUR)	Q2/2012		Q2/2011		Q2/2012 YTD		Q2/2011 YTD	
	M€	%	M€	%	M€	%	M€	%
Group Total (comparable)	11.7	14.0%	13.2	16.3%	22.0	14.0%	25.3	16.3%
Group Products	7.8	15.9%	8.3	16.7%	14.7	15.6%	17.3	18.0%
Third Party Products	3.9	11.1%	4.5	14.5%	7.3	11.7%	7.6	12.8%
Group Total (as reported)	11.6	13.9%	12.8	15.9%	22.0	14.0%	24.9	16.0%

- **Comparable operating profit** decreased from last year and amounted to 11.7 MEUR (13.2 MEUR) for second quarter and 22.0 MEUR (25.3 MEUR) for the six-month period. **Comparable operating margin** was 14.0% (16.3%) for Q2 and 14.0% (16.3%) YTD.
- Reported operating profit for Q2 and YTD included 0.0 MEUR **non-recurring net costs** (0.4 MEUR costs in Jan-Jun 2011).
- **Reported operating profit** for Q2 amounted to 11.6 MEUR (12.8 MEUR) and 22.0 MEUR (24.9 MEUR) for the first half. **Reported operating margin** was 13.9% (15.8%) and 14.0% (16.0%) respectively.
- Operating profit was negatively impacted by the divestment of the gift business, decline in gross margin due to foreign exchange rate changes and stock clearance campaigns, establishment of new manufacturing units and cost of performance improvement initiatives.
- **ROCE** fell to 19.9% (22.6%) for Q2 and 18.8% (22.0%) for YTD.



NET RESULT AND CASH FLOW

EUR million	II/2012	II/2011	I-II/2012	I-II/2011	I-IV/2011
Net profit for the period	7.2	8.0	14.7	15.9	17.2
Adjustments (reversal of non-cash items)	6.1	5.8	10.7	11.9	17.6
Financial items and taxes paid/rec	-3.9	-3.3	-6.4	-6.2	-12.3
Change in working capital	12.1	6.4	-6.8	-20.2	-7.3
Net cash from operating activities	21.5	17.0	12.2	1.5	15.2

- **Financial (net) expenses** were 1.2 MEUR (1.5 MEUR) for the quarter and 1.2 MEUR (2.6 MEUR) for the first half of the year. Financial items were positively impacted by the change in (net) currency exchange expenses of 0.3 MEUR (0.4 MEUR) for the quarter and gain 0.7 MEUR (expense 0.6 MEUR) for the six-month period.
- **EPS** at 0.15 EUR (0.17 EUR) for Q2 and 0.31 EUR (0.35 EUR) YTD.
- **Cash flow from operating activities** improved significantly and reached record levels for the second quarter and first half of the year at 21.5 MEUR (17.0 MEUR) and 12.2 MEUR (1.5 MEUR) respectively. Positive cash flow impact came from the net change in working capital, mainly inventories, being 12.1 MEUR (6.4 MEUR) for the quarter and -6.8 MEUR (-20.2 MEUR) for the six-month period.
- Net cash used in **investing activities** was 2.5 MEUR (2.3 MEUR) for Q2 and 10.8 MEUR (4.0 MEUR) YTD. Operative capital expenditure was 1.9 MEUR (1.7 MEUR) for Q2 and 4.2 MEUR (3.5 MEUR) YTD, increased mainly by establishment of the manufacturing units in Batam.
- **Net interest bearing debt** decreased to 99.9 MEUR (103.4 MEUR) in the end of June.
- **Equity-to-assets** ratio weakened 50 basis points to 39.9% (40.4%).
- **Gearing** decreased to 70.6% (79.9%) close to second quarter record of 70.0%.



STRATEGY IMPLEMENTATION

- Implementation of Rapala's strategy of profitable growth continued during the second quarter of the year by taking several actions relating to manufacturing and distribution activities.
- Acquisition of Strike Master and Mora ICE brand, together with supply agreement with Marcum Electronics Corporation in February give Rapala the **global leadership position** in the ice fishing category. Integration and development of the new business proceeded swiftly.
- Production volumes and operational efficiencies of Batam lure and hook manufacturing units have been ramped up during the second quarter and lure **production is already in line with planned output** levels. Group has decided to **triple the size** of Batam lure manufacturing operations during the coming 6-12 months and preparations for this have started.
- New distribution company in Chile to strengthen **presence in Latin America**.
- The Belarus' distribution was transferred to the Rapala Shimano East Europe structure in June.
- Special performance improvement initiative in **Switzerland** was started during Q2. The performance initiatives in **Norway** continued.
- Working capital and cash flow management was still one of the top priorities of the Group and the work continues to **reduce the inventory levels** and develop the **internal supply chain**. In June 2012, a new share based incentive plan for the Group's key personnel was approved. Potential reward is based on development of Rapala Group's inventory levels and EBITDA.
- The range of new products for the season 2013 was introduced to the market in the major fishing tackle shows in Europe and USA in June and July.
- Discussions and negotiations regarding acquisitions and business combinations continued.

