

INTERIM REPORT – JANUARY TO JUNE 2008**Good performance in a challenging market condition with a weak US dollar**

- Net sales for second quarter reached a new quarterly record at 74.2 MEUR (II/07: 73.4 MEUR). Net sales for the first six months increased 2% to 139.4 MEUR (I-II/07:136.8 MEUR) despite negative currency movements. With comparable exchange rates, the six-month net sales were up 8%.
- Operating profit for April to June improved 26% from last year mainly as a result of performance improvement actions and totaled 13.8 MEUR (11.0 MEUR). Operating profit for the first half of the year was up 6% to 24.5 MEUR (23.0 MEUR). Comparable operating profit improved to 24.6 MEUR (21.7 MEUR) and operating margin to 16.7% (15.9%).
- Net profit for the second quarter increased 40% and amounted to 9.4 MEUR (6.7 MEUR) and 16.2 MEUR (14.4 MEUR) for the first half of the year. Earnings per share was up to 0.21 EUR (0.17 EUR) for the quarter and 0.37 EUR (0.37 EUR) for the first six months.
- Cash flow from operating activities was 6.2 MEUR (13.6 MEUR) in the second quarter and -10.1 MEUR (6.2 MEUR) for the first six months as working capital increased.
- Net interest-bearing debt increased slightly from March to 98.7 MEUR (Dec 2007: 80.2 MEUR). Equity-to-assets ratio increased from March to 37.5% (Dec 2007: 38.2%) and gearing decreased from March to 96.1% (Dec 2007: 82.8%).
- Rapala continued to implement its strategy for profitable growth. The acquisition of fishing line brand Sufix and conclusion of an exclusive supply agreement were closed on July 10. The ramp-up of the lure assembly factory in Russia and development of manufacturing operations in China proceeded on plan and the Irish lure factory was closed in April.
- It is expected that the net sales for 2008 will increase 5-10% from last year assuming 2007 average exchange rates. With comparable exchange rates and excluding non-recurring items, full year operating margin is expected to improve from 2007.

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

A conference call on the second quarter 2008 result will be arranged today at 12 pm Finnish time (11 am CET). Please dial +44 (0)20 8602 0812 or +1 212 999 6646 (pin code: 222408#) five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 14 days following the teleconference. The number (pin code: 222408#) to dial is +44 (0)20 7806 1970 or +1 718 354 1112. Financial information and a teleconference reply facility are also available at www.rapala.com.

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Market Situation and Sales

Market situation continued good in North and East Europe, whereas some markets in West Europe and especially North America started to suffer from the downturn in economy. In Nordic countries, sales were up 16% for the second quarter and 19% for the first six months. Boosted by the East Europe, net sales in Rest of Europe were up 15% for the second quarter and 16% for the first half of the year. Sales in Rest of the world were at last year levels in local currencies while reported euro-based net sales were below last year mainly because of strong weakening of US dollar and South African rand.

In North America, the overall economic climate continued to weaken. This together with strongly increased gasoline prices started to affect also consumer spending on fishing tackle towards the end of the second quarter despite of the fact that fishing tackle business has traditionally not suffered a lot from the economic slowdowns. As a result of previous factors and weakening of the US dollar, net sales in North America decreased 25% for the second quarter and 22% for the first six months. With comparable exchange rates, North American sales were down 15% for April to June and 11% for January to June.

The decrease of sales in North America affected strongly the net sales of Lures, which was down 19% for the quarter and 17% for this first six months. Net sales of Fishing hooks was down 9% for April to June and 7% for January to June. Net sales of Fishing accessories grew 6% for the second quarter and 3% for the six-month period. Net sales of Third party fishing products were up 13% for the quarter and 19% for the first six months due to increased sales of Shimano rods and reels. Net sales of Other products grew 19% for the second quarter and 18% for the first half of the year mainly as a result of increased sales of gift and hunting products.

