RAPALA VMC CORP.

INTERIM REPORT Q2/2014

JULY 21, 2014

RAPALA VMC CORP.

INTERIM REPORT
July 21, 2014
at 2:00 p.m.

RAPALA VMC CORPORATION'S JANUARY TO JUNE 2014: SALES AND PROFITS UNDER PRESSURE, CASH FLOW AT RECORD LEVEL

April-June in brief:

- Net sales were 77.7 MEUR, down 5% from previous year (81.4). With comparable exchange rates sales up 1%.
- Comparable operating profit was 9.7 MEUR (13.1).
- Cash flow from operations was 22.3 MEUR (16.2).
- Earnings per share was 0.08 EUR (0.16).
- Own lure manufacturing operations in China ceased.
- Full year net sales and comparable operating profit are expected to be below 2013 levels. Guidance unchanged from July 11, 2014.

January-June in brief:

- Net sales were 143.9 MEUR, down 8% from previous year (156.7). With comparable exchange rates sales down 2%.
- Comparable operating profit was 16.3 MEUR (21.2).
- Cash flow from operations was 14.0 MEUR (8.1).
- Earnings per share was 0.19 EUR (0.31).

President and CEO Jorma Kasslin: "In second quarter the development of our business was twofold. In several European and overseas markets our sales were growing well, having support from the early start of the season. However in the same time in some of our biggest markets, like in USA and Russia, our sales were behind last year, impacted by the slow-down of the consumer demand, unfavorable currency movements and weathers. This together with the extra costs relating to ramping up the production in Batam was burdening our second quarter profitability. On positive side, our second quarter operating cash flow reached record level.

Our own manufacturing operations in China have now practically ceased, which will start to show its positive results towards the end of this year and give us totally new start for the next year."

Key figures

MEUR	**II 2014**	II 2013	**change %**	**I-II 2014**	I-II 2013	**change %**	I-IV 2013
Net sales	**77.7**	81.4	**-5%**	**143.9**	156.7	**-8%**	286.6
Operating profit	**8.6**	13.4	**-36%**	**16.0**	22.0	**-27%**	26.1
% of net sales	**11.1%**	16.5%		**11.1%**	14.1%		9.1%
Comparable operating profit *	**9.7**	13.1	**-26%**	**16.3**	21.2	**-23%**	27.1
% of net sales	**12.4%**	16.1%		**11.4%**	13.5%		9.5%
Cash flow from operations	**22.3**	16.2	**+38%**	**14.0**	8.1	**+73%**	15.3
Gearing %	**73.2%**	68.1%		**73.2%**	68.1%		71.2%
EPS, EUR	**0.08**	0.16	**-50%**	**0.19**	0.31	**-39%**	0.32

* Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

Market environment

Global market conditions continue challenging with positive signs in some regions. Sales developed positively in several European countries and pre-sales of ice fishing products for the coming winter season in the US has been good. Political unrest in Eastern Europe, unfavourable development of several currencies and ongoing economical uncertainties in some other markets continue to hurt sales. Abnormal and extreme weather conditions had an adverse impact on the peak season of summer fishing sales in some markets. Tough economic situation and extraordinary weather conditions have impacted customer spending, timing and length of seasons and forced retailers to put tighter control on their purchases.

Business Review April-June 2014

The Group's net sales for the second quarter were down 5%. Changes in translation exchange rates explain approximately 4.8 MEUR of the decline in net sales. With comparable translation exchange rates quarterly net sales grew 1% from last year.

North America

Despite gradual positive development of general consumer sentiment in North America, the retail sales of fishing tackle products slowed down. This was impacted by late and rainy spring and summer as well as flooding, which have impacted fishing conditions in some main areas. More than half of the decline net sales is due to change in currency exchange rates. With comparable rates sales were down 4%.

Nordic

Nordic sales increased in local currency terms. With comparable rates net sales were 2% above last year level. Early spring supported the beginning of the summer fishing season, while subsequent cooling down of the weathers partly hurt the sales. Consequently second quarter sales were partly negatively impacted by earlier timing of summer fishing sales. Sales were supported by growth in Norway and Marttiini kitchen knife sales in Finland.

Rest of Europe

Sales in Russia and Ukraine continued to suffer from the political and economical unrest in the area. Currencies, mainly Ruble, had a strong negative impact on the sales in the Rest of Europe compared to last year and with comparable rates net sales were up 3%. Excluding Russia and Ukraine sales of Rest of Europe sales increased 6% from last year, assuming comparable rates. Sales improved in France and UK as well as in Hungary and Spain where economies show cautious recovery. Quarterly sales were negatively impacted by delivery problems of suppliers.

