RAPALA VMC CORP.

HALF YEAR REPORT H1/2018

JULY 20, 2018

RAPALA VMC CORPORATION'S HALF YEAR REPORT H1/2018: SALES AND PROFITABILITY GREW FROM LAST YEAR – STRATEGY EXECUTION SHOWING RESULTS

January-June (H1) in brief:

- Net sales were 142.5 MEUR, up 1% from previous year (140.9). With comparable exchange rates sales were 6.5% higher than last year.
- Operating profit was 15.3 MEUR (11.0), up 39%.
- Comparable operating profit* was 15.2 MEUR (11.4), up 33%.
- Cash flow from operations was 5.9 MEUR (8.1).
- Gearing was 43.8% (46.8).
- Earnings per share was 0.23 EUR (0.15), up 53%.
- Full year guidance unchanged: Full year net sales with comparable FX rates expected to be above last year's level and comparable operating profit to exceed 15 MEUR.

President and CEO Jussi Ristimäki: "The first six months of the year developed well as our net sales and profitability grew from last year. The underlying consumer demand for our products continued to be strong in North America and after an exceptional year of 2017, our sales to retail grew strongly from last year. We were especially satisfied that Rapala lures was the biggest growth category.

Our profitability increase from last year was driven by strong sales in North America and successful performance improvement initiatives in France and Southeast Asia. Furthermore, production efficiency and footprint optimization of European lure manufacturing units contributed positively to profitability improvement. However, the Indonesian lure operations continued to have a negative profitability impact.

Execution of our strategy of improving profitability, lightening balance sheet and improving operational performance is progressing well. Ongoing lean projects and supply chain management initiatives continue to yield results. Consequently, our inventories decreased organically from last year. The strategic gradual shift from traditional marketing to digital marketing channels progressed. We opened successfully a content driven Rapala e-commerce site in Europe in May to enhance brand experience and to increase customer service. One of our strategic key priorities is to execute a profitability turnaround for the Indonesian lure operations. We have taken new actions during the year and we are determined to generate the profitability turnaround."

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Key figures

MEUR	**H1 2018**	H1 2017	**Change %**	FY 2017
Net sales	**142.5**	140.9	**+1%**	253.3
Operating profit	**15.3**	11.0	**+39%**	8.9
% of net sales	**10.7%**	7.8%		3.5 %
Comparable operating profit *	**15.2**	11.4	**+33%**	11.4
% of net sales	**10.6%**	8.1%		4.5 %
Cash flow from operations	**5.9**	8.1	**-27%**	19.1
Gearing %	**43.8%**	46.8%		47.5 %
EPS, EUR	**0.23**	0.15	**+53%**	0.05

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Rapala Group presents alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Definitions and reconciliation of key figures are presented in the financial section of the release.

Market Environment

During the first half of the year, trading conditions showed positive signs in many of the Group's markets. Despite the structural changes in the North American retail market, demand for the Group's products was strong in the area. In Europe, trading conditions continued to be very competitive. Russian market is still impacted by the economic uncertainties and changing consumer behavior.

Business Review January–June 2018

The Group's net sales for the first half of the year were 1.1% above last year. Changes in translation exchange rates had a significant negative impact on the sales and with comparable translation exchange rates, net sales were organically up by 6.5% from the comparison period.

North America

The first half of 2018 was strong in North America. Even though the US and Canadian dollars depreciated in value compared to the first half of 2017, the sales increased by 4.1% from the comparison period. With comparable translation exchange rates, the sales were up by a notable 14.7%.

The challenges the Group faced last year in North America, with two major customers entering Chapter 11, were largely overcome as the sales were successfully channeled to other retail customers. Group's products are available to consumers through all meaningful channels, including the Group's own e-commerce platform. Consequently, the North American market witnessed sales growth in most of the product categories, Rapala lures being the single biggest driver for the growth.

Nordic

The sales in the Nordic market grew slightly from the comparison period. The weakening of Swedish and Norwegian kronen hindered the growth to some extent and with comparable translation exchange rates, the sales were up by 4.1%.

Hunting sales in Sweden and winter product sales in Finland, supported by good winter, contributed positively to the area's sales. On the other hand, the sales of Marttiini knives were below last year's record-high figures, which were boosted by the Finland 100 year anniversary knives.

Rest of Europe

With comparable translation exchange rates, the sales in Rest of Europe were 0.4% above the comparison period. Mainly the declined Russian ruble, however, pulled the reported sales 2.0% below the level of last year.

Overall, the area suffered from the market conditions in Russia, where reduced purchase power and increased cross-border internet trade have changed the consumer behavior and impacted local business negatively. The biggest market France grew from last year and Poland as well as Romania witnessed strong sales growth.

Rest of the World

With comparable translation exchange rates, the sales in Rest of the World grew 6.1% from the comparison period. However, as most of the market's currencies depreciated against euro, euro-denominated sales were around the level of the comparison period.

Hunting business in South-Africa contributed positively to the Rest of the World market growth. The successful turnaround in South-East Asia also had a positive impact on the sales – Thailand, Malaysia and Indonesia all witnessed strong growth during the first half of the year.

