

Rapala®



Q1 Interim Report 2007

April 26, 2007



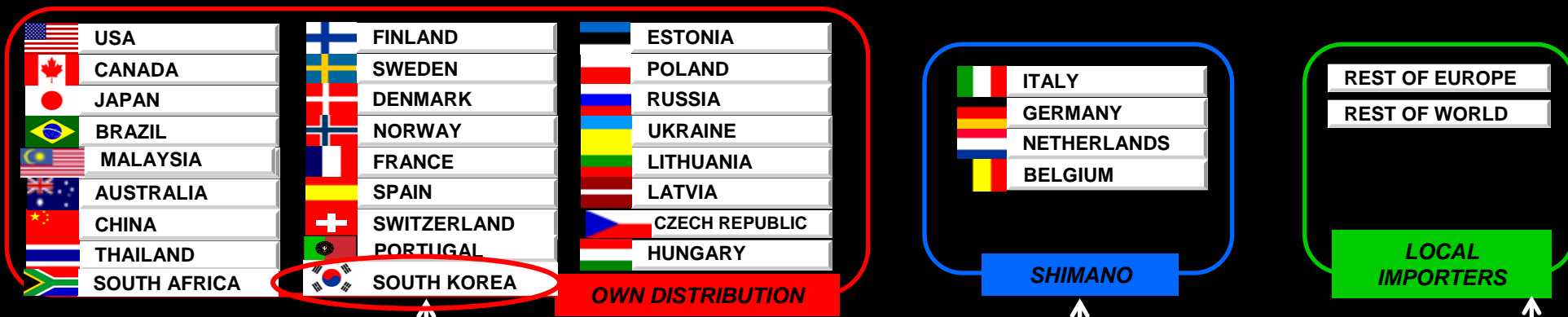
AGENDA

- Changes in Group Business Organization
- Q1 2007 In Brief
- Sales and Profitability
- Cashflow & Working Capital
- Strategy Implementation
- Outlook for 2007