Rest of the World

Despite volume growth net sales declined due to currency impact, most of all South African Rand and Australian dollar. With comparable rates sales were 8% above last year's level. Business developed well in Korea and Thailand, while the business conditions were tough in Australia. Economic and political instability continued to disturb the business in South Africa.

External Net Sales by Area

MEUR	II 2014	II 2013	change %	I-IV 2013
North America	**19.8**	21.9	**-10%**	88,4
Nordic	**19.5**	19.8	**-2%**	60,8
Rest of Europe	**30.7**	31.9	**-4%**	103,6
Rest of the World	**7.6**	7.8	**-3%**	33,8
Total	**77.7**	81.4	**-5%**	286,6

Business Review January-June 2014

The Group net sales for the first half of the year were down 8%. Changes in translation exchange rates explain approximately 8.9 MEUR of the decline in net sales. With comparable translation exchange rates six-month net sales were 2% behind last year's level.

North America

Currencies cut North American sales compared to last year, with comparable rates net sales were down 5%. Extreme winter weathers, late start of spring and rainy summer delayed sales of summer fishing products, but conversely supported the replenishment sales of ice fishing products of 2013/2014 winter season.

Nordic

Nordic sales were down 3% with comparable rates. Nordic countries suffered from late and exceptionally mild and snowless winter which impacted the sales of winter sports and ice fishing products especially in Finland. Sales in Norway have developed positively.

Rest of Europe

Political and economical turbulence in Russia and Ukraine had adverse impact on sales in these countries. Currencies, mainly Ruble, had a clear negative impact on sales in the Rest of Europe compared to last year and with comparable rates net sales were slightly behind last year. Excluding Russia and Ukraine sales of Rest of Europe in local currency term improved 2% from last year supported by growth in Poland, Hungary, Spain and UK.

Rest of the World

Rest of the World sales were also impacted negatively by weakening of several currencies and with comparable rates sales were slightly above last year level. Local currency sales developed well in several Asian and Latin American countries, while suffered in Australia. Transfer of production from China to Batam impacted negatively external sales of the Asian manufacturing unit.

External Net Sales by Area

MEUR	I-II 2014	I-II 2013	change %	I-IV 2013
North America	**39.2**	43.7	**-10%**	88,4
Nordic	**32.7**	34.9	**-6%**	60,8
Rest of Europe	**57.3**	61.4	**-7%**	103,6
Rest of the World	**14.7**	16.6	**-11%**	33,8
Total	**143.9**	156.7	**-8%**	286,6

Financial Results and Profitability

Comparable (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) and reported operating profit decreased from last year for the second quarter and for the first half of the year. Changes in translation exchange rates decreased quarterly operating profit by approximately 0.5 MEUR and six-month operating profit by approximately 0.6 MEUR. With comparable translation exchange rates comparable operating profit was 2.9 MEUR behind last year's level for the quarter and 4.3 MEUR for the first half of the year.

Comparable operating profit margin was 12.4% (16.1) for the quarter and 11.4% (13.5) for the six-month period. Second quarter profitability was hurt by lower sales, both at distribution and manufacturing level, as well as more aggressive sales campaigns reducing the margins. Ramp-up of the new factory in Batam had a significant negative contribution in the Group's profitability. Profitability was supported by the favourable exchange rate impact on purchases, improved result of the UK joint venture and improved margin in the first quarter of the year.

Respectively reported operating profit margin was 11.1% (16.5) for the quarter and 11.1% (14.1) for the six-month period. Reported operating profit included net loss of non-recurring items of 0.5 MEUR (0.1) for the quarter and 0.4 MEUR (0.1) for the first half of the year related to the closing down of the manufacturing operations in China. Mark-to-market valuation of operative currency derivatives included in the reported operating profit was 0.6 MEUR loss (0.5 gain) for the quarter and 0.1 MEUR gain (0.9 gain) for six-months.

Total financial (net) expenses were 1.6 MEUR (1.9) for the quarter and 3.5 MEUR (2.2) for the first half. Financial items were negatively impacted by the (net) foreign exchange expenses of 0.5 MEUR (0.8) for the quarter and 1.5 MEUR (0.4) for the six-months. Net interest and other financing expenses were at last year's level at 1.0 MEUR (1.0) for the quarter and 1.9 MEUR (1.8) for the first half.