External net sales by area

MEUR	**H1 2018**	H1 2017	**Change %**	**Comparable change %**	FY 2017
North America	**49.6**	47.6	**+4%**	**+15%**	89.4
Nordic	**32.3**	31.8	**+2%**	**+4%**	54.3
Rest of Europe	**44.9**	45.8	**-2%**	**0%**	77.6
Rest of the World	**15.7**	15.7	**0%**	**+6%**	31.9
Total	**142.5**	140.9	**+1%**	**+7%**	253.3

Financial Results and Profitability

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit increased by 3.8 MEUR (33%) from the comparison period. The effect of translation exchange rates was negative and with comparable translation exchange rates, comparable operating profit increased by 4.3 MEUR from last year. Reported operating profit increased by 4.3 MEUR from last year and the items affecting comparability had a positive impact of 0.1 MEUR (-0.4) on reported operating profit.

Comparable operating profit margin was 10.6% (8.1) for the first half. Sales growth in North America and Southeast Asia, especially on Rapala lures, combined with fixed costs control generated the profitability growth. Additionally, performance improvement initiatives in France and European lure manufacturing had a positive impact on profitability, while Indonesian lure factory is still having a negative impact on the Group's performance.

Reported operating profit margin was 10.7% (7.8) for the first half. Reported operating profit included profit of mark-to-market valuation of operative currency derivatives of 0.3 MEUR (-0.1). Net expenses of other items affecting comparability included in the reported operating profit were 0.1 MEUR (0.3). Other items affecting comparability included a gain on sale of a real estate and some restructuring costs.

Total financial (net) expenses were 1.2 MEUR (1.8) for the first half. Net interest and other financing expenses were 0.8 MEUR (1.2) and (net) foreign exchange expenses were 0.4 MEUR (0.7).

Net profit for the first half increased by 62% and was 9.7 MEUR (6.0) and earnings per share were 0.23 EUR (0.15). The share of non-controlling interest in net profit increased by 0.2 MEUR from last year and totalled 0.3 MEUR (0.1).

Key figures

MEUR	**H1 2018**	H1 2017	**Change %**	FY 2017
Net sales	**142.5**	140.9	**+1%**	253.3
Operating profit	**15.3**	11.0	**+39%**	8.9
Comparable operating profit *	**15.2**	11.4	**+33%**	11.4
Net profit	**9.7**	6.0	**+62%**	2.3

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Bridge calculation of comparable operating profit

MEUR	**H1 2018**	H1 2017	Change %	FY 2017
Operating profit	**15.3**	**11.0**	**+39%**	**8.9**
Mark-to-market valuations of operative currency derivatives	-0.3	0.1	-400%	0.3
Other items affecting comparability	0.1	0.3	-67%	2.3
Comparable operating profit	**15.2**	**11.4**	**+33%**	**11.4**

More detailed bridge of comparable operating profit and definitions and reconciliation of key figures are presented in the financial section of the release.

Segment Review

Group Products

While reported sales of Group Products were negatively impacted especially by weakened US dollar, with comparable translation exchange rates, sales of Group Products were above the comparison period. The increased sales were mostly driven by Rapala lures. Furthermore, fishing lines, hooks and winter sports products increased sales from last year. Sales of hunting knives were below the comparison period due to extraordinary high sales of Finland 100 years anniversary knives last year.

Driven by the increased sales, the comparable operating profit for the Group Products was above the comparison period. Operating profit was still negatively impacted by the Indonesian lure factory, even though the results were slightly better than last year.

Third Party Products

With comparable translation exchange rates, the sales of Third Party Products were above last year. Increased sales were driven by the expansion of hunting distribution business. In addition, third party rod and reel business grew in many markets in Europe.

Following the strong sales, comparable operating profit for Third Party Products was above the comparison period.

Net sales by segment

MEUR	**H1 2018**	H1 2017	**Change %**	**Comparable change %**	FY 2017
Group Products	**94.5**	94.9	**0%**	**+6%**	168.8
Third Party Products	**48.0**	45.9	**+5%**	**+8%**	84.5
Total	**142.5**	140.9	**+1%**	**+7%**	253.3

Comparable operating profit by segment

MEUR	**H1 2018**	H1 2017	**Change %**	FY 2017
Group Products	**14.0**	11.5	**+22%**	13.0
Third Party Products	**1.2**	-0.1	**+1300%**	-1.6
Comparable operating profit	**15.2**	11.4	**+33%**	11.4
Items affecting comparability	**0.1**	-0.4	**+125%**	-2.6
Operating profit / loss	**15.3**	11.0	**+39%**	8.9

Financial Position

Despite the improved profitability, cash flow from operations decreased by 2.1 MEUR from the comparison period being 5.9 MEUR (8.1). The impact of net change of working capital to cash flow from operations was -9.7 MEUR (-2.6) as cash was tied to inventories following the sales growth.

Compared to last year, inventory levels were lower and June inventory value was 96.7 MEUR (99.1). Excluding the impact of allowance on inventories and translation exchange rates, the organic decrease of inventories was 1.9 MEUR.

Net cash used in investing activities was on the level of the comparison period amounting to 2.6 MEUR (2.6). Capital expenditure, consisting mostly of normal operative capital expenditure, was 3.4 MEUR (2.7) and disposals 0.7 MEUR (0.1). The disposals of 0.7 MEUR were related to a sale of real estate and sales of some manufacturing equipment.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 59.9 MEUR at the end of the period. Gearing ratio decreased and equity-to-assets ratio improved from last year. Following higher profitability, leverage level (ratio between net interest-bearing debt and reported EBITDA) stayed below covenant levels and the Group is compliant with all financial covenants.