Group Organizational Overview

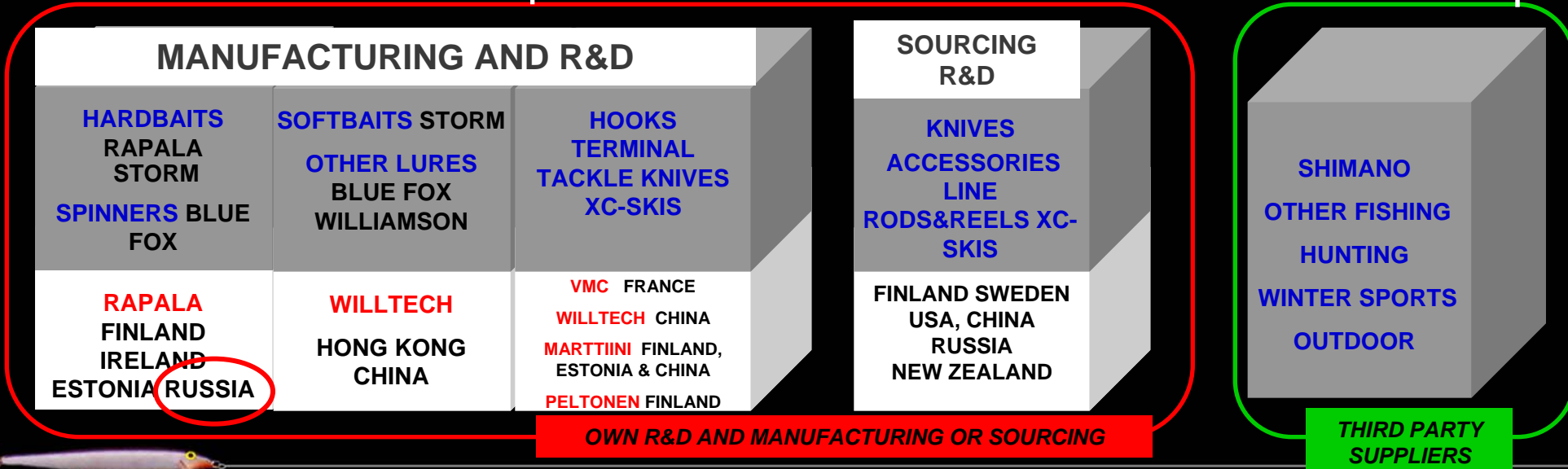
Distribution



Group Brands



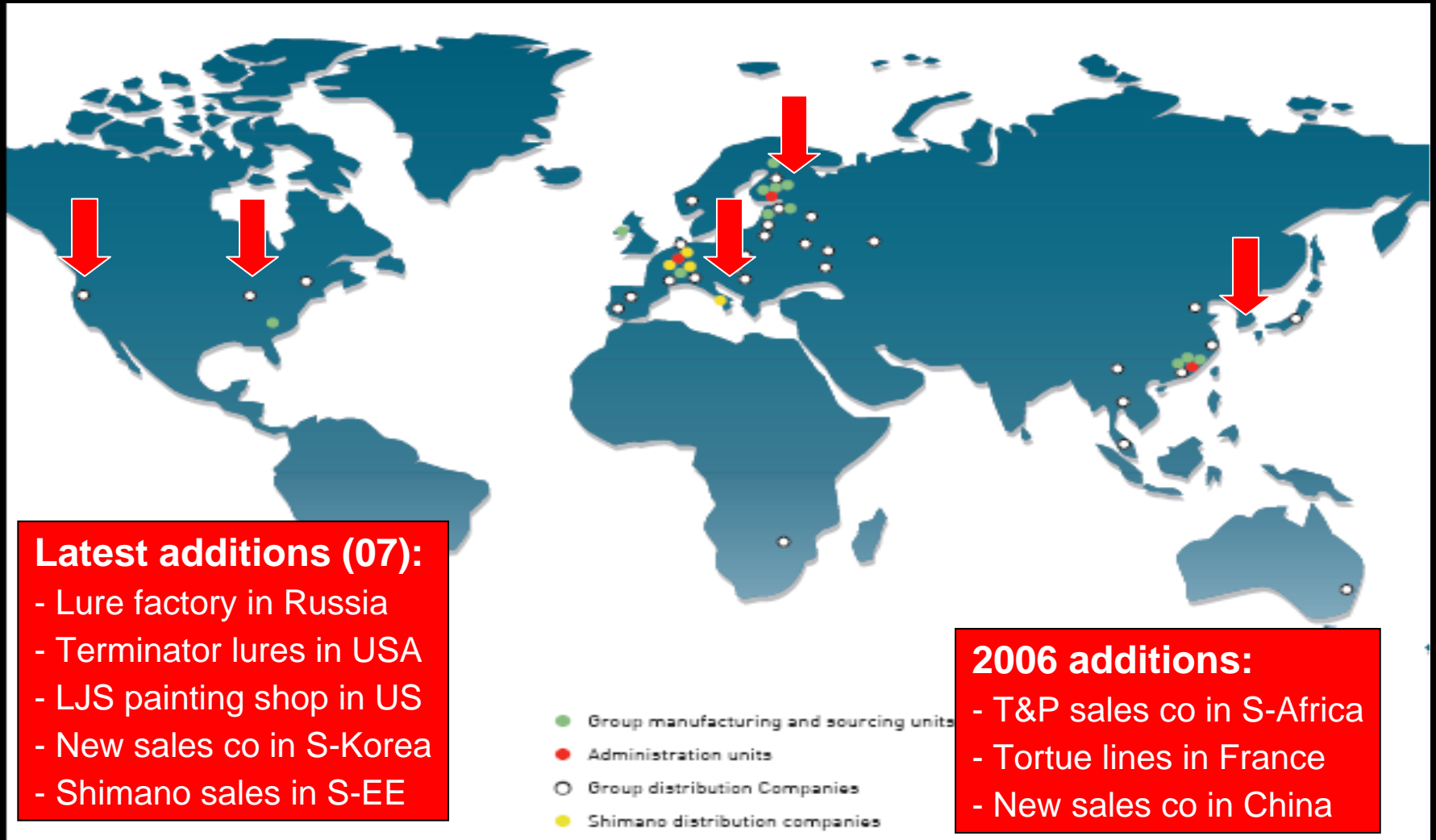
Supply SOURCE PRODUCT



THE NEXT LEVEL



Location of Business Operations



THE NEXT LEVEL

Rapala

Q1 2007 IN BRIEF

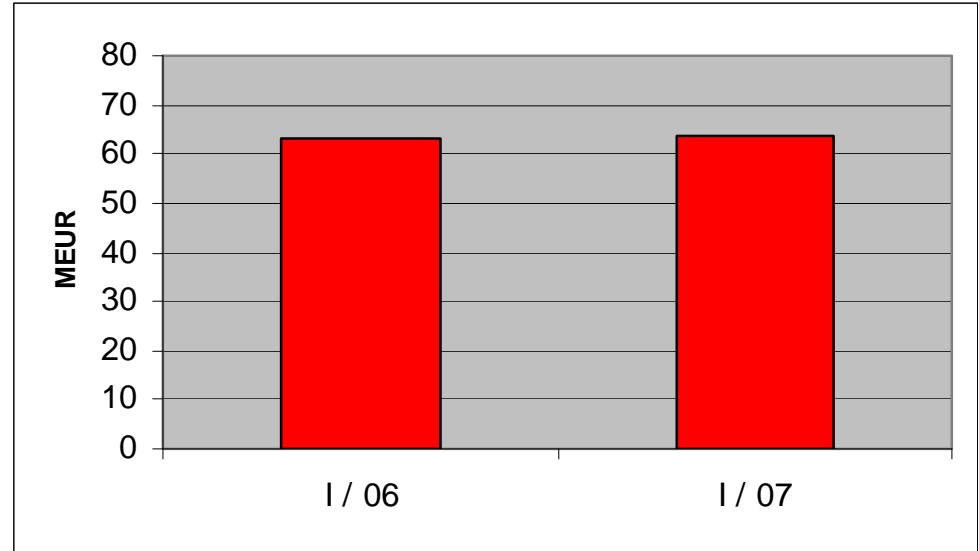
MEUR	I/2007	I/2006	2006
Net Sales	63.4	63.4	226.6
EBITDA	12.3	11.6	28.0
Operating Profit (EBIT)	12.0	10.0	21.7
Profit Before Taxes	11.0	7.8	14.6
Net Profit for the Period	7.7	5.7	11.0
EPS (basic), EUR	0.20	0.15	0.28
Equity-to-assets, %	32.9%	32.3%	33.4%
Net Interest-bearing Debt	109.1	112.7	99.3

- Q1 **Net Sales on last year record level and operating profit margin up**
- Group's **strategy implementation** progressed: Terminator, Russian factory, South-Korea, sales of Shimano products to South-East Europe
- **Outlook for 2007:** net sales to grow 5-10% and operating profit margin to improve, assuming 2006 foreign exchange rates