Net profit for the quarter reduced from last year and earnings per share were 0.08 EUR (0.16) for the quarter and 0.19 EUR (0.31) for the first half of the year. Six-month net profit includes a positive tax impact of 1.0 MEUR related to an agreement with the Finnish tax authority on the parent company's taxation in years 2006-2013. The share of non-controlling interest in net profit decreased from last year and totalled 1.0 MEUR (1.6) for the quarter and 0.9 MEUR (2.5) for the first half of the year.

Key figures

MEUR	II 2014	II 2013	change %	I-II 2014	I-II 2013	change %	I-IV 2013
Net sales	**77.7**	81.4	**-5%**	**143.9**	156.7	**-8%**	286.6
Operating profit	**8.6**	13.4	**-36%**	**16.0**	22.0	**-27%**	26.1
Comparable operating profit *	**9.7**	13.1	**-26%**	**16.3**	21.2	**-23%**	27.1
Net profit	**4.1**	7.8	**-47%**	**8.4**	14.4	**-42%**	16.1

* Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

Segment Review

Group Products

Second quarter and six-months sales of Group Products decreased from last year. Sales were burdened by foreign exchange rates and with comparable exchange rates net sales were at last year's level for the quarter and down 2% for the first half of the year. Quarterly sales was supported by increased sales of fishing accessories. Unfavourable weather conditions impacted negatively quarterly sales of summer fishing tackle in some markets, particularly the US. First half sales were also impacted by lower sales of winter fishing and winter sports products in Europe due to mild winter.

Operating profit for Group Products decreased from last year in the second quarter and first half of the year. Operating profit was negatively impacted by foreign exchange rates, lower sales impacting profitability both at distribution and manufacturing level, special campaigns and costs related to closing down the manufacturing unit in China and ramp-up of the Batam unit.

Third Party Products

Sales of Third Party Products were below last year in the second quarter and first half of the year. With comparable exchange rates net sales were up 3% in the quarter and down 4% in the six-month period. Quarterly sales increase resulted from increase in sales of third party fishing products. Third Party Products sales faced challenges due to supplier's delivery problems, economical instabilities and weather conditions.

Operating profit for Third Party Products was slightly behind last year level supported by more favourable exchange rates on purchases and recovery of margin while burdened by lower sales.

Net Sales by Segment

MEUR	II 2014	II 2013	change %	I-II 2014	I-II 2013	change %	I-IV 2013
Group Products	**47.0**	49.4	**-5%**	**90.3**	96.6	**-7%**	176.3
Third Party Products	**30.7**	32.1	**-4%**	**53.6**	60.2	**-11%**	110.5
Eliminations	**0.0**	-0.1		**0.0**	-0.1		-0.1
Total	**77.7**	81.4	**-5%**	**143.9**	156.7	**-8%**	286.6

Operating profit by Segment

MEUR	II 2014	II 2013	change %	I-II 2014	I-II 2013	change %	I-IV 2013
Group Products	**4.7**	9.1	**-48%**	**9.7**	15.3	**-37%**	19.4
Third Party Products	**3.9**	4.3	**-9%**	**6.4**	6.7	**-4%**	6.7
Total	**8.6**	13.4	**-36%**	**16.0**	22.0	**-27%**	26.1

Financial position

Cash flow from operations improved significantly and reached record levels of 22.3 MEUR (16.2) for the second quarter and 14.0 MEUR (8.1 MEUR) for the first half of the year, despite the reduced net result. Improvement was driven by positive development in the net working capital as especially receivables released more cash. High second quarter cash flow reflects earlier timing of purchases and later collection of cash compared to last year. Net change in working capital amounted to 13.6 MEUR (2.1) for the quarter and -2.4 MEUR (-13.0) for the six-month period. Inventories increased by 1.4 MEUR from last June amounting to 113.9 MEUR (112.5). Currency impact decreased inventories by some 5.8 MEUR. Increase in inventories was driven primarily by slowdown in sales and transfer of production from China to Batam.

Net cash used in investing activities was at last year's level and totalled 2.4 MEUR (2.4) for the quarter and 4.5 MEUR (4.5) for the first half of the year, for the most part consisting of normal operative capital expenditure.

Liquidity position of the Group was good. Following an increased focus on cash management, cash and cash equivalents reduced to 15.6 MEUR (28.1) and undrawn committed long-term credit facilities amounted to 78.5 MEUR at the end of the period. Net interest-bearing debt and gearing increased from last year and equity-to-assets ratio was slightly below last year level. The Group fulfils all financial covenants related to its credit facilities.

