INTERIM REPORT – JANUARY TO MARCH 2007

Improved profitability for the first quarter

- Despite the weakening of US dollar and slow sales of winter fishing and sports equipment, first quarter net sales were on last year record level at 63.4 MEUR (I/06: 63.4 MEUR). Weakening of US dollar and some other currencies decreased net sales by 3.2 MEUR.
- Operating profit improved clearly from last year and amounted to 12.0 MEUR (10.0 MEUR). Operating margin improved to 18.9% (15.8%).
- Net profit for the first quarter amounted to 7.7 MEUR (5.7 MEUR). Earnings per share were 0.20 EUR (0.15 EUR).
- Cash flow from operating activities was above last year level. Net interest-bearing debt increased to 109.1 MEUR (Dec 2006: 99.3 MEUR) due to Terminator acquisition and seasonally higher working capital. Accordingly, equity-to-asset ratio decreased to 32.9% (Dec 2006: 33.4%) and gearing increased to 123.5% (Dec 2006: 122.2%) while both indicators improved compared to March 2006.
- Rapala continued to implement its strategy for profitable growth. The acquisition of Terminator fishing tackle business was completed in January. Also in January, a new sales company was established in South Korea. The start-up of the new lure assembly factory in Russia proceeds. Integration of previously acquired businesses is completed.
- Several performance improvement initiatives have been initiated in the Group and they are expected to show some results already in 2007 but mainly in 2008 and 2009.
- It is expected that the Group's net sales for the financial year 2007 will increase 5-10% from last year assuming 2006 average exchange rates. With comparable exchange rates, also operating profit and operating profit margin are expected to improve from 2006.

The attachment presents the interim review by the Board of Directors as well as accounts.

A conference call concerning the first quarter interim report will be arranged today at 2 pm Finnish time (1 pm CET). To participate, please dial 5 minutes before the beginning of the event +358 (0) 2069 9121 and request to be connected to the Rapala teleconference. There will also be a replay facility available for 72 hours immediately following the teleconference. The number to dial is +358 (0) 800 177 109 (pin-code: 0976).

Rapala's financial information is also available on the internet at www.rapala.com.

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Operating Review and Sales

The fishing tackle market remained quite stable in Western Europe and USA. In Australia and South-Africa the market remained very strong and the summer fishing tackle season is now coming to its end. The market growth continued in Eastern Europe and Asia. Due to an unusually short and mild winter season in the Nordic countries, the market for both winter fishing and winter sports equipment was very slow.

First quarter net sales were in line with Group expectations and reached last year record levels at 63.4 MEUR (I/06: 63.4 MEUR). Net sales were negatively affected by the mild and short winter and the weakening of especially US dollar. Weakening of US dollar and some other currencies decreased net sales by 3.2 MEUR. Excluding the effect of foreign exchange movements, organic growth was 4% for the first quarter. Net sales in North America were slightly down due to weak US dollar. With comparable exchange rates, sales were up 8% in North America. Net sales were down in Nordic due to the slow winter season while sales in the rest of the world increased clearly from last year.

Investment in strategic development of the Group's product portfolio and market coverage continued during the quarter. For more details on acquisitions and organic growth see section "Strategy Implementation".

Financial Results

	I	I	I-IV
MEUR	**2007**	2006	2006
Net sales	**63.4**	63.4	226.6
EBITDA	**12.3**	11.6	28.0
Operating profit (EBIT)	**12.0**	10.0	21.7
Profit before taxes	**11.0**	7.8	14.6
Net profit for the period	**7.7**	5.7	11.0

Operating profit for January-March improved 20% from last year and reached 12.0 MEUR (10.0 MEUR). Operating profit margin increased to 18.9% (15.8%) and return on capital employed to 25.4% (21.9%). The result benefited from the good summer season in Australia and South Africa, increased sales of lures and other Group manufactured products and a negative goodwill from the acquisition of Terminator lure business (1.2 MEUR). Operating profit was negatively affected by bad winter season for winter fishing and winter sports as well as the weakening of the US dollar (-0.2 MEUR net for all currencies). The result of currency hedging related to operating profit (+0.3 MEUR) is booked in financial expenses in accordance with IFRS. Integration and business development expenses were at last year levels.

Geographically, the biggest increase in operating profit came from North America while Nordic suffered from the mild winter and China from the increased raw material costs and wages.