Group equity includes a hybrid loan of 25 MEUR issued in May 2017. The interest paid on the hybrid loan resulting from the decision to pay dividends, totalling 1.3 MEUR, less tax, is recognised as a deduction from Group's equity.

Key figures

MEUR	**H1 2018**	H1 2017	**Change %**	FY 2017
Cash flow from operations	**5.9**	8.1	**-27%**	19.1
Net interest-bearing debt at end of period	**66.1**	71.3	**-7%**	67.8
Gearing %	**43.8%**	46.8%		47.5%
Equity-to-assets ratio at end of period, %	**52.5%**	50.1%		53.9%

Definitions and reconciliation of key figures are presented in the financial section of the release.

Strategy Implementation

The Group updated its strategy in February 2017. Following the conclusions of the strategy update, in order to build a solid financial and operational platform for long term growth, the Group's primary focus in the coming years will be on capturing organic growth opportunities in the fishing tackle business. The Group will also take determined actions to improve its profitability, lighten balance sheet and improve operational performance. In longer term, the target is to return to a more aggressive growth track and actively seek synergistic growth opportunities also outside the fishing tackle business.

The Group's existing assets and capabilities form the foundation for future strategies, both in short and long term. Future strategies are built upon utilizing and capitalizing the brand portfolio, manufacturing and sourcing platform, research and development knowledge, as well as the broad distribution network and strong local presence all around the world supporting the sales of Group's own and selected synergistic third party products.

The execution of the updated strategy is progressing on all levels in the Group. Several organic growth projects are ongoing in all businesses utilizing deep market and customer understanding. Special focus has been set to leverage Group's global innovation power to address growing product categories and niches within fishing.

Significant focus and resources are allocated to streamline internal supply chains and to develop sales and operations planning to achieve lower group-wide inventories and improved service levels.

Additionally, lean projects are ongoing in several factories. One of the key projects is to execute a sustainable profitability turnaround for the Indonesian lure operations. Certain low performing product categories are being outsourced and further make/buy considerations are done to increase the profitability.

The Group has made investments in group-wide common IT systems and resources to increase efficiencies and enable better end-to-end supply chain and product management. The Group has also increased sales and marketing investments towards digital channels and direct consumer contacts in order to exploit these opportunities stronger in the future. Leveraging the experiences from Group's US e-commerce platform, a content driven Rapala e-commerce website was successfully launched in European Union in May to promote the Rapala-brand and offer improved customer experience.

Product Development

Continuous product development and consistent innovation are core competences for the Group and major contributors to the value and commercial success of the brands. The Group has reorganized and boosted its lure product development procedure by centralizing the research and development know-how and key resources to one location in Finland that serves both the European and Asian lure manufacturing units.

Product development cycles are getting shorter which allows faster reaction to market needs and developing trends. Product launch schedules are more flexible and can be better adjusted to target specific markets' seasons.

The most important product launches in the first half of year were a European-wide coordinated launch of a series of new pike lures, which started in January in France and reached its full year sales targets already in the first six months. Sufix 131 G-Core braided line was launched at the European Fishing Tackle Trade Exhibition in June, where it was voted the Best New Braided Line. The new Rapala Super Shadow Rap lure – part of the new pike series – received the Best New Hard Bait award. Rapala X-Rap Peto and Storm R.I.P. Spinnerbait were named Runner-Ups in their own categories.

Further introductions of hero lure categories were prepared for the US trade show ICAST in July.

Organization and Personnel

Average number of personnel was 2 811 (2 786) for the first half of the year. At the end of June, the number of personnel was 2 798 (2 754).

Short-term Outlook and Risks

For the first six months, the Group witnessed growth in all regions from last year in local currencies. The Group continues to see healthy consumer demand for its products via old and new sales channels in North America despite the ongoing evolvement of retail business. In Europe, the price competition in certain product categories has increased and the markets continue to be very competitive.

Presales of winter fishing equipment in USA have been strong and the overall outlook for North America is positive for the second half of the year. The outlook and visibility for Europe is somewhat cautious as the market environment remains challenging in certain markets.

The Group has launched various strategic initiatives to boost organic growth and to improve cost and capital efficiency as well as operational performance in the future. These initiatives will continue to trigger some additional expenses and investments in 2018.

The Group expects full year net sales with comparable FX rates to be above last year's level and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to exceed 15 MEUR. The guidance remains unchanged from February 16, 2018.

Short term risks and uncertainties and seasonality of the business are described in more detail in the end of this report.

Other significant events

Annual General Meeting

The Annual General Meeting (AGM) kept on March 29, 2018 approved the Board of Director's proposal that a dividend of EUR 0.04 per share is paid. The dividend will be paid in two instalments, 0.02 euro each. The first instalment 0.8 MEUR was paid on April 11, 2018. The Board of Directors will in its meeting scheduled for October 30, 2018 decide on the dividend record date and the payment date of the second instalment. The dividend record date for the second instalment would then be November 1, 2018 and the dividend payment date November 8, 2018. A separate stock exchange release on the decisions of the AGM has been given, and up to date information on the Board's authorizations and other decisions of the AGM are available also on the corporate website.

New Share-based Long-term Incentive Plan for Group's key employees

On February 16, 2018 the Group announced that the Board of Directors of Rapala VMC Corporation has approved a new Performance Share Plan for the Group key employees. The aim of the new plan is to align the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to retain the key employees at the Company, and to offer them a competitive reward plan that is based on earning and accumulating the Company's shares. The new plan is directed to approximately 40 people, including the CEO and other members of the Executive Committee of the Group.