Key figures

MEUR	II 2014	II 2013	change %	I-II 2014	I-II 2013	change %	I-IV 2013
Cash flow from operations	**22.3**	16.2	**+38%**	**14.0**	8.1	**+73%**	15.3
Net interest-bearing debt at end of period	**96.4**	95.7	**+1%**	**96.4**	95.7	**+1%**	96.3
Gearing %	**73.2%**	68.1%		**73.2%**	68.1%		71.2%
Equity-to-assets ratio at end of period, %	**42.6%**	42.8%		**42.6%**	42.8%		44.5%

Strategy Implementation

Execution of the Rapala Group's strategy of profitable growth is based on three cornerstones: brands, manufacturing and distribution, supported by strong corporate culture. During the second quarter strategy implementation continued in various areas.

Ramp-up of the Group's new ice drill manufacturing unit in Korpilahti, Finland, has been finalized and the unit is on time producing Mora Ice and Rapala UR branded ice drills and related accessories for the next winter season.

The operations of the Group's own lure manufacturing unit in China ceased during the second quarter and remaining premises will be handed over during third quarter. The new lure manufacturing unit in Batam, employing more than 800 people, is intensively focusing on increasing the operative efficiencies, in order to capitalize the benefits of streamlined production processes and cheaper production costs.

Initiatives to streamline the Group's supply chain are proceeding, focusing on consolidating purchasing and logistics processes in selected third party products in Europe and setting up a new logistics hub in Asia. The Group-level supply chain organization has been restructured and formalized to further boost the initiatives to bring down the Group's inventory levels.

Discussions and negotiations regarding acquisitions and business combinations continued during the second quarter of the year, as the Group continues to seek also non-organic growth opportunities.

Product Development

Continuous product development and consistent innovation are core competences for the Group and major contributor to the value and commercial success of the brands.

New products for 2015 season were presented in EFTTEX and ICAST trade shows during the summer. Rapala's Interface Rain Suit and Dynamite Baits' Trout Nuggets won Best New Products Awards at the 2014 EFTTEX, Europe's largest and most important international fishing tackle trade show.

Organization and Personnel

Average number of personnel for the second quarter was 2 672 (2 183) and 2 666 (2 235) for the first half of the year, majority of the increase relating to expansion of lure manufacturing operations in Batam and reduction of outsourcing in China. At the end of June, the number of personnel was 2 692 (2 425).

Short-term Outlook and Risks

First half of the year was affected by adverse weathers, volatile currency exchange rates and economical and political uncertainties, which have contributed in the slowdown of sales in several major markets. While there were also some positive signs especially in Europe, the short-term visibility is still limited and outlook is cautious.

In the US the consumer demand for guns and ammunition is slowing down and consequently retailers are turning their focus more towards other outdoor categories such as fishing.

In North America the presales of ice fishing products for the coming winter season has been good and will support the sales in latter part of the year. In Europe previous winter's bad weathers will have some knock-on impact on next winter season's sales in latter part of the year.

The continuing political turbulence between Russia and Ukraine is still a concern for these markets. Further escalation of the crisis may have negative impacts on customer consumption even more widely in Europe. Drastic changes in foreign exchange rates may impact negatively the profit margins and consumer demand in some countries.

The closure of manufacturing operations in China will still trigger some extra costs during 2014, but the new lure factory in Batam is expected to clearly improve the situation during latter part of the year as the ramp-up period is coming to the end.

The Group will increase the focus on bringing down the increased inventory levels.

The Group expects full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) to be below 2013 levels. The guidance is unchanged from July 11, 2014.

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

Third quarter interim report will be published on October 21.

