

RAPALA VMC CORPORATION INTERIM REPORT Q2 2013

July 19, 2013

RAPALA VMC CORP.

Summary of Q2 2013

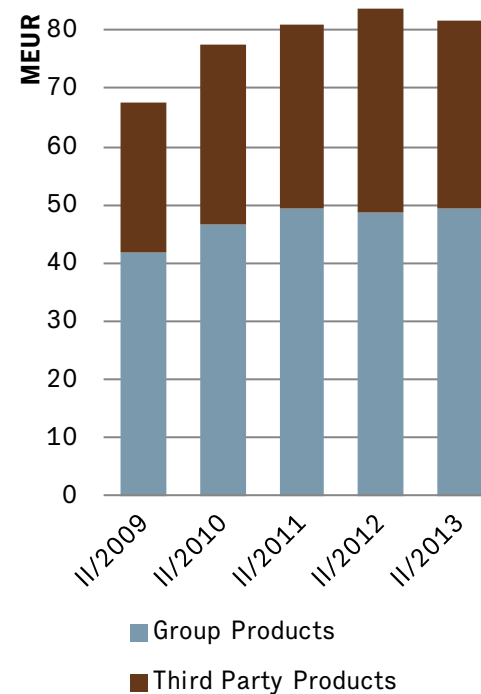
MEUR	II/2013	vs II/2012	I-II/2013	vs I-II/2012	I-IV/2012
Net Sales	81.4	-3%	156.7	-0%	290.7
Operating Profit - Reported	13.4	+16%	22.0	0%	25.9
Operating Profit - Comparable	13.1	+13%	21.2	-5%	27.1
Net Profit for the Period	7.8	+8%	14.4	-2%	14.0
EPS (basic), EUR	0.16	+0.01	0.31	+0.00	0.26
Cash Flow From Operations	16.2	-5.3	8.1	-4.1	25.2
Net Interest-bearing Debt			95.7	-2.9	89.9

- GOOD QUARTERLY PROFITABILITY DRIVEN BY SALES OF GROUP FISHING PRODUCTS
- Q2 NET SALES -3% (0% YTD)
 - Group manufactured products sales developed positively
 - Bad weather and foreign exchange rates had negative impact. With comparable currencies at last year levels.
- Q2 COMPARABLE OPERATING PROFIT: 13.1 MEUR (+13%), YTD: 21.2 MEUR (-5%)
 - Q2: Recovery of margins and increased sales of Group manufactured products
 - YTD: Ongoing production transfer to Batam, continuing inventory reduction initiatives, and foreign exchange rates
- Q2 NET PROFIT 7.8 MEUR (+8%), YTD: 14.4 (-2%)
- Q2 CASH FLOW FROM OPERATIONS 16.2 MEUR (-5.3), YTD: 8.1 MEUR (-4.1)
 - Inventories and trade receivables released less cash partly due to late spring and floods in Europe
- GUIDANCE UNCHANGED

Net Sales – Product Segments

MEUR	II/2013	II/2012	Q-on-Q	I-II/2013	I-II/2012	Y-on-Y
Group Total	81.4	83.7	-3%	156.7	157.1	-0%
Group Products	49.4	48.8	+1%	96.6	94.6	+2%
Third Party Products	32.1	34.8	-8%	60.2	62.5	-4%
Eliminations	-0,1	-	-	-0,1	-	-

- Q2 COMPARABLE NET SALES AT LAST YEAR LEVEL, YTD +1%
 - Comparable exchange rates
- GROUP PRODUCTS 49.4 MEUR (+1%), YTD: 96.6 MEUR (+2%)
 - Q2 supported by strong sales of lures, hooks and fishing accessories
 - Q2 Negatively affected by foreign exchange rates
 - YTD supported by new ice fishing products
- THIRD PARTY PRODUCTS 32.1 MEUR (-8%), YTD: 60.2 MEUR (-4%)
 - Negative impact of foreign exchange rates and late spring



Net Sales – Geographical Areas

MEUR	II/2013	II/2012	Q-on-Q	I-II/2013	I-II/2012	Y-on-Y
North America	21.9	21.4	+2%	43.7	41.9	+4%
Nordic	19.8	20.7	-4%	34.9	35.9	-3%
Rest of Europe	31.9	33.3	-4%	61.4	63.1	-3%
Rest of the World	7.8	8.2	-5%	16.6	16.3	+2%

- **NORTH AMERICA**

- Good sales of Rapala lures and VMC hooks in the US
- Improved consumer confidence, but increasing payroll taxes limit discretionary spending and retail growth. Retail focus on guns and ammo.