The new Performance Share Plan 2018—2020 includes one three-year performance period, calendar years 2018—2020. The potential reward from the performance period will be based on the Group's financial performance criteria which will be measured during the financial year 2020 and the Company's share price criterion which will be measured during a measurement period of forty (40) consecutive trading days in November-December 2020. The Board of Directors may also resolve on other 40 trading day measurement periods. The financial performance criteria for the performance period are the Group Product sales in 2020, the Group's Comparable Earnings before Interest and Taxes margin in 2020 (EBIT %) and the Group's Average Working Capital Ratio in 2020.

The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 900,000 Rapala VMC Corporation shares including also the proportion to be paid in cash. The potential rewards from the performance period 2018—2020 will be paid partly in the Company's shares and partly in cash in 2021. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

A significant proportion of the reward allocations of the CEO and other members of the Executive Committee of the Group will be dependent on their personal investments in the Company shares and share ownership of the shares acquired through such investments.

Helsinki, July 20, 2018

Board of Directors of Rapala VMC Corporation

For further information, please contact:

Jussi Ristimäki, President and Chief Executive Officer, +358 9 7562 540
Jan-Elof Cavander, Chief Financial Officer, +358 9 7562 540
Olli Aho, Investor Relations, +358 9 7562 540

A conference call on the first half year result will be arranged today at 1:00 p.m. Finnish time (12:00 noon CET). Please dial +44 (0)330 336 9104 or +1 323 794 2095 or +358 (0)9 7479 0360 (pin code: 181750) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)207 660 0134 or +1 719 457 0820 or +358 (0)9 8171 0562 (pin code: 1336915). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**H1** **2018**	H1 2017	FY 2017
Net sales	**142.5**	140.9	253.3
Other operating income	**0.5**	0.6	1.1
Materials and services	**63.2**	63.5	117.0
Personnel expenses	**35.1**	35.2	67.6
Other costs and expenses	**26.2**	28.2	54.1
Share of results in associates and joint ventures	**0.0**	0.0	0.0
EBITDA	**18.5**	14.5	15.7
Depreciation, amortization and impairments	**3.2**	3.6	6.9
Operating profit (EBIT)	**15.3**	11.0	8.9
Financial income and expenses	**1.2**	1.8	3.2
Profit before taxes	**14.1**	9.2	5.6
Income taxes	**4.4**	3.1	3.3
Net profit for the period	**9.7**	6.0	2.3
Attributable to:			
Equity holders of the company	**9.4**	5.9	2.4
Non-controlling interests	**0.3**	0.1	0.0
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR (diluted = non-diluted)	**0.23**	0.15	0.05

STATEMENT OF COMPREHENSIVE INCOME MEUR	**H1** **2018**	H1 2017	FY 2017
Net profit for the period	**9.7**	6.0	2.3
Other comprehensive income, net of tax			
Change in translation differences*	**2.3**	-8.8	-13.6
Gains and losses on cash flow hedges*	**0.0**	0.2	0.2
Gains and losses on hedges of net investments*	**-1.1**	-0.8	-1.9
Actuarial gains (losses) on defined benefit plan	**-**	-	0.0
Total other comprehensive income, net of tax	**1.2**	-9.4	-15.3
Total comprehensive income for the period	**10.9**	-3.4	-12.9
Total comprehensive income attributable to:			
Equity holders of the Company	**10.7**	-3.4	-12.7
Non-controlling interests	**0.2**	0.0	-0.3

* Item that may be reclassified subsequently to the statement of income

STATEMENT OF FINANCIAL POSITION MEUR	**Jun 30** **2018**	Jun 30 2017	Dec 31 2017
ASSETS			
Non-current assets			
Intangible assets	**74.3**	74.9	73.3
Property, plant and equipment	**31.8**	34.2	32.7
Non-current assets			
Interest-bearing	**0.0**	0.0	0.0
Non-interest-bearing	**6.5**	8.5	7.1
	112.6	117.6	113.2
Current assets			
Inventories	**96.7**	99.1	92.5
Current assets			
Interest-bearing	**0.0**	0.9	0.0
Non-interest-bearing	**65.8**	63.0	49.7
Cash and cash equivalents	**12.3**	24.0	10.3
	174.8	187.0	152.4
Total assets	**287.4**	304.6	265.6
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**118.7**	120.0	110.7
Non-controlling interests	**7.1**	7.2	6.9
Hybrid bond	**25.0**	25.0	25.0
	150.8	152.3	142.7
Non-current liabilities			
Interest-bearing	**15.3**	40.6	34.6
Non-interest-bearing	**8.7**	11.0	9.3
	24.0	51.6	43.9
Current liabilities			
Interest-bearing	**63.1**	55.6	43.5
Non-interest-bearing	**49.4**	45.2	35.5
	112.5	100.8	79.0
Total equity and liabilities	**287.4**	304.6	265.6