Financial expenses decreased from last year due to currency exchange gains of 0.5 MEUR (losses of 0.9 MEUR). Net interest expenses increased to 1.4 MEUR (1.3 MEUR) as a result of higher base interest rates. Net profit for the quarter amounted to 7.7 MEUR (5.7 MEUR) and earning per share was 0.20 EUR (0.15 EUR).

Cash Flow and Financial Position

Cash flow from operating activities was above last year level due to increased profit and lower increase in working capital. Working capital increased 17.8 MEUR from December 2006 as inventories and especially trade receivables were seasonally up and new inventories were built up for the acquired Terminator lures, the new sales company in South Korea and the South-East European new sales of Shimano products. Net cash used in investing activities for the first quarter, including acquisitions, amounted to 3.0 MEUR (6.2 MEUR).

Net interest-bearing debt increased to 109.1 MEUR (Dec 2006: 99.3 MEUR) as a result of acquisitions, new businesses and increased working capital. Equity-to-asset ratio decreased seasonally to 32.9% (Dec 2006: 33.4%) and gearing increased accordingly to 123.5% (Dec 2006: 122.2%), both of these ratios improved compared to March 2006.

Strategy Implementation

During the first quarter of 2007, Rapala continued the development of the Group's product portfolio and market coverage to implement its strategy for profitable growth.

In January, the Group closed the purchase of the US based manufacturer and distributor of Terminator branded spinner baits and other fishing lures. Terminator is number two in the US spinner bait market with annual sales of some 2 MEUR in 2006. Currently these lures are manufactured in a subcontract facility in Mexico but the production is planned to be transferred later to Rapala's factory in China.

Also in January, Rapala established a sales company in South Korea to expand its distribution network in Asia. The sales of Group branded products in Korea started in February as planned.

The start-up of the new lure assembly factory in Russia proceeds. By the end of the first quarter, the recruiting of personnel and preparation of premises were finalized. The final approval from local authorities was granted in April and the assembly work starts on the last week of April.

The new sales of Shimano products to South-East Europe through the Group's distribution center in Hungary have started well in the first quarter and are expected to further strengthen during the year.

Integration of businesses acquired in 2005 and 2006 is completed.

Short-term Outlook

The market outlook for the rest of 2007 looks quite stable. Fishing tackle sales in North America and Europe have started well while Australia and Africa are heading for the winter season, which will seasonally slow down their business for few months.

It is expected that the Group's net sales for the financial year 2007 will increase 5-10% assuming 2006 average exchange rates. Possible additional acquisitions during 2007 would further increase the sales.

The profitability of the Group's ongoing operations continues to be good. Special initiatives have been started to further improve the profitability. In addition, prices have been increased and further price increases are planned to compensate for recent increases in raw material costs and wages especially in China. Business development and integration expenses and start-up costs will continue in 2007 while the new initiatives are planned and implemented but these costs are not expected to exceed the comparable costs in 2006.

Assuming 2006 average exchange rates, operating profit and operating profit margin are expected to improve compared to 2006 while the investments and development initiatives made since 2005 will start to bear fruit in 2007.

The project to reduce working capital, especially inventories, and to improve cash flow from operations continues. The target is to see an improvement on ongoing operations while newly acquired businesses, start-ups and strongly growing units will tie additional working capital.

Group management continues planning and negotiations regarding further acquisitions and business combinations to implement the Group's strategy.

The launch of Rapala's new products for season 2008 will take place during the second quarter. This new product program will include new sport fishing attractants that contain Ultrabite branded fish pheromone.

The second quarter interim report will be published on July 26.

Helsinki, April 26, 2007

Board of Directors of Rapala VMC Corporation

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INCOME STATEMENT	**I**	I	I-IV
MEUR	**2007**	2006	2006
Net sales	**63.4**	63.4	226.6
Other operating income	**0.3**	0.2	1.5
Cost of sales	**32.5**	33.4	128.3
Other costs and expenses	**18.8**	18.6	71.9
EBITDA	**12.3**	11.6	28.0
Depreciation	**0.3**	1.5	6.3
Operating profit (EBIT)	**12.0**	10.0	21.7
Financial income and expenses	**1.0**	2.2	7.1
Share of results in associated companies	**0.0**	0.0	0.0
Profit before taxes	**11.0**	7.8	14.6
Income taxes	**3.3**	2.1	3.6
Net profit for the period	**7.7**	5.7	11.0
Attributable to:			
Equity holders of the Company	**7.6**	5.7	10.8
Minority interest	**0.1**	-0.1	0.2
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, EUR (diluted = non-diluted)	**0.20**	0.15	0.28