- **NORDICS**

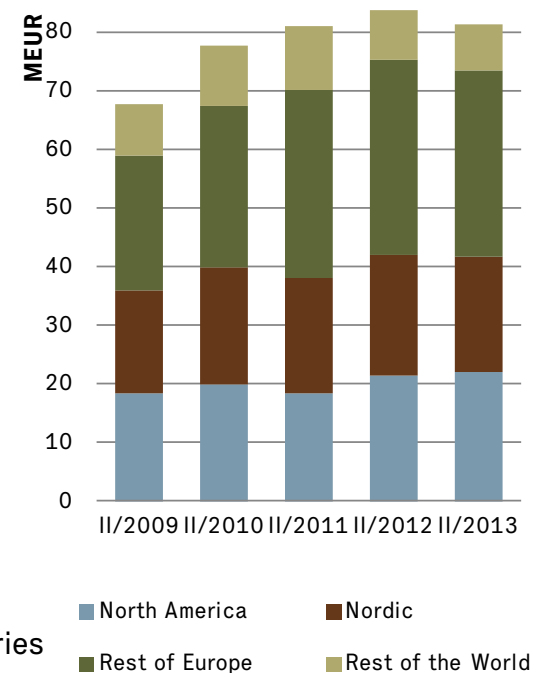
- Delayed beginning of summer fishing season
- Norway and Denmark affected by delayed deliveries from suppliers

- **REST OF EUROPE**

- Impacted by weathers, weakening of currencies and delayed shipments.
- Macro-economic challenges in Spain, Hungary and some Eastern European countries and Switzerland under restructuring

- **REST OF THE WORLD**

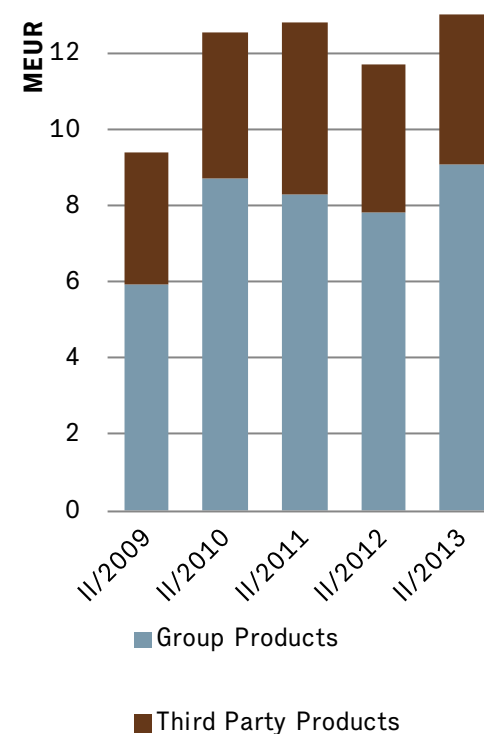
- Q2 net sales with comparable fx-rates up 2%, YTD: +10%.
- New distribution in Chile, good sales in Latin America as well as in some Asian countries
- South Africa facing macroeconomic uncertainties affecting consumer confidence



Operating Profit

MEUR	II/2013		II/2012		I-II/2013		I-II/2012	
Group Total (comparable)	13.1	16.1%	11.6	13.9%	21.2	13.5%	22.2	14.1%
Group Products	9.1	18.5%	7.8	15.9%	15.3	15.8%	14.7	15.6%
Third Party Products	4.3	13.4%	3.9	11.1%	6.7	11.2%	7.3	11.7%
Group Total (as reported)	13.4	16.5%	11.6	13.9%	22.0	14.1%	22.0	14.0%

- Q2 COMPARABLE OPERATING PROFIT +13% (-5% YTD)
 - Q2 supported by recovery of margins, increased sales of Group manufactured products and weakening of purchase currencies.
 - YTD burdened by ongoing production transfers from China to Batam, inventory reduction initiatives, and foreign exchange rates.
- Q2 REPORTED OPERATING PROFIT +16% (0% YTD)
 - Non-recurring costs related to restructuring.
 - Mark-to-market valuation of operative currency derivatives.
- Q2 ROCE 22.3% (19.1%), YTD: 19.0% (18.9%)