STATEMENT OF CASH FLOWS MEUR	**H1 2018**	H1 2017	FY 2017
Net profit for the period	**9.7**	6.0	2.3
Adjustments to net profit for the period *	**8.4**	8.1	11.6
Financial items and taxes paid and received	**-2.5**	-3.4	-6.4
Change in working capital	**-9.7**	-2.6	11.6
Net cash generated from operating activities	**5.9**	8.1	19.1
Investments	**-3.4**	-2.7	-6.0
Proceeds from sales of assets	**0.7**	0.1	0.2
Acquisition of non-controlling interest in South African subsidiary	**-**	-	-1.5
Proceeds from disposal of subsidiaries, net of cash	**-**	-	0.8
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-2.6**	-2.6	-6.4
Dividends paid to parent company's shareholders	**-0.8**	-1.9	-3.8
Dividends paid to non-controlling interests	**-**	-1.5	-1.5
Net funding	**0.2**	-34.3	-51.2
Hybrid bond	**-1.3**	25.0	24.7
Net cash generated from financing activities	**-1.9**	-12.7	-31.8
Change in cash and cash equivalents	**1.4**	-7.2	-19.1
Cash & cash equivalents at the beginning of the period	**10.3**	33.8	33.8
Foreign exchange rate effect	**0.6**	-2.6	-4.4
Cash and cash equivalents at the end of the period	**12.3**	24.0	10.3

* Includes reversal of non-cash items, income taxes and financial income and expenses.

Changes in liabilities included in net funding

MEUR	
Liabilities Jan 1, 2018	78.1
Drawdowns	38.7
Repayments	-38.9
Unrealized foreign exchange differences*	0.5
Liabilities Jun 30, 2018	78.4

Net funding

Drawdowns and repayments from loans	-0.2
Derivatives and other realized foreign exchange on financial activities	0.4
Net funding	**0.2**

*Unrealized foreign exchange differences from loans are not included in cash flow statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company									
MEUR	Share capital	Share premium fund	Hedging fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interests	Hybrid bond	**Total equity**
Equity on Jan 1, 2017	**3.6**	**16.7**	**-0.2**	**4.9**	**-5.6**	**1.7**	**106.4**	**8.6**	**-**	**136.1**
Comprehensive income *	-	-	0.2	-	-	-9.5	5.9	0.0	-	**-3.4**
Dividends	-	-	-	-	-	-	-3.8	-	-	**-3.8**
Transactions with non-controlling interests	-	-	-	-	-	-	0.0	-1.4	-	**-1.4**
Hybrid bond	-	-	-	-	-	-	-	-	25.0	**25.0**
Hybrid bond expenses	-	-	-	-	-	-	-0.2	-	-	**-0.2**
Equity on Jun 30, 2017	**3.6**	**16.7**	**0.0**	**4.9**	**-5.6**	**-7.8**	**108.3**	**7.2**	**25.0**	**152.3**
Equity on Dec 31, 2017	**3.6**	**16.7**	**0.0**	**4.9**	**-5.6**	**-13.6**	**104.7**	**6.9**	**25.0**	**142.7**
Adoption of IFRS 9	-	-	-	-	-	-	-0.2	0.0	-	**-0.2**
Equity on Jan 1, 2018	**3.6**	**16.7**	**0.0**	**4.9**	**-5.6**	**-13.6**	**104.5**	**6.9**	**25.0**	**142.5**
Comprehensive income*	-	-	0.0	-	-	1.2	9.4	0.2	-	**10.9**
Dividends**	-	-	-	-	-	-	-1.5	-	-	**-1.5**
Hybrid bond expenses*	-	-	-	-	-	-	-1.1	-	-	**-1.1**
Share option program	-	-	-	-	-	-	0.1	-	-	**0.1**
Equity on Jun 30, 2018	**3.6**	**16.7**	**0.0**	**4.9**	**-5.6**	**-12.4**	**111.5**	**7.1**	**25.0**	**150.8**

* For the period, (net of tax)

**Dividend distribution includes first instalment paid in April 2018 and second instalment due for payment in November 2018

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial information included in this financial statement release is unaudited. This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting).

Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the financial statements 2017. Any new amendments to IFRS standards or IFRIC interpretations did not have a material impact on the information presented in this release. The Group applies, as from January 1, 2018 IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments, and amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions.

As required by IAS 34, the nature and effect of these changes on the accounting policies followed by the Group are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. IFRS 15 has superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11

Construction Contracts and the related interpretations when it becomes effective. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made.

The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group did adopt IFRS 15 standard using the full retrospective method. There are no changes impacting the comparative information and therefore no restatements have been made in the Group's financial statements. The standard did not have material effect on Group's financial statements or accounting principles.

The Group is in the business of manufacturing, sourcing and distributing of mainly fishing tackle equipment as well as hunting, outdoor and winter sports equipment. Contract terms for sale of fishing tackle and other equipment cover only one distinct performance obligation per contract, which are normally not linked to any other goods or services, and are thus accounted for separately. The Group recognizes revenue at a point in time when it satisfies its performance obligations by transferring goods to customers, which is when the customer obtains control of the goods. Some contracts with customers include cash discounts, volume rebates and marketing support fees. Such provisions give rise to variable consideration under IFRS 15 and will be required to be estimated at contract inception. The accounting treatment does not materially differ from the Group's current practice.

IFRS 9 Financial Instruments and subsequent amendments

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting and replaces current IAS 39. The impairment model in IFRS 9 is based on the premise of providing for expected losses.