NET SALES BY QUARTER

- Q1 2007 net sales reached last year record levels despite weak USD and bad winter season (63.4 MEUR).
- FX net effect on net sales was -3.2 MEUR.
- Excluding FX effect, organic growth was 4%
- Market remained quite stable in Western Europe and USA and growth continued in Eastern Europe and Asia.



- Excluding FX effects, North American sales were up 8%.
- Nordic countries suffered from bad winter season that slowed down both winter fishing and winter sports sales.
- In Australia and South-Africa the market continued strong and the summer season is now coming to its end with good sales for the first quarter of 2007.
- Sales continued to grow fast in RoW countries.
- Sales growth was fastest in Group manufactured products

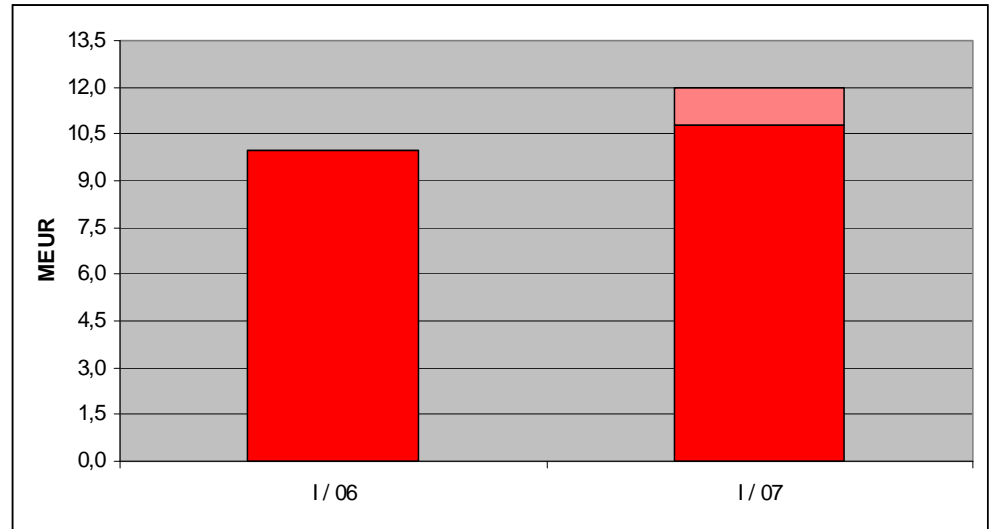


OPERATING PROFIT BY QUARTER

- Q1 operating profit improved 20% and was 12.0 MEUR (10.0 MEUR).