Net Profit and Financial Position

MEUR	II/2013	II/2012	I-II/2013	I-II/2012	I-IV/2012
Net Profit for the Period	7.8	7.2	14.4	14.7	14.0
Non-controlling Interests	1.6	1.2	2.5	2.5	3.8
Equity Holders of the Company	6.2	6.0	11.9	12.2	10.1
Financial ratios					
EPS (basic), EUR	0.16	0.15	0.31	0.31	0.26
Net Interest-bearing Debt, MEUR			95.7	98.6	89.9
Equity-to-assets, %			42.8%	39.9%	42.2%
Debt-to-equity, %			68.1%	69.7%	65.3%

- Q2 FINANCIAL (NET) EXPENSES 1.9 MEUR (1.2 MEUR), YTD: 2.2 MEUR (1.2 MEUR)
 - Negative impact of currency exchange rates
- EPS increased and reached last year's level for the first half of the year
- Strengthening of the Group's balance sheet continued
 - Gearing reached second quarter record level

Cash Flow and Working Capital

MEUR	II/2013	II/2012	I-II/2013	I-II/2012	I-IV/2012
Change in Working Capital	2.1	12.1	-13.0	-6.8	4.2
Cash Flow From Operations	16.2	21.5	8.1	12.2	25.2
Net Cash Used in Investing Activities	-2.4	-2.5	-4.5	-10.8	-13.6

Balance sheet

Inventories			112.5	119.5	110.6
Assets (non-interest-bearing)			81.1	76.9	69.9
Liabilities (non-interest-bearing)			58.7	62.1	54.9
Total Working Capital			134.9	136.2	125.6

- Cash flow from operations down from last year's record level
 - During Q2 inventories and trade receivables released less cash compared to last year, partly due to late spring and floods in Europe.
- Inventories decreased by 7.0 MEUR
 - Ice fishing business tying more inventories in Q2 compared to last year
 - Excluding new business units and impact of currency movements comparable inventories reduced 3.8 MEUR
- Investing activities mainly normal capital expenditure.
 - 2012 includes acquisition of the assets of Strike Master Corporation and Mora Ice brand with total of 6.4 MEUR

Cornerstones of the Profitable Growth Strategy

BRANDS

Portfolio of most recognized and respected brands in the fishing tackle industry.

*Rapala Scatter Rap introduction
Angry Birds co-operation*

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.

Inventory reduction initiatives



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.