The Group has observed that there will be modest, non-material, impacts on the bad debt provisions of trade receivables due to the new ECL (Expected Credit Loss) model introduced by the standard. The Group designed an ECL model where Group entities were divided by market areas and their trade receivables data were analyzed by aging, actual bad debts and allowance booked. The allowances were analyzed to be higher than the actual bad debts booked. For aging receivables, the percentages are rising based on best estimates regarding the increased risk of expected credit loss and for the receivables over 18 months old, 100% are written off. No restatement of prior periods has been made. The new ECL model has increased the bad debt provisions by 0.2 MEUR, which has been recognized in retained earnings.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 are intended to eliminate diversity in three main areas: the effects of vesting conditions on the measurement of a cash-settled share based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Group has resolved key employee long-term incentive plan during 2018 and follows the amendment of IFRS 2 from the beginning and therefore no restatement of prior periods was necessary to made.

IFRS 16 Leases will be adopted January 1, 2019

The new standard IFRS 16 Leases will have implications on the recognition of the lease expenses, non-current assets, interest-bearing liabilities as well as on the key financial ratios. According to the current Leases standard, IAS17, a lessee has to separate leases into finance lease agreements booked on the balance sheet and operating lease agreements classified as off-balance sheet items. IFRS 16 standard specifies how to recognize, measure, present and disclose leases. It introduces a single model for accounting leases on a balance sheet of a lessee. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and low value leases. Lessor accounting remains similar to the current standard, where leases are classified either as finance or operating leases.

Based on the Group's industry and business model it acts mostly as lessee in numerous contracts. The Group has started a preliminary assessment of the impacts on its financial statements. The Group will recognize new assets and liabilities for its operating leases of facilities and vehicles. The nature of lease expenses will change, as IFRS 16 replaces the lease expenses currently shown in other operating expenses with a depreciation charge for right-of-use assets and interest expense on lease liabilities shown in financial expenses.

The amount of off-balance sheet commitments was 9.5 MEUR on June 30, 2018. Agreements treated as commitments however differ from the lease agreements determined by IFRS16 and thus the amount of agreements that will be booked on balance sheet can differ from these commitments Rapala VMC is planning to use non-retrospective approach as its transition method to IFRS 16. The Group continues with more detailed assessment of the impacts of this new standard.

Use of estimates and rounding of figures

Complying with IFRS in preparing financial statements requires the management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

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.

Events after the end of the half year period

The Group has no knowledge of any significant events after the end of the reporting period that would have a material impact on the financial statements for January-June 2018. Material events after the end of the half year period, if any, have been discussed in the commentary section of the Board of Directors.

Acquisitions

There has not been any acquisitions or divestments during the first half year.

Key figures	**H1 2018**	H1 2017	FY 2017
EBITDA, % of net sales	**13.0%**	10.3%	6.2%
Operating profit, % of net sales	**10.7%**	7.8%	3.5%
Return on capital employed, %	**14.3%**	9.6%	4.0%
Capital employed at end of period, MEUR	**216.9**	223.6	210.5
Net interest-bearing debt at end of period, MEUR	**66.1**	71.3	67.8
Equity-to-assets ratio at end of period, %	**52.5%**	50.1%	53.9%
Debt-to-equity ratio at end of period, %	**43.8%**	46.8%	47.5%
Earnings per share, EUR (diluted = non-diluted)	**0.23**	0.15	0.05
Equity per share at end of period, EUR	**3.10**	3.13	2.89
Average personnel for the period	**2 811**	2 786	2 736

Definitions and reconciliation of key figures are presented in the end of the financial section.

Key figures by half year MEUR	H1 2016	H2 2016	H1 2017	H2 2017	**H1 2018**
Net sales	143.1	117.5	140.9	112.4	**142.5**
EBITDA	17.6	-3.5	14.5	1.2	**18.5**
Operating profit	14.2	-7.0	11.0	-2.1	**15.3**
Profit before taxes	11.4	-9.2	9.2	-3.5	**14.1**
Net profit for the period	8.2	-10.2	6.0	-3.7	**9.7**

Bridge calculation of comparable operating profit MEUR	**H1 2018**	H1 2017	**Change %**	FY 2017
Operating profit/loss	**15.3**	**11.0**	**+39%**	8.9
Items affecting comparability				
Mark-to-market valuations of operative currency derivatives	**-0.3**	0.1	**-400%**	0.3
Other items affecting comparability				
Restructurings				
Management restructuring	**0.2**			1.1
Indonesia manufacturing restructuring				0.8
France restructuring	**0.1**	0.3		0.3
Finland restructuring	**0.0**	0.2		0.1
Other restructurings		0.0		0.1
Insurance compensations		-0.2		-0.2
Other items	**-0.2**		-	0.2
Comparable operating profit	**15.2**	**11.4**	**+33%**	11.4

Segment information

MEUR **Net sales by operating segment**	**H1 2018**	H1 2017	FY 2017
Group Products	**94.5**	94.9	168.8
Third Party Products	**48.0**	45.9	84.5
Total	**142.5**	140.9	253.3
Operating profit by operating segment			
Group Products	**14.0**	11.5	13.0
Third Party Products	**1.2**	-0.1	-1.6
Comparable operating profit	**15.2**	11.4	11.4
Items affecting comparability	**0.1**	-0.4	-2.6
Operating Profit	**15.3**	11.0	8.9

Assets by operating segment MEUR	**Jun 30 2018**	Jun 30 2017	Dec 31 2017
Group Products	**215.1**	218.5	204.8
Third Party Products	**59.9**	61.2	50.4
Non-interest-bearing assets total	**275.0**	279.7	255.3
Unallocated interest-bearing assets	**12.3**	24.9	10.3
Total assets	**287.4**	304.6	265.6

External net sales by area MEUR	**H1 2018**	H1 2017	FY 2017
North America	**49.6**	47.6	89.4
Nordic	**32.3**	31.8	54.3
Rest of Europe	**44.9**	45.8	77.6
Rest of the world	**15.7**	15.7	31.9
Total	**142.5**	140.9	253.3

Commitments MEUR	**Jun 30 2018**	Jun 30 2017	Dec 31 2017
Minimum future lease payments on operating leases	**9.5**	12.0	10.6

The accrued interest on hybrid bond at June 30, 2018 is 0.7 MEUR.