Net sales for April to June reached a quarterly record level at 74.2 MEUR (73.4 MEUR). Net sales for the first six months increased to 139.4 MEUR (136.8 MEUR). Weakening of the US dollar, South African rand and some other currencies decreased the net sales for January to June by 7.7 MEUR. With comparable exchange rates, the six-month net sales were up 8%. The first half of the year is traditionally the strongest period for Group sales since the fishing tackle deliveries to dealers and retailers are normally at their peak from February to May.

New products for the 2009 season were introduced in June at EFTTEX trade show in Italy and in July at ICAST trade show in the USA. The new introductions were rewarded in several categories and well received by the fishing professionals and distributors.

Financial Results

MEUR	II	II	I-II	I-II	I-IV
	2008	2007	2008	2007	2007
Net sales	74.2	73.4	139.4	136.8	242.5
EBITDA	15.4	12.6	27.6	24.9	33.8
Operating profit (EBIT)	13.8	11.0	24.5	23.0	28.3
Profit before taxes	12.8	9.8	22.1	20.8	23.3
Net profit for the period	9.4	6.7	16.2	14.4	17.5

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Operating profit for the second quarter increased to 13.8 MEUR (11.0 MEUR). Operating margin was up to 18.7% (15.0%) and return on capital employed reached 29.3% (23.6%). Operating profit was negatively affected mainly by declining sales in North America. This was more than compensated by the improved profitability in East and North Europe and the results from the performance improvement actions started in 2007. The result also benefitted from the decreased IFRS based fair value of option programs as a result of the decline in share price.

Operating profit for the first half of the year increased 7% and reached 24.5 MEUR (23.0 MEUR). Operating margin improved to 17.6% (16.8%) and return on capital employed to 25.9% (24.7%). This improvement comes mainly from the gain from the sales of the French real estate in January (1.2 MEUR), results of performance improvement initiatives and decreased IFRS based option expenses. On the other hand, operating profit for January to June was negatively affected by the decreased sales in North America, one-time restructuring and other non-recurring costs (0.5 MEUR) and the weakening of especially US dollar and South African rand (0.8 MEUR). The result of currency hedging related to operating profit (+0.6 MEUR) is booked in financial items. Operating profit for January to June in 2007 included 1.3 MEUR (net) non-recurring gains and expenses. Comparable six-month operating margin, excluding non-recurring items and foreign exchange effects, improved from 2007 and reached 16.7% (15.9%).

Management analysis

MEUR	I-II/2008	I-II/2007		I-II/2008	I-II/2007
Net sales as reported	139.4	136.8	Operating profit as reported	24.5	23.0
Foreign exchange effects	7.7	-	Non-recurring items (net)	-0.7	-1.3
Comparable net sales	147.1	136.8	Foreign exchange effects	0.8	-
			Comparable operating profit	24.6	21.7
Operating margin as rep.	17.6%	16.8%	Comparable operating marg.	16.7%	15.9%

All geographical segments but North America improved their operating profit both for the second quarter and the first six months. Profitability of Nordic countries improved in line with improved sales and results of performance improvement actions. Improvement in operating profit of Rest of Europe was boosted by the good performance in East Europe and the French capital gain. Profitability of Rest of the world was boosted by increased sales of gift products and increased manufacturing prices. Operating profit of North America suffered from the reduced sales and increased purchase prices.

Financial income and expenses were close to last year levels. Net interest expenses were 1.5 MEUR (1.5 MEUR) for the second quarter and 2.9 MEUR (3.0 MEUR) for the first six months. Currency exchange gains were 0.4 MEUR (0.4 MEUR) for the second quarter and 0.5 MEUR (0.8 MEUR) for the first six months.

Net profit improved clearly from previous year and amounted to 9.4 MEUR (6.7 MEUR) for the second quarter and to 16.2 MEUR (14.4 MEUR) for the first half of the year. Earnings per

share (basic) was 0.21 EUR (0.17 EUR) for the quarter and 0.37 EUR (0.37 EUR) for the first six months.

Cash Flow and Financial Position

Cash flow from operating activities decreased in the second quarter from last year but improved clearly from the first quarter. Working capital increased from last year and December 2007 as trade receivables increased seasonally and new inventories for Shimano distribution tied additional capital. Inventories increased also in the USA as a result of the decline in sales.