2nd phase of Batam lure manufacturing

Ice drill manufacturing in Finland

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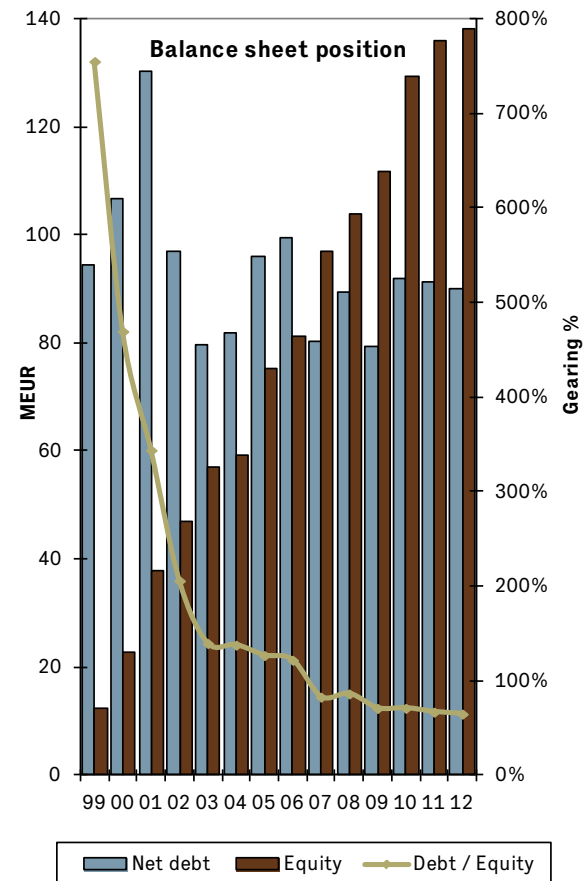
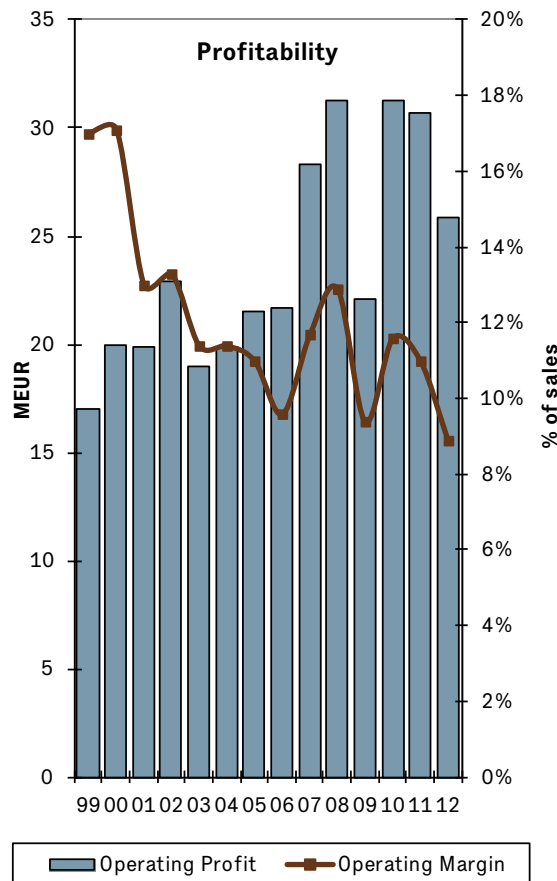
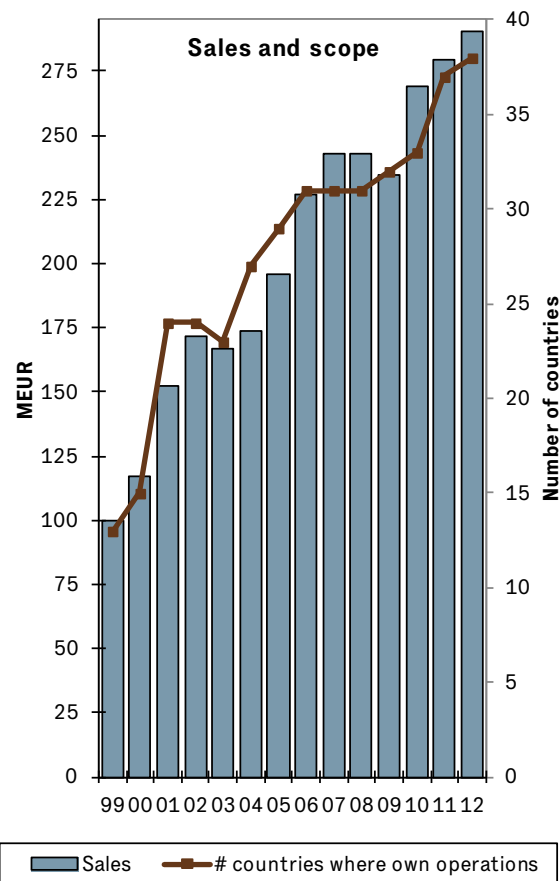
Strategy Implementation

- Establishment of own ice drill manufacturing operations in Finland strengthens position in ice drill business
 - Preparations to start the operations gradually by the end of the year
- Construction and installation work for tripling the size of Batam lure manufacturing operations proceeding
 - First phase finalized during Q2
 - Space doubled, personnel under training, equipment installation by the end of Q3
 - New products and production phases to be added gradually during the next 9–12 months
 - Rationalization of product range
- Establishment of VMC hook manufacturing unit in Batam finalized during Q1
 - Flexible production at good quality level and new products being added to the production range
- Performance improvement initiative continued in Swiss distribution unit
- Working capital and cash flow management still one of the top priorities of the Group
 - Evaluation period of share based incentive plan prolonged until end of Q4
- New innovative products introduced to the market
 - Launch of Rapala Scatter Rap lure family a true success
 - Sufix NanoBraid honored with the Best New Braided Line Award at 2013 EFTTEX
 - Angry Bird launch successful, while still relatively small in scale
- Discussions and negotiations regarding acquisitions and business combinations