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
H1 2018						
Associated company Lanimo Oü	**0.0**	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.1**	**0.1**	**0.0**	**-**
Management	**-**	**-**	**0.2**	**0.0**	**-**	**0.0**
H1 2017						
Associated company Lanimo Oü	0.0	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.1	0.1	0.0	-
Management	-	-	0.1	0.0	-	0.0
FY 2017						
Associated company Lanimo Oü	0.0	0.1	-	0.0	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	0.0	-	0.3	0.0	-	0.0

* Lease agreement for the real estate for the consolidated operations in France and a service fee.

Open derivatives		**H1 2018**		H1 2017		FY 2017
MEUR	**Nominal value**	**Fair value**	Nominal value	Fair value	Nominal value	Fair value
Derivative financial instruments designed as cash flow hedges						
Interest rate swaps, less than 12 months	**-**	**-**	10.0	0.0	-	-
Interest rate swaps, 1 to 5 years	**10.5**	**0.0**	16.0	-0.1	10.4	0.0
Total	**10.5**	**0.0**	26.0	-0.1	10.4	0.0
Non-hedge accounting derivative financial instruments						
Interest rate swaps, less than 12 months	**-**	**-**	20.0	-0.1	-	-
Interest rate swaps, 1 to 5 years	**16.0**	**0.0**	16.0	0.1	16.0	0.1
Currency derivatives, less than 12 months	**39.4**	**0.4**	42.5	0.1	41.8	-0.5
Cross currency swaps, less than 12 months	**10.1**	**-0.4**	-	-	-	-
Cross currency swaps, 1 to 5 years	**-**	**-**	10.1	-0.2	10.1	-0.7
Total	**65.5**	**0.0**	88.6	0.0	67.9	-1.0

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting are recognized based on their nature either in operative costs, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction. Some derivatives designated to hedge monetary items are accounted for according to hedge accounting. Financial risks and hedging principles are described in detail in the financial statements 2017.

In the first half of 2018, the amount of the ineffective portion that was recognized in the financial income and expenses of income statement was MEUR 0.0 (0.0).

Changes in unrealized mark-to-market valuations for operative foreign currency derivatives

MEUR	**H1 2018**	H1 2017	FY 2017
Included in operating profit	**0.3**	-0.1	-0.3

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivatives' fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow, but are not accounted for according to the principles of hedge accounting, impact the Group's operating profit for the accounting period. The changes in unrealized valuations include both valuations of derivatives that will realize in the future periods as well as reversal of previously accumulated value of derivatives that realized in the accounting period.

Fair values of financial instruments		**Jun 30 2018**		Jun 30 2017		Dec 31 2017
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Assets						
Available-for-sale financial assets (level 3)	**0.3**	**0.3**	0.3	0.3	0.3	0.3
Derivatives (level 2)	**0.5**	**0.5**	0.7	0.7	0.3	0.3
Total	**0.8**	**0.8**	1.0	1.0	0.6	0.6
Liabilities						
Non-current interest-bearing liabilities (excl. derivatives)	**15.3**	**15.3**	40.6	40.6	34.6	34.6
Derivatives (level 2)	**0.5**	**0.5**	0.8	0.8	1.4	1.4
Total	**15.8**	**15.8**	41.4	41.5	36.0	36.0

Fair values of other financial instruments do not differ materially from their carrying value.

Shares and share capital

The Annual General Meeting (AGM) kept on March 29, 2018 approved the Board of Director's proposal that a dividend of EUR 0.04 per share is paid. The dividend will be paid in two instalments, 0.02 euro each. The first instalment 0.8 MEUR share was paid on 11 April 2018. The Board of Directors will in its meeting scheduled for 30 October 2018 decide on the dividend record date and the payment date. The dividend record date for the second instalment would then be 1 November 2018 and the dividend payment date 8 November 2018. A separate stock exchange release on the decisions of the AGM has been given, and up to date information on the Board's authorizations and other decisions of the AGM are available also on the corporate website.

Share related key figures	**Jun 30 2018**	Jun 30 2017
Number of shares	**39 000 000**	39 000 000
Number of shares, average	**39 000 000**	39 000 000
Number of treasury shares	**677 208**	677 208
Number of treasury shares, %	**1.7%**	1.7%
Number of outstanding shares	**38 322 792**	38 322 792
Number of shares traded, YTD	**788 887**	1 572 985
Share price, EUR	**3.40**	3.99
Highest share price, YTD, EUR	**4.07**	4.68
Lowest share price, YTD, EUR	**3.13**	3.97
Average price of treasury shares, all time, EUR	**5.08**	5.08

Short term risks and uncertainties

The objective of Rapala VMC Corporation's risk management is to support implementation of the Group's strategy and execution of business targets. Group management continuously develops its risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles were included in the Financial Statements 2017.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half. Weathers impact consumer demand and may have impact on the Group’s sales for current and following seasons. However, the weather risk is well diversified as the Group has a wide geographical footprint as well as sells products both summer and winter seasons.