Helsinki, July 21, 2014

Board of Directors of Rapala VMC Corporation

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A conference call on the quarter result will be arranged today at 3:00 p.m. Finnish time (2:00 p.m. CET). Please dial +44 (0)20 3364 5719 or +1 212 444 0096 or +358 (0)9 2310 1675 (pin code: 763161#) 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)20 3427 0598 (pin code: 3526090). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**II** **2014**	II 2013	**I-II** **2014**	I-II 2013	I-IV 2013
Net sales	**77.7**	81.4	**143.9**	156.7	286.6
Other operating income	**0.2**	0.2	**0.3**	0.3	0.8
Materials and services	**35.8**	36.0	**64.3**	71.2	134.4
Personnel expenses	**17.1**	16.7	**34.0**	32.9	64.0
Other costs and expenses	**14.8**	13.7	**26.7**	27.3	54.9
Share of results in associates and joint ventures	**0.2**	0.0	**0.2**	-0.2	-0.5
EBITDA	**10.4**	15.2	**19.5**	25.4	33.6
Depreciation, amortization and impairments	**1.8**	1.7	**3.5**	3.4	7.5
Operating profit (EBIT)	**8.6**	13.4	**16.0**	22.0	26.1
Financial income and expenses	**1.6**	1.9	**3.5**	2.2	5.5
Profit before taxes	**7.0**	11.6	**12.5**	19.8	20.6
Income taxes	**2.9**	3.8	**4.1**	5.4	4.6
Net profit for the period	**4.1**	7.8	**8.4**	14.4	16.1
Attributable to:					
Equity holders of the company	**3.1**	6.2	**7.5**	11.9	12.5
Non-controlling interests	**1.0**	1.6	**0.9**	2.5	3.6
Earnings per share for profit attributable to the equity holders of the company:					
Earnings per share, EUR (diluted = non-diluted)	**0.08**	0.16	**0.19**	0.31	0.32

STATEMENT OF COMPREHENSIVE INCOME MEUR	**II** **2014**	II 2013	**I-II** **2014**	I-II 2013	I-IV 2013
Net profit for the period	**4.1**	7.8	**8.4**	14.4	16.1
Other comprehensive income, net of tax					
Change in translation differences*	**2.2**	-4.9	**1.0**	-2.9	-7.1
Gains and losses on cash flow hedges*	**0.0**	0.4	**0.1**	0.7	0.9
Gains and losses on hedges of net investments*	**-0.5**	0.2	**0.1**	-0.1	-2.3
Actuarial gains (losses) on defined benefit plan	**-**	-	**-**	-	0.1
Total other comprehensive income, net of tax	**1.6**	-4.4	**1.2**	-2.3	-8.4
Total comprehensive income for the period	**5.8**	3.4	**9.6**	12.1	7.7
Total comprehensive income attributable to:					
Equity holders of the Company	**4.5**	2.3	**8.8**	10.1	5.1
Non-controlling interests	**1.3**	1.1	**0.9**	2.0	2.6

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

STATEMENT OF FINANCIAL POSITION MEUR	**June 30 2014**	June 30 2013	Dec 31 2013
ASSETS			
Non-current assets			
Intangible assets	**70.7**	71.8	70.0
Property, plant and equipment	**30.9**	29.6	30.6
Non-current assets			
Interest-bearing	**3.8**	3.4	3.0
Non-interest-bearing	**9.6**	10.3	10.1
	115.0	115.0	113.7
Current assets			
Inventories	**113.9**	112.5	110.3
Current assets			
Interest-bearing	**1.0**	2.3	1.0
Non-interest-bearing	**64.2**	70.8	62.1
Cash and cash equivalents	**15.6**	28.1	16.9
	194.7	213.7	190.3
Total assets	**309.7**	328.7	304.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**122.4**	129.1	123.1
Non-controlling interests	**9.3**	11.4	12.0
	131.7	140.5	135.1
Non-current liabilities			
Interest-bearing	**40.1**	70.1	39.4
Non-interest-bearing	**12.3**	13.8	12.8
	52.4	83.9	52.2
Current liabilities			
Interest-bearing	**76.6**	59.5	77.8
Non-interest-bearing	**49.0**	44.9	38.9
	125.6	104.3	116.7
Total equity and liabilities	**309.7**	328.7	304.1

KEY FIGURES	**II 2014**	II 2013	**I-II 2014**	I-II 2013	I-IV 2013
EBITDA margin, %	**13.4%**	18.6%	**13.5%**	16.2%	11.7%
Operating profit margin, %	**11.1%**	16.5%	**11.1%**	14.1%	9.1%
Return on capital employed, %	**14.6%**	22.3%	**13.9%**	19.0%	11.4%
Capital employed at end of period, MEUR	**228.1**	236.2	**228.1**	236.2	231.4
Net interest-bearing debt at end of period, MEUR	**96.4**	95.7	**96.4**	95.7	96.3
Equity-to-assets ratio at end of period, %	**42.6%**	42.8%	**42.6%**	42.8%	44.5%
Debt-to-equity ratio at end of period, %	**73.2%**	68.1%	**73.2%**	68.1%	71.2%
Earnings per share, EUR (diluted = non-diluted)	**0.08**	0.16	**0.19**	0.31	0.32
Equity per share at end of period, EUR	**3.18**	3.34	**3.18**	3.34	3.19
Average personnel for the period	**2 672**	2 183	**2 666**	2 235	2 428

Definitions of key figures are consistent with those in the financial statement 2013.