STATEMENT OF CASH FLOWS	**I**	I	I-IV
MEUR	**2007**	2006	2006
Net profit for the period	**7.7**	5.7	11.0
Adjustments	**2.8**	4.3	7.1
Change in working capital	**-17.8**	-19.6	-8.1
Net cash generated from operating activities	**-7.3**	-9.6	10.0
Investments	**-1.4**	-1.1	-7.2
Proceeds from sales of assets	**0.0**	0.1	0.6
Change in loans receivable	**0.0**	0.0	0.2
Acquisition of subsidiaries, net of cash	**-1.6**	-5.2	-8.3
Net cash used in investing activities	**-3.0**	-6.2	-14.7
Dividends paid	**0.0**	0.0	-4.2
Net funding	**7.8**	12.3	14.7
Proceeds from share subscriptions	**0.0**	0.4	0.4
Net cash generated from financing activities	**7.8**	12.7	10.9
Change in cash and cash equivalents	**-2.5**	-3.1	6.2
Cash & cash equivalents at the beginning of the period	**24.4**	19.2	19.2
Foreign exchange rate effect	**-0.2**	-0.2	-1.0
Cash and cash equivalents at the end of the period	**21.8**	15.9	24.4

BALANCE SHEET MEUR	**Mar 31 2007**	Mar 31 2006	Dec 31 2006
ASSETS			
Non-current assets			
Intangible assets	**53.4**	56.1	53.3
Property, plant and equipment	**29.3**	30.0	29.4
Non-current financial assets			
Interest-bearing	**0.6**	0.6	0.6
Non-interest-bearing	**6.3**	5.9	6.3
	89.6	92.6	89.6
Current assets			
Inventories	**79.9**	77.7	73.0
Current financial assets			
Interest-bearing	**0.0**	0.3	0.2
Non-interest-bearing	**77.6**	68.8	56.5
Cash and cash equivalents	**21.8**	15.9	24.4
	179.3	162.7	154.0
Total assets	**268.8**	255.4	243.6
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**87.8**	82.2	80.7
Minority interest	**0.6**	0.3	0.6
	88.4	82.5	81.3
Non-current liabilities			
Interest-bearing	**75.4**	59.0	64.6
Non-interest-bearing	**6.6**	5.9	6.6
	82.0	64.9	71.1
Current liabilities			
Interest-bearing	**56.1**	70.4	59.9
Non-interest-bearing	**42.4**	37.5	31.3
	98.5	108.0	91.2
Total equity and liabilities	**268.8**	255.4	243.6

Rounding of figures

All figures in these accounts have been rounded. Consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to equity holders of the Company						
Equity on Jan 1, 2006*	**3.5**	**16.3**	**-**	**-4.5**	**60.0**	**0.2**	**75.4**
Change in translation differences	-	-	-	0.3	-	-	**0.3**
Items recognized directly in equity	-	-	-	0.3	-	-	**0.3**
Net profit for the period	-	-	-	-	5.7	-0.1	**5.7**
Total recognized income and expenses	-	-	-	0.3	5.7	-0.1	**6.0**
Dividends paid	-	-	-	-	-	-	**-**
Shares subscribed with options	0.0	0.4	-	-	-	-	**0.4**
Stock option program	-	-	-	-	0.2	-	**0.2**
Other changes	0.0	-	-	-	0.3	0.2	**0.6**
Equity on Mar 31, 2006*	**3.5**	**16.7**	**-**	**-4.2**	**66.2**	**0.3**	**82.5**
Equity on Jan 1, 2007	**3.5**	**16.7**	**0.1**	**-7.1**	**67.6**	**0.6**	**81.3**
Change in translation differences	-	-	-	-0.8	-	-	-0.8
Net investments in a foreign subsidiaries	-	-	-	0.0	-	-	**0.0**
Fair value gains on available-for-sale investments, net of tax	-	-	-	0.0	-	-	**0.0**
Items recognized directly in equity	-	-	-	-0.8	-	-	-0.8
Net profit for the period	-	-	-	-	7.6	0.1	**7.7**
Total recognized income and expenses	-	-	-	-0.8	7.6	0.1	**6.9**
Dividends paid	-	-	-	-	-	-	**-**
Shares subscribed with options	0.0	0.0	-	-	-	-	**0.0**
Stock option program	-	-	-	-	0.2	-	**0.2**
Other changes	-	-	-	-	0.0	0.0	**0.0**
Equity on Mar 31, 2007	**3.5**	**16.7**	**0.1**	**-7.9**	**75.4**	**0.6**	**88.4**