Operating profit margin up to 18.9% (15.8%) and *ROCE 25.4%* (21.9%).

Improvement in operating profit from good summer season in Australia & South Africa, increased sales of lures and other Group manufactured products and a negative goodwill from Terminator acquisition (1.2 MEUR).



- Operating profit was negatively affected by the bad winter season and weakening of USD (-0.2 MEUR net for all currencies). Result of currency hedges on operating profit (+0.3 MEUR) is booked in financial items in accordance with IFRS.
- Integration, start-up and development expenses at last year levels.
- Largest increase in operating profit came from North America.
- Financial expenses decreased: FX gain 0.5 MEUR (-0.9 MEUR) and net interest expenses up to 1.4 MEUR (1.3 MEUR) due to increased base interest rates.
- Net profit was 7.7 MEUR (5.7 MEUR) and earnings per share 0.20 EUR (0.15 EUR).



CASHFLOW AND WORKING CAPITAL

STATEMENT OF CASH FLOWS	Jan-Mar 2007	Jan-Mar 2006	Jan-Dec 2006
MEUR			
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
Net cash used in investing activities	-3.0	-6.2	-14.7
Cash flow before financing activities	-10.3	-15.8	-4.7

- Cash flow from operating activities up from 2006: **inventories built for Terminator, South Korea & Shimano South-East Europe; trade receivables increased seasonally.**
- **Capital expenditure** including acquisitions amounted to 3.0 MEUR (6.2 MEUR).
- **Net debt** increased seasonally to 109.1 MEUR (Dec 2006: 99.3; March 2006: 112.7)
- **Equity-to-asset ratio** decreased slightly to 32.9% (Dec 2006: 33.4%) and **gearing** increased to 123.5% (Dec 2006: 122.2%) - **both improved from the first quarter of 2006.**
- Group's management continues to **focus on working capital management and profitability improvement.**



STRATEGY IMPLEMENTATION IN Q1 2007

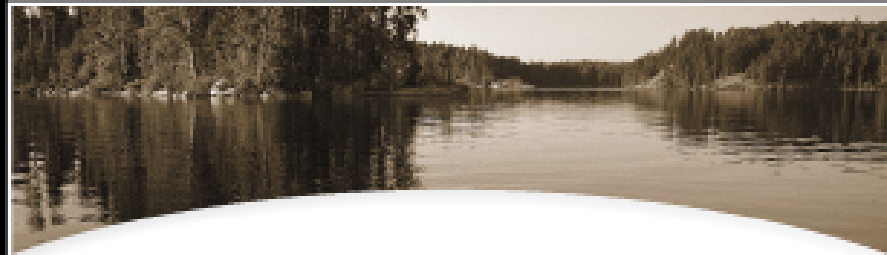
- Rapala's *strategic objective is profitable growth*, founded on 3 established strengths:
 - A unique manufacturing and sourcing platform (China and Europe)
 - A leading global distribution network in fishing tackle industry
 - A strong brand portfolio with several leading brands
- During the first quarter both product portfolio and market coverage was developed
 - **Russian lure assembly factory** got approvals and started operations
 - Newly established **South-Korean sales company** started commercial activities
 - Group closed the purchase of US based manufacturer and distributor of **Terminator** branded spinner baits and other fishing lures
 - Sales of **Shimano products to South East Europe** through the Group's distribution center in Hungary started well and are expected to grow during the year
 - Screening of **possible new acquisitions** and business combination continued
 - **Special projects** aimed to improve profitability and cash flow were started
 - **Integration** of businesses acquired in 2005 and 2006 is completed



OUTLOOK FOR 2007

- The market outlook for the rest of 2007 looks quite stable.
- **Net sales** for 2007 is expected to increase 5–10%, assuming 2006 average FX rates.
- Possible additional acquisitions during 2007 would further increase the sales.
- Special **performance improvement initiatives** started to improve profitability
 - Cost cutting and sales improvement projects
 - Price increases to match the increased raw material prices and wages especially in China
- **Operating profit margin** is expected to improve, assuming 2006 average exchange rates
- **Business development and integration expenses** and start-up costs will continue still in 2007 while new initiatives are planned and implemented but these costs are not expected to exceed the comparable costs in 2006.
- **Working capital project** continues, focus mainly on inventory levels (excluding newly acquired, start-up and fast growing units).
- Group Management continues planning and negotiations regarding **further acquisitions** and business combinations to implement Group's strategy.
- Launch of **new products for 2008 season** will take place during Q2.
- **Q2 interim report** will be published on July 26





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