STATEMENT OF CASH FLOWS	**II**	II	**I-II**	I-II	I-IV
MEUR	**2014**	2013	**2014**	2013	2013
Net profit for the period	**4.1**	7.8	**8.4**	14.4	16.1
Adjustments to net profit for the period *	**6.8**	7.5	**10.7**	10.8	18.6
Financial items and taxes paid and received	**-2.2**	-1.2	**-2.8**	-4.1	-8.6
Change in working capital	**13.6**	2.1	**-2.4**	-13.0	-10.8
Net cash generated from operating activities	**22.3**	16.2	**14.0**	8.1	15.3
Investments	**-1.8**	-1.9	**-3.8**	-3.9	-10.7
Proceeds from sales of assets	**0.1**	0.1	**0.2**	0.1	0.2
Sufix brand acquisition	**-0.7**	-0.7	**-0.7**	-0.7	-0.7
Acquisition of other subsidiaries, net of cash	**-**	-	**-0.2**	0.0	0.0
Proceeds from disposal of subsidiaries, net of cash	**-**	-	**-**	-	0.5
Change in interest-bearing receivables	**0.0**	0.0	**0.0**	0.0	-0.1
Net cash used in investing activities	**-2.4**	-2.4	**-4.5**	-4.5	-10.8
Dividends paid to parent company's shareholders	**-9.2**	-8.9	**-9.2**	-8.9	-8.9
Dividends paid to non-controlling interest	**-**	-	**-**	-	-
Net funding	**-5.5**	-7.1	**-1.6**	-4.5	-16.0
Purchase of own shares	**-0.1**	-0.2	**-0.3**	-0.5	-1.0
Net cash generated from financing activities	**-14.9**	-16.3	**-11.1**	-14.0	-25.9
Adjustments	**-0.6**	1.0	**0.1**	1.1	1.5
Change in cash and cash equivalents	**4.3**	-1.5	**-1.4**	-9.3	-19.8
Cash & cash equivalents at the beginning of the period	**11.0**	30.8	**16.9**	38.2	38.2
Foreign exchange rate effect	**0.2**	-1.2	**0.1**	-0.8	-1.4
Cash and cash equivalents at the end of the period	**15.6**	28.1	**15.6**	28.1	16.9

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Non-controlling interests	**Total equity**
Equity on Jan 1, 2013	**3.6**	**16.7**	**-2.3**	**-4.1**	**4.9**	**-3.4**	**112.8**	**9.4**	**137.7**
Comprehensive income *	-	-	0.7	-2.5	-	-	11.9	2.0	**12.1**
Purchase of own shares	-	-	-	-	-	-0.5	-	-	**-0.5**
Dividends	-	-	-	-	-	-	-8.9	-	**-8.9**
Share based payment	-	-	-	-	-	-	0.2	-	**0.2**
Other changes	-	-	-	-	-	-	0.0	0.0	**0.0**
Equity on Jun 30, 2013	**3.6**	**16.7**	**-1.5**	**-6.6**	**4.9**	**-3.9**	**116.0**	**11.4**	**140.5**
Equity on Jan 1, 2014	**3.6**	**16.7**	**-1.4**	**-12.5**	**4.9**	**-4.4**	**116.2**	**12.0**	**135.1**
Comprehensive income *	-	-	0.1	1.2	-	-	7.5	0.9	**9.6**
Purchase of own shares	-	-	-	-	-	-0.3	-	-	**-0.3**
Dividends	-	-	-	-	-	-	-9.2	-3.6	**-12.8**
Equity on Jun 30, 2014	**3.6**	**16.7**	**-1.3**	**-11.3**	**4.9**	**-4.6**	**114.5**	**9.3**	**131.7**

* For the period, (net of tax)