* Note: 2005 and I/2006 comparables have been changed, see notes to the income statement and balance sheet for more details

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**
MEUR	2006	2006	2006	2006	2006	**2007**
Net sales	63.4	64.2	49.8	49.2	226.6	**63.4**
EBITDA	11.6	9.7	4.4	2.4	28.0	**12.3**
Operating profit (EBIT)	10.0	8.1	2.8	0.7	21.7	**12.0**
Profit before taxes	7.8	6.1	1.0	-0.3	14.6	**11.0**
Net profit for the period	5.7	4.5	0.4	0.5	11.0	**7.7**

KEY FIGURES	I 2007	I 2006	I-IV 2006
EBITDA margin, %	**19.5%**	18.2%	12.4%
Operating profit margin, %	**18.9%**	15.8%	9.6%
Return on capital employed, %	**25.4%**	21.9%	12.3%
Capital employed at end of period, MEUR	**197.5**	195.2	180.6
Net interest-bearing debt at end of period, MEUR	**109.1**	112.7	99.3
Equity-to-assets ratio at end of period, %	**32.9%**	32.3%	33.4%
Debt-to-equity ratio at end of period, %	**123.5%**	136.6%	122.2%
Earnings per share, EUR	**0.20**	0.15	0.28
Average number of shares outstanding (1000)	**38 577**	38 541	38 565
Fully diluted earnings per share, EUR	**0.20**	0.15	0.28
Fully diluted average number of shares (1000)	**38 580**	38 603	38 609
Equity per share at end of period, EUR	**2.27**	2.13	2.09
Number of shares outstanding at end of period (1000)	**38 579**	38 576	38 576
Average personnel for the period	**4 051**	3 797	3 987

SEGMENT INFORMATION MEUR	I 2007	I 2006	I-IV 2006
Net Sales by Area**			
North America	**21.1**	21.6	69.7
Nordic	**24.9**	25.8	94.2
Rest of Europe	**25.4**	24.4	83.0
Rest of the world	**14.8**	10.8	43.7
Intra-Group	**-22.8**	-19.2	-64.0
Total	**63.4**	63.4	226.6
Operating Profit by Area**			
North America	**3.8**	1.9	6.4
Nordic	**2.7**	3.4	6.9
Rest of Europe	**4.2**	3.9	7.0
Rest of the world	**1.1**	2.0	2.8
Intra-Group	**0.2**	-1.2	-1.4
Total	**12.0**	10.0	21.7
Net Sales by Product line***			
Lures	**23.1**	21.6	73.0
Fishing Hooks	**4.9**	4.4	14.8
Fishing Accessories	**10.7**	11.4	45.8
Third Party Fishing Products	**16.8**	17.5	53.5
Other Products	**8.8**	9.3	42.4
Intra-Group	**-1.0**	-0.8	-2.9
Total	**63.4**	63.4	226.6

** Note: This primary segment information is by geographical areas and it has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales/profit generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.
*** Note: This secondary segment information is by product lines. Lures, Fishing Hooks and Fishing Accessories include Group branded fishing tackle products. Third Party Fishing Products include non-Group branded fishing products, mostly rods and reels. Other Products include non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim report has been prepared in accordance with recognition and valuation principles of International Financial Reporting Standards (IFRS) and in accordance with IAS 34 (Interim Financial Reporting). The accounting principles adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's Annual Report as at December 31, 2006, except for the adoption of new and amended standards and interpretations: IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). Adoption of these standards and interpretations did not result in any changes in the accounting principles that would have affected the information presented in this report.

Changes in comparable figures

Comparable figures were changed at year end 2006. For more information on the changes and effects see Annual Report 2006.

Inventories

In March 31, 2007 the book value of inventories differed from its net realizable value by EUR 1.0 million, the same as at December 31, 2006. In March 31, 2006, the book value of inventories did not differ significantly from its net realizable value.

Hedging of net investments in foreign subsidiaries

During the first quarter the Group started to hedge its net investments in AUD, JPY and NOK currency denominated foreign subsidiaries using equivalent currency loans. The Group will start to partially hedge its net investment in USD and SEK currency denominated foreign subsidiaries during the second quarter of 2007. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the foreign exchange effect on these loans is recorded directly in equity.