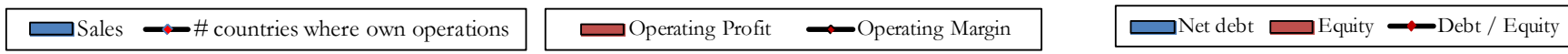
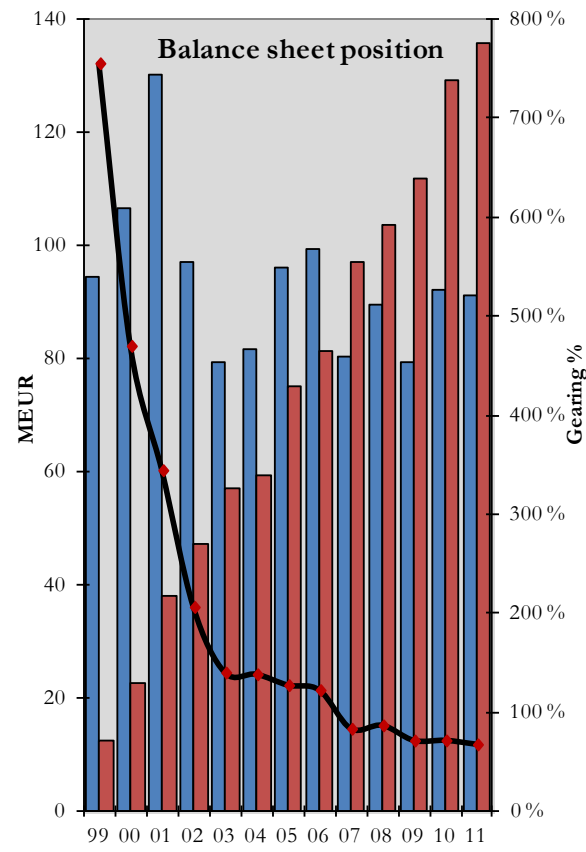
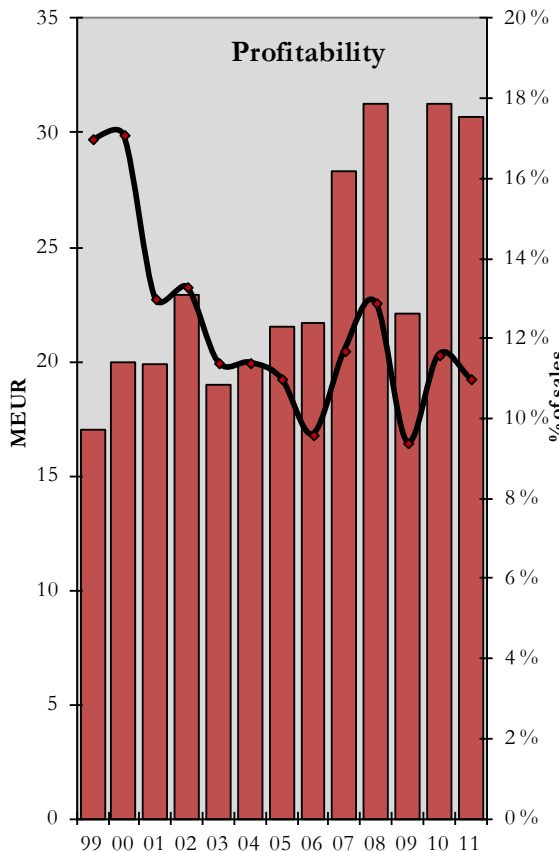
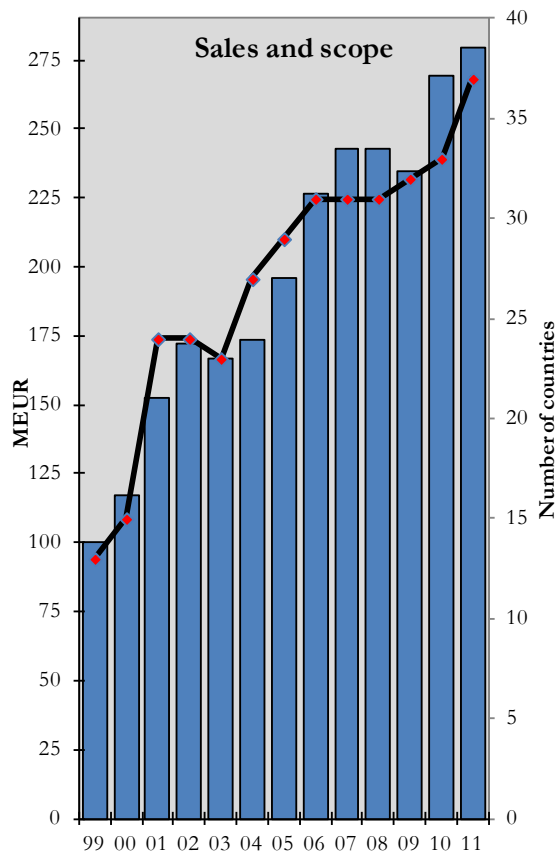