Cash used in investing activities amounted to 1.4 MEUR (1.9 MEUR) for the second quarter and 3.4 MEUR (4.9 MEUR) for the first half of the year.

Net interest-bearing debt increased slightly from March to 98.7 MEUR (Dec 2007: 80.2 MEUR). Equity-to-assets ratio increased from March to 37.5% (Dec 2007: 38.2%) and gearing decreased from March to 96.1% (Dec 2007: 82.8%). Both ratios improved also from June 2007.

Strategy Implementation - Growth

Rapala's strategic objective is profitable growth. During the second quarter, management continued discussions and negotiations regarding acquisitions and business combinations to implement the Group's strategy. Development of organic growth also in terms of new product lines, extensions of current product categories as well as special marketing, sales and brand initiatives continued.

In June, it was announced, that Rapala and Yao I Co Ltd ("Yao I"), one of the leading manufacturers of fishing line in the world having its offices in Changhua, Taiwan, and fishing line factories in Taiwan and China, have decided to conclude an exclusive supply agreement for the supply of fishing lines. In connection with this arrangement, Yao I agreed to sell its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), to Rapala. The deal was closed on July 10.

According to the terms of the exclusive supply agreement, after an interim period and under certain conditions, Rapala alone will be selling fishing lines manufactured by Yao I and Yao I will be manufacturing fishing lines for Rapala only, including subcontracted fishing lines for third party customers (OEM).

Sufix brand is very well known around the world already for more than 20 years. The largest market for Sufix is currently the USA but the brand is well represented also in Europe, Asia and Oceania. As part of the deal, Rapala will acquire the Sufix branded fishing line inventory from Sufix North America, Inc. In the USA, Sufix fishing lines will be distributed by Rapala's US distribution company, Normark Corporation, from the end of July onwards. After a short



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interim period, also all other Rapala's 27 distribution companies around the world will commence the distribution of Sufix branded fishing lines.

Rapala aims to expand its fishing line sales in the next few years to some 25-40 MEUR and gain a significant market share of the global fishing line business. In 2007, the fishing line sales of Rapala were some 7 MEUR. This deal will have an immaterial effect on Rapala's 2008 net sales and profitability but it is expected to increase Rapala's fishing line sales close to 10 MEUR in 2009 compared to 2007.

The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), is 10 MUSD and will be paid over the next seven years. In addition, Rapala will pay some 1.7 MUSD for Sufix US fishing line inventories.

Strategic distribution alliance with Shimano continues to strengthen the Group's position in the fastest growing fishing tackle markets in Eastern Europe. As the latest addition to this distribution alliance, Rapala will start to distribute Shimano fishing tackle through its Czech joint venture distribution company in September. The Group has also recently established a sales office in Slovakia for supplying fishing tackle to Slovakian market.

Strategy Implementation - Profitability

During the quarter, strong emphasis on performance improvement initiatives continued.

The manufacturing operations in Ireland were closed in the end of April. The manufacturing functions have been taken over by the Group's lure factory in Estonia and the majority of the assembly work previously made in Estonian factory has been transferred to the Russian factory. The ramp-up of the lure assembly factory in Russia progressed on plan.

The next step in the initiative to consolidate the Group operations in France to Morvillars is the move of distribution unit Waterqueen and fishing line supplier Tortue during the third quarter of 2008. The final step will be the move of hook distributor VMC Europe, which will take place earliest in the fourth quarter of 2008 but most likely later in 2009. After all relocations have been made and the new organisation is fully operational, the annual savings in France are expected to be 1-2 MEUR.

The performance improvement initiatives at the Group's manufacturing facilities in China to enhance its production efficiencies and shorten lead times proceed on plan. The physical separation of fishing tackle and gift businesses into separate premises and organizations is now completed. New production planning system and related new processes are expected to be implemented by the end of the year.

Many of the smaller performance improvement initiatives have already started to improve the Group's financial performance.