SEGMENT INFORMATION*

MEUR **Net Sales by Operating Segment**	**II 2014**	II 2013	**I-II 2014**	I-II 2013	I-IV 2013
Group Products	**47.0**	49.4	**90.3**	96.6	176.3
Third Party Products	**30.7**	32.1	**53.6**	60.2	110.5
Eliminations	**0.0**	-0.1	**0.0**	-0.1	-0.1
Total	**77.7**	81.4	**143.9**	156.7	286.6
Operating Profit by Operating Segment					
Group Products	**4.7**	9.1	**9.7**	15.3	19.4
Third Party Products	**3.9**	4.3	**6.4**	6.7	6.7
Total	**8.6**	13.4	**16.0**	22.0	26.1

Assets by Operating Segment	**Jun 30 2014**	Jun 30 2013	Dec 31 2013
Group Products	**218.3**	217.8	215.7
Third Party Products	**71.1**	77.1	67.4
Non-interest-bearing assets total	**289.4**	294.9	283.1
Unallocated interest-bearing assets	**20.4**	33.8	21.0
Total assets	**309.7**	328.7	304.1

* Segments are consistent with those in the financial statements 2013. Segments are described in detail in note 2 of the financial statements 2013.

External Net Sales by Area MEUR	**II 2014**	II 2013	**I-II 2014**	I-II 2013	I-IV 2013
North America	**19.8**	21.9	**39.2**	43.7	88.4
Nordic	**19.5**	19.8	**32.7**	34.9	60.8
Rest of Europe	**30.7**	31.9	**57.3**	61.4	103.6
Rest of the world	**7.6**	7.8	**14.7**	16.6	33.8
Total	**77.7**	81.4	**143.9**	156.7	286.6

KEY FIGURES BY QUARTERS MEUR	I 2013	II 2013	III 2013	IV 2013	I-IV 2013	**I 2014**	**II 2014**
Net sales	75.3	81.4	66.6	63.3	286.6	**66.2**	**77.7**
EBITDA	10.3	15.2	4.5	3.7	33.6	**9.1**	**10.4**
Operating profit	8.6	13.4	2.6	1.5	26.1	**7.4**	**8.6**
Profit before taxes	8.3	11.6	-0.4	1.2	20.6	**5.5**	**7.0**
Net profit for the period	6.6	7.8	-1.2	2.9	16.1	**4.3**	**4.1**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Financial Statements 2013, except for the adoption of the new or amended standards and interpretations.

Adoption of the revised standards IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 as well as the amended standards IAS 36 and IAS 39 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

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 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 January-June 2014. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On June 30, 2014, the book value of inventories included a provision for net realizable value of 5.0 MEUR (4.7 MEUR at June 30, 2013 and 4.5 MEUR at December 31, 2013).

Impact of business acquisitions on the consolidated financial statements

In January 2014, the Group acquired 100% of the shares and voting rights of a French coarse fishing attractant manufacturer Mystic s.a.r.l.. The consideration amounted to 0.2 MEUR. The closing accounts were finalized during the first quarter and goodwill of 0.3 MEUR was recognized. The acquisition does not have material impact on the result or financial position of the Group.

Non-recurring income and expenses included in operating profit MEUR	**II** **2014**	II 2013	**I-II** **2014**	I-II 2013	I-IV 2013
Closure of Chinese lure manufacturing *	**-0.5**	-	**-0.5**	-	-0.8
Other restructuring costs	**-**	-0.1	**0.1**	-0.1	-0.2
Other non-recurring items	**-**	-	**-**	0.0	-0.1
Total included in EBITDA and operating profit	**-0.5**	-0.1	**-0.4**	-0.1	-1.1
Other non-recurring impairments	**-**	-	**-**	-	-0.2
Total included in operating profit	**-0.5**	-0.1	**-0.4**	-0.1	-1.3

* The Group classifies all exceptional income and expenses related to the closure of China manufacturing that are not related to normal business operation as non-recurring, primarily consisting of write-offs and one-off costs related to restructuring.

Commitments MEUR	**June 30** **2014**	June 30 2013	Dec 31 2013
On own behalf			
Guarantees	**-**	0.1	-
Minimum future lease payments on operating leases	**16.5**	14.2	16.8

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
I-II 2014						
Joint venture Shimano Normark UK Ltd	**1.6**	**-**	**-**	**0.0**	**0.5**	**-**
Associated company Lanimo Oü	**-**	**-**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.1**	**0.1**	**0.0**	**-**
Management	**-**	**-**	**0.1**	**-**	**0.0**	**0.0**
I-II 2013						
Joint venture Shimano Normark UK Ltd	1.5	-	-	-	0.5	-
Associated company Lanimo Oü	0.0	0.1	-	-	-	-
Entity with significant influence over the Group*	-	-	0.1	0.1	0.0	0.0
Management	-	-	0.1	-	-	0.0
I-IV 2013						
Joint venture Shimano Normark UK Ltd	3.0	-	-	-	0.1	-
Associated company Lanimo Oü	0.0	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	-	-	0.3	-	-	0.0