SHORT-TERM OUTLOOK

- Outlook for the **full year remains positive, while cautious**.
- During the first half of the year Rapala's sales reached record levels, despite the divestment of the gift business, challenging winter and summer weather conditions in some of the main markets and the continuing economical uncertainties originating from Europe, which are to some extent shadowing the general business sentiment and consumer confidence globally.
- Although last winter's difficult business conditions may have some knock-on effect on coming winter season's sales, the **new acquisitions and distribution agreements** relating to winter fishing business will impact positively on the Group's sales and operating profit during the second half of the year.
- E.g. in USA, where also the overall retail and consumer sentiment has improved during this year, the **order book for winter fishing products** is exceptionally strong and the category is expected to generate some 10 to 15 MUSD additional sales for the second half of 2012.
- Group has put more emphasis on **cash flow and working capital management**, which together with foreign exchange rate changes, **establishment of new manufacturing units** and **performance improvement initiatives** will pressure the profitability this year.
- It is expected that in 2012 the net sales will increase from 2011. Profitability estimate is specified so that the comparable operating profit is expected to remain close to last year's level.
- Q3/2012 published on October 23, 2012.



FINANCIAL TRENDS IN RAPALA



- It is expected that in 2012 the net sales will increase from 2011. Profitability estimate is specified so that the comparable operating profit is expected to remain close to last year's level.
- Financial position getting even stronger allowing headroom for new acquisitions.



SHARES AND SHAREHOLDERS

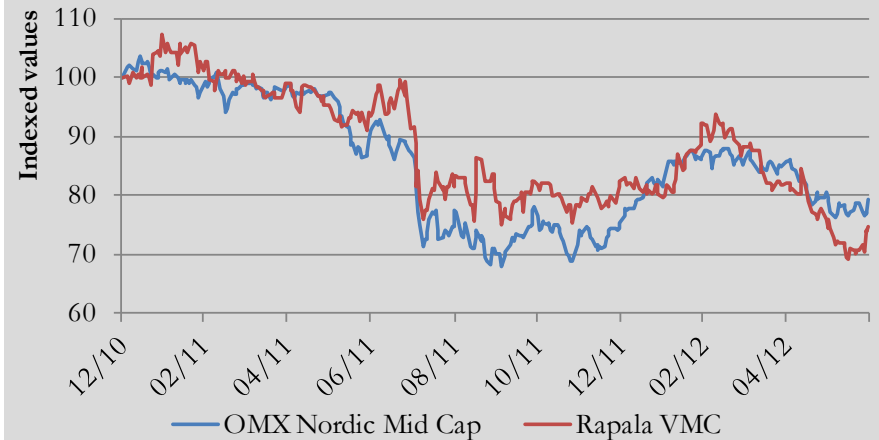
SHARE RELATED DATA (06/2012)

- Market capitalization 199.2 MEUR
- 12-month high/low 6.82/4.75 EUR
- All-time high/low 8.40/2.50 EUR

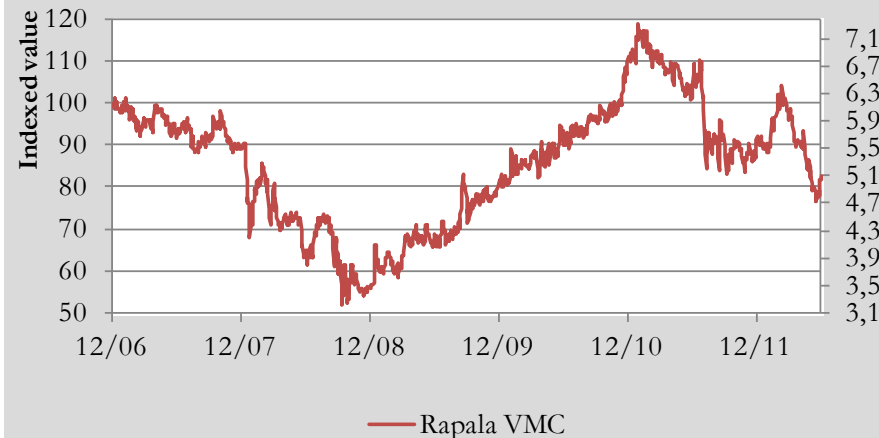
MAJOR SHAREHOLDERS (06/2012)

- VMC Holdings 31 %
- Sofina 19 %
- Nordea Funds 8 %
- Odin Funds 7 %
- Ilmarinen 3 %
- State Pension fund 3 %
- OP Funds 2 %
- Shimano 2 %
- Pension Fennia 2 %

Share price index performance in Jan 2011 – Jun 2012



Share price performance in Jan 2007 – Jun 2012



RAPALA®

END OF PRESENTATION

Tight lines!