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Short-term Outlook

Market outlook for the rest of 2008 looks challenging. The slowdown in the US economy is expected to affect the sales in North America. Most fishing tackle markets are now heading to the seasonally slow third quarter. Towards the end of the third quarter, the spring season will start in Australia and South Africa and boost their business for the third and fourth quarter. The distribution of third party products for hunting, and towards the end of the quarter also winter sports, are relatively the highest in the third quarter. Since the margins of these products are on average lower than those of fishing tackle, this will traditionally affect the profitability of the third quarter.

It is expected that the Group's net sales for the financial year 2008 will increase 5-10% from 2007 assuming comparable exchange rates. Possible additional acquisitions or business combinations during latter half of 2008 would further increase the sales.

Profitability of the Group's ongoing operations continues to be good. Special initiatives are being implemented to further improve the profitability. Price increases for 2009 season are planned to compensate the increases in raw materials, production, transportation and distribution costs. Business development and integration expenses and start-up costs will continue in 2008. These costs, excluding the possible non-recurring costs, are not expected to exceed the comparable costs in 2007.

With comparable exchange rates and excluding non-recurring items, the operating margin for 2008 is expected to improve from 2007.

Group management continues planning and negotiations regarding further acquisitions and business combinations to implement the Group's strategy. Also work to manage working capital continues.

Third quarter interim report will be published on October 22.

Helsinki, July 23, 2008

Board of Directors of Rapala VMC Corporation



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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	II	II	I-II	I-II	I-IV
MEUR	2008	2007	2008	2007	2007
Net sales	74.2	73.4	139.4	136.8	242.5
Other operating income	0.3	0.6	1.8	0.9	6.7
Cost of sales	39.9	42.0	74.6	74.5	135.8
Other costs and expenses	19.2	19.4	38.9	38.2	79.6
EBITDA	15.4	12.6	27.6	24.9	33.8
Depreciation	1.5	1.6	3.1	1.9	5.4
Operating profit (EBIT)	13.8	11.0	24.5	23.0	28.3
Financial income and expenses	1.1	1.2	2.4	2.2	5.0
Share of results in associated companies	0.0	0.0	0.0	0.0	0.0
Profit before taxes	12.8	9.8	22.1	20.8	23.3
Income taxes	3.4	3.1	5.8	6.4	5.8
Net profit for the period	9.4	6.7	16.2	14.4	17.5

Attributable to:

Equity holders of the Company	8.2	6.6	14.5	14.3	17.3
Minority interest	1.2	0.1	1.7	0.1	0.3

Earnings per share for profit attributable to the equity holders of the Company:

Earnings per share, EUR (diluted = non-diluted)	0.21	0.17	0.37	0.37	0.45
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CONSOLIDATED STATEMENT OF CASH FLOW

MEUR	II	II	I-II	I-II	I-IV
	2008	2007	2008	2007	2007
Net profit for the period	9.4	6.7	16.2	14.4	17.5
Adjustments to net profit for the period *	3.7	5.8	8.7	10.5	14.8
Financial items and taxes paid and received	-3.5	-2.3	-6.3	-4.2	-11.1
Change in working capital	-3.4	3.4	-28.7	-14.4	-3.1
Net cash generated from operating activities	6.2	13.6	-10.1	6.2	18.2
Investments	-1.4	-1.7	-3.2	-3.1	-7.2
Proceeds from sales of assets	0.0	0.2	0.1	0.3	0.4
Acquisition of subsidiaries, net of cash	-0.1	-1.1	-0.4	-2.7	-2.7
Proceeds from disposal of subsidiaries, net of cash	-	0.5	-	0.5	5.9
Change in interest-bearing receivables	0.1	0.0	0.1	0.0	-0.1
Net cash used in investing activities	-1.4	-1.9	-3.4	-4.9	-3.7
Dividends paid	-6.9	-4.6	-6.9	-4.6	-4.6
Net funding	1.6	1.9	18.3	9.7	-11.5
Purchase of own shares	-0.3	-	-0.3	-	-
Proceeds from share subscriptions	-	-	-	0.0	5.0
Net cash generated from financing activities	-5.6	-2.7	11.1	5.1	-11.1
Adjustments	-0.4	0.2	-0.6	0.2	0.4
Change in cash and cash equivalents	-1.3	9.1	-3.1	6.6	3.8
Cash & cash equivalents at the beginning of the period	24.9	21.8	27.3	24.4	24.4
Foreign exchange rate effect	0.2	0.0	-0.5	-0.2	-0.9
Cash & cash equivalents at the end of the period	23.8	30.9	23.8	30.9	27.3