Open currency derivatives

MEUR	**Mar 31 2007**	Mar 31 2006	Dec 31 2006
Net fair values	**0.0**	0.0	0.0
Contract amount	**2.7**	0.2	1.0

Commitments

MEUR	**Mar 31 2007**	Mar 31 2006	Dec 31 2006
Mortgages and pledges			
On own behalf	**16.1**	41.8	17.6
Guarantees			
On own behalf	**1.0**	0.8	1.1
On behalf of other parties	**0.8**	0.5	0.6
Minimum future lease payments on operating leases	**13.2**	7.0	12.6

Related party transactions

In Jan-Mar 2007, purchases from associated company Lanimo Oü were 0.0 MEUR (0.0 MEUR in Jan-Mar 2006 and 0.1 MEUR in Jan-Dec 2006). At March 31, 2007, trade payables to Lanimo Oü were 0.0 MEUR (0.0 MEUR at March 31, 2006 and 0.1 MEUR at Dec 31, 2006).

Impact of acquisitions on the consolidated financial statements

In January 2007, Rapala acquired the fishing tackle business of Outdoor Innovations LLC and Horizon Lures LP, USA based manufacturers and distributors of Terminator branded spinner baits and other fishing lures. The deal includes patents for the use of nickel titanium wire in fishing lures, trade marks, customer lists, inventories and some other assets.

Mar 31, 2007 MEUR	**Fair value**	**Seller's carrying amount**
Working capital	**2.6**	**2.6**
Intangible assets	**0.7**	**0.1**
Tangible assets	**0.1**	**0.1**
Deferred tax liability	**-0.1**	**0.0**
Fair value of acquired net assets	**3.2**	**2.8**

MEUR	**I 2007**
Cash paid	**1.5**
Cash to be paid	**0.4**
Cost associated with the acquisition	**0.1**
Total purchase consideration	**2.0**
Excess of Group's interest in the net fair value of acquired net assets over cost	**1.2**
Cash paid for the acquisition	**1.6**
Cash and cash equivalents acquired	**0.0**
Net cash flow effect	**1.6**

Non-recurring income and expenses in operating profit

MEUR	**I 2007**	I 2006	I-IV 2006
Gains/losses on disposals of intangible and tangible assets	**0.0**	0.0	-0.1
Excess of Group's interest in the net fair value of acquired net assets over cost	**1.2**	0.0	0.0
Restructuring costs	**0.0**	0.0	-0.2
Start-up costs	**0.0**	0.0	-0.1
Total	**1.3**	0.0	-0.4

Share-based payments

The Group has three separate share-based payment programs: two stock option programs and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Report 2006. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the program is EUR 5.5 million. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counter party have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share option where granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. The exercise periods of the option program are: for 2003A March 31, 2005 to March 31, 2007, for 2003B March 31, 2006 to March 31, 2008, for 2004A March 31, 2007 to March 31, 2009, for 2004B from March 31, 2008 to March 31, 2010, for 2006A from March 31, 2009 to March 31, 2011 and for 2006B from March 31, 2010 to March 31, 2012. Applying of IFRS 2 reduced operating profit with 0.9 MEUR in 2006, 0.3 MEUR in Jan-Mar 2006 and 0.3 in Jan-Mar 2007.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares. This amount of shares corresponds to less than 10 per cent of all shares of the company. This authorization is in force until September 30, 2008.

2 500 new Rapala shares where subscribed with 2003A option rights in March 2007. The share capital increased with 225.00 EUR and the subscriptions were registered in the Trade Register on April 4, 2007 and listed on the main list of the Helsinki Stock Exchange on April 5, 2007. As a result of the share capital increase the company's share capital is 3 472 089.21 EUR and the number of shares 38 578 769 on March 31, 2007. All 500 000 shares have now been subscribed with 2003A option rights.

As a result of the share subscriptions with the 2003 and 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 122 505 EUR and the number of shares by a maximum of 1 361 168 shares. The shares that can be subscribed with these stock options correspond to 3.5% of the Company's shares and voting rights.

During the first three months 2 131 888 shares (3 267 463 shares) were traded. The shares traded at a high of 6.27 EUR and a low of 5.65 EUR during the period. The closing share price at the end of the period was 5.92 EUR.

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for Jan-Mar 2007. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.