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

Open derivatives	**Jun 30 2014**		Jun 30 2013		Dec 31 2013	
MEUR	**Nominal Value**	**Fair Value**	Nominal Value	Fair Value	Nominal Value	Fair Value
Operative hedges						
Foreign currency derivatives	**45.1**	**0.1**	44.1	0.6	49.4	0.0
Monetary hedges						
Foreign currency derivatives	**39.7**	**-0.8**	20.7	0.0	24.6	0.1
Interest rate derivatives*	**69.6**	**-1.2**	80.0	-3.1	69.5	-2.0

* Includes also two cross-currency swaps.

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 2013.

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

	II 2014	II 2013	**I-II 2014**	I-II 2013	I-IV 2013
Included in operating profit	**-0.6**	0.5	**0.1**	0.9	0.3

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivative's 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 underlying foreign currency transactions will realize in future periods.

Fair values of financial instruments	**Jun 30 2014**		Jun 30 2013		Dec 31 2013	
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans and receivables	**79.7**	**79.7**	97.4	97.4	77.8	77.8
Available-for-sale financial assets (level 3)	**0.3**	**0.3**	0.3	0.3	0.3	0.3
Derivatives (level 2)	**1.2**	**1.2**	1.1	1.1	0.8	0.8
Financial liabilities						
Financial liabilities at amortized cost	**140.6**	**141.0**	152.1	152.7	138.1	138.7
Derivatives (level 2)	**3.1**	**3.1**	3.7	3.7	2.8	2.8

Shares and share capital

On April 10, 2014 The Annual General Meeting (AGM) updated Board's authorization on repurchase of shares. A separate stock exchange release on the decisions of the AGM was given, and up to date information on the board's authorizations and other decision of the AGM are available also on the corporate website.

At the end of the reporting period the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 000 000. The average number of shares during the reporting period was 39 303 720. During the reporting period, company bought back a total of 51 427 own shares. At the end of the reporting period the company held 491 826 own shares, representing 1.3% of the total number of shares and the total voting rights. The average share price of all repurchased own shares held by the company was 5.16 EUR.

On April 10, 2014 the Board decided to cancel 468 449 treasury shares. The cancellation did not have an effect on the share capital. The cancellation was registered with the Trade Register on April 28, 2014. After the cancellation, the number of Rapala VMC Corporation's shares is 39 000 000.

During the reporting period, 425 993 shares (2 052 824) were traded at a high of 6.00 EUR and a low of 5.00 EUR. The closing share price at the end of the period was 5.73 EUR.

Short term risks and uncertainties

The objective of Rapala VMC Corporation's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased as Rapala VMC Corporation has continued to expand its operations. Accordingly, Group management continuously develops it's risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Financial Statements 2013.

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, although this seasonality pattern may partly change as the Group has increased its role in winter fishing business. Weathers impact consumer demand and may have impact on the Group's sales for current and following seasons. The Group is more affected by winter weathers after the expansion into winter fishing business, while the impacts on summer and winter seasons are partly offsetting each other.

The biggest deliveries for both summer and winter 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 the challenges in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand upwards or downwards may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

The transfer of lure manufacturing operations from China to Batam have increased certain production cost and supply chain risks temporarily, while this risk starts to reduce as Chinese operations have practically ceased.

The Group refinanced its main credit facilities in 2012. These credit facilities include some financial covenants, which are actively monitored. The Group's liquidity and refinancing risks are well under control.

The fishing tackle business has not traditionally been strongly influenced by increased uncertainties and downturns in the general economic climate. They may however influence, at least for a short while, the sales of fishing tackle, when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses, such as gasoline price, uncertainties concerning employment, sudden fluctuations in foreign exchange rates and governmental austerity measures may temporarily affect consumer spending. Additionally political tensions, such as the conflict between Russia and Ukraine, may have effects on the Group's business. However, the underlying consumer demand has historically proven to be fairly solid.

The truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. The Group is cautiously monitoring the development both in the global macro economy as well as in the various local markets it operates in.

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 and write-downs are initiated if needed.

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, 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 currency hedging agreements have an impact on the Group's reported operating profit. The Group is closely monitoring market development as well as its cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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