Short-term Outlook

- The outlook for the second half of the year is confident. There are no major issues in sight significantly threatening the sales of the ongoing season.
- Ice fishing business expected to give positive contribution during the latter part of the year
 - Winter business is sensitive to weathers, but pre-sales for ice fishing products better than last year and retail pipeline expected to be rather empty.
 - Winter fishing program “The Ice Force” is well established in USA for coming season
 - Year-end shipments always subject to uncertainties concerning timing
- New lure manufacturing operations in Batam and setting up new ice drill manufacturing unit in Finland will generate additional expenditure. Profitability of some underperforming units is expected to improve from last year.
- Group’s actions for inventory level reductions may have some negative impact on profitability.
- Guidance remains unchanged: Group sales is expected to increase from last year and comparable operating profit to be 30 MEUR plus or minus 10%
- Q3 interim report published on October 22

Financial Trends



- 2013 net sales expected to increase and comparable operating profit to be 30 MEUR plus or minus 10%

Shares and Shareholders

SHARE RELATED DATA (06/2013)

- Market capitalization 185.5 MEUR
- 12-month high/low 5.38/4.52 EUR
- All-time high/low 8.40/2.50 EUR

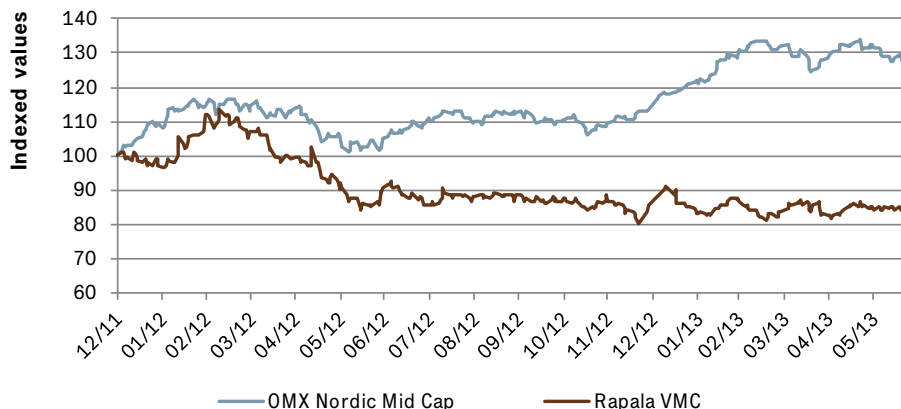
MAJOR SHAREHOLDERS (06/2013)

- VMC Holdings 33%
- Sofina 19%
- Nordea Funds 11%
- Odin Funds 3%
- State Pension fund 3%
- Shimano 2%
- OP Funds 2%
- Evli Funds 1%
- Tapiola Funds 1%
- Ilmarinen 1%

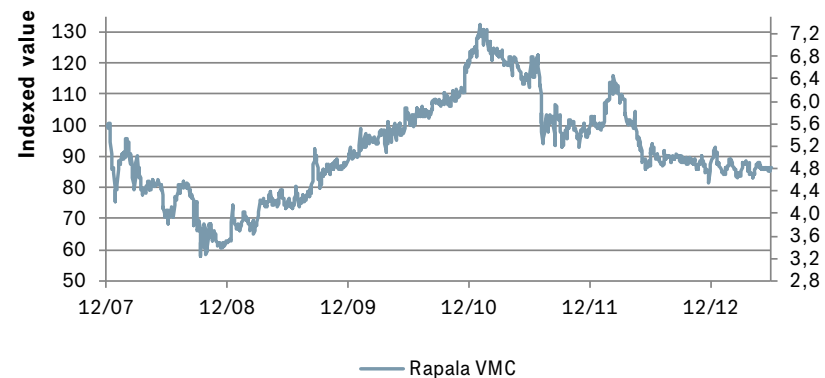
Own shares: 813 676 shares (2,1%)

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Share price index performance in Jan 2012 – Jun 2013



Share price performance in Jan 2008 – Jun 2013



END OF PRESENTATION

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