The biggest deliveries for peak seasons are concentrated into relatively short time periods, and hence a well-functioning supply chain is required. The uncertainties in future demand as well as the length of the Group’s supply chain increases complexity in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

The Group‘s credit facilities include some profitability, net debt and equity related financial covenants, which are actively monitored. The Group expects to continue to fulfill the requirements of its lenders. Liquidity and refinancing risks are well under control, but leverage level may put pressure on Group’s financing costs.

Increased uncertainties and downturns in the general economic climate may influence the sales of fishing tackle, when retailers reduce their inventory levels and face financial challenges. Also, quick and strong increases in living expenses or sudden fluctuations in foreign exchange rates may temporarily affect consumer spending. However, the underlying consumer demand has historically proven to be fairly solid. Political tensions may have negative effects on the Group’s business and geopolitical development is followed closely.

The truly global nature of the Group's sales and operations diversifies market risks. The Group is cautiously monitoring the development both in global macro economy as well as in the various local markets it operates in. While Group’s customer base is generally diversified, changes in retail landscape may have impact on purchase behavior of customers. Making new distribution agreements or terminating old agreements or changes in product offering made by the principal may affect sales and profitability of Third Party Products. Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is monitored closely.

The Group's sales and profitability are impacted by the changes in foreign exchange rates and the risks are monitored actively. To fix the exchange rates of future foreign exchange denominated sales and purchases as well as financial assets and liabilities, the Group has entered into several currency hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IAS 39, the unrealized mark-to-market valuations of operative currency hedging agreements have an impact on the Group's reported operating profit. Some of Group’s currency positions are not possible or feasible to be hedged, and therefore may have impact on the Group’s net result. The Group is closely monitoring market development as well as its cost structure and considering possibility and feasibility of price increases, hedging and cost rationalization.

No significant changes are identified in the Group's strategic risks or business environment.

Definitions of key figures

Operating profit before depreciation and impairments (EBITDA)	Operating profit + depreciation and impairments
Items affecting comparability	Change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Other items affecting comparability	Restructuring costs + impairments +/- gains and losses on business combinations and disposals - insurance compensations +/- other non-operational items
Comparable operating profit	Operating profit +/- change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Net interest-bearing debt	Total interest-bearing liabilities - total interest-bearing assets - cash and cash equivalents
Capital employed (average for the period)	Total equity (average for the period) + net interest-bearing debt (average for the period)
Working capital	Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	Total liabilities - interest-bearing liabilities
Return on capital employed (ROCE), %	$\frac{\text{Operating profit (full-year adjusted) x 100}}{\text{Capital employed (average for the period)}}$
Debt-to-equity ratio (Gearing), %	$\frac{\text{Net interest-bearing debt x 100}}{\text{Total equity}}$
Equity-to-assets ratio, %	$\frac{\text{Total equity x 100}}{\text{Total equity and liabilities - advances received}}$
Earnings per share, EUR	$\frac{\text{Net profit for the period attributable to the equity holders of the parent company - hybrid capital accrued unrecognised interest after tax}}{\text{Adjusted weighted average number of shares}}$
Equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares at the end of the period}}$
Average number of personnel	Calculated as average of month end personnel amounts

Reconciliation of key figures to IFRS MEUR	H1 2018	H1 2017	FY 2017
Items affecting comparability			
Change in mark-to-market valuations of operative derivatives	**-0.3**	0.1	0.3
Other items affecting comparability	**0.1**	0.3	2.3
Items affecting comparability	**-0.1**	**0.4**	**2.6**
Other items affecting comparability			
Restructuring costs	**0.3**	0.5	2.3
Insurance compensations	**-**	-0.2	-0.2
Other non-operational items	**-0.2**		0.2
Other items affecting comparability	**0.1**	**0.3**	**2.3**
Capital employed (average for the period)			
Total equity (average for the period)	**146.8**	144.2	139.4
Net interest-bearing debt (average for the period)	**66.9**	83.7	82.0
Capital employed (average for the period)	**213.7**	**227.9**	**221.4**
Return on capital employed (ROCE), %			
Operating profit (full-year adjusted)	**30.6**	22.0	8.9
Capital employed (average for the period)	**213.7**	227.9	221.4
Return on capital employed (ROCE), %	**14.3 %**	**9.6 %**	**4.0 %**
Equity-to-assets ratio, %			
Total equity	**150.8**	152.3	142.7
Total equity and liabilities	**287.4**	304.6	265.6
Advances received	**0.2**	0.4	0.7
Equity-to-assets ratio, %	**52.5 %**	**50.1 %**	**53.9 %**
Earnings per share, EUR			
Net profit for the period attributable to the equity holders of the parent company	**9.4**	5.9	2.4
Hybrid capital accrued unrecognised interests after tax	**-0.7**	-	-0.6
Adjusted weighted average number of shares	**38 322 792**	38 322 792	38 322 792
Earnings per share, EUR	**0.23**	**0.15**	**0.05**
Equity per share, EUR			
Equity attributable to equity holders of the parent company	**118.7**	120.0	110.7
Adjusted number of shares at the end of the period	**38 322 792**	38 322 792	38 322 792
Equity per share, EUR	**3.10**	**3.13**	**2.89**