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



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CONSOLIDATED BALANCE SHEET	June 30	June 30	Dec 31
MEUR	2008	2007	2007
ASSETS			
Non-current assets			
Intangible assets	49.4	53.1	51.1
Property, plant and equipment	27.9	29.4	28.4
Non-current financial assets			
Interest-bearing	0.6	0.6	0.6
Non-interest-bearing	7.3	6.4	8.0
	85.3	89.5	88.1
Current assets			
Inventories	89.7	78.9	84.3
Current financial assets			
Interest-bearing	0.0	0.0	0.1
Non-interest-bearing	74.9	74.1	52.8
Cash and cash equivalents	23.8	30.9	27.3
	188.5	183.9	164.6
Assets classified as held-for-sale	0.5	-	0.9
Total assets	274.2	273.5	253.7
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	100.2	90.1	96.0
Minority interest	2.4	0.7	0.9
	102.7	90.8	96.9
Non-current liabilities			
Interest-bearing	48.3	61.8	49.8
Non-interest-bearing	6.3	5.7	6.4
	54.6	67.5	56.3
Current liabilities			
Interest-bearing	74.8	71.6	58.4
Non-interest-bearing	42.1	43.6	42.0
	116.9	115.2	100.5
Total equity and liabilities	274.2	273.5	253.7

KEY FIGURES	II	II	I-II	I-II	I-IV
	2008	2007	2008	2007	2007
EBITDA margin, %	20.7%	17.2%	19.8%	18.2%	13.9%
Operating margin, %	18.7%	15.0%	17.6%	16.8%	11.7%
Return on capital employed, %	29.3%	23.6%	25.9%	24.7%	15.9%
Capital employed at end of period, MEUR	201.4	192.7	201.4	192.7	177.1
Net interest-bearing debt at end of period, MEUR	98.7	101.9	98.7	101.9	80.2
Equity-to-assets ratio at end of period, %	37.5%	33.2%	37.5%	33.2%	38.2%
Debt-to-equity ratio at end of period, %	96.1%	112.3%	96.1%	112.3%	82.8%
Earnings per share, EUR	0.21	0.17	0.37	0.37	0.45
Fully diluted earnings per share, EUR	0.21	0.17	0.37	0.37	0.45
Equity per share at end of period, EUR	2.54	2.34	2.54	2.34	2.43
Average personnel for the period	4 489	4 337	4 580	4 622	4 577



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Minority interest	Total equity
Equity on Jan 1, 2007	3.5	16.7	0.1	-7.1	-	-	67.6	0.6	81.3
Change in translation differences	-	-	-	-0.4	-	-	-	-	-0.4
Gains and losses on hedges of net investments	-	-	-	-0.1	-	-	-	-	-0.1
Fair value gains on available-for-sale investments, net of tax	-	-	-	-	-	-	-	-	-
Net income recognized directly in equity	-	-	-	-0.5	-	-	-	-	-0.5
Net profit for the period	-	-	-	-	-	-	14.3	0.1	14.4
Total recognized income and expenses	-	-	-	-0.5	-	-	14.3	0.1	13.9
Dividends paid	-	-	-	-	-	-	-4.6	-	-4.6
Shares subscribed with options	0.0	0.0	-	-	-	-	-	-	0.0
Share option program	-	-	-	-	-	-	0.2	-	0.2
Other changes	-	-	-	-	-	-	0.0	0.0	0.0
Equity on June 30, 2007	3.5	16.7	0.1	-7.6	-	-	77.5	0.7	90.8
Equity on Jan 1, 2008	3.6	16.7	0.0	-9.8	4.9	-	80.6	0.9	96.9
Change in translation differences	-	-	-	-3.0	-	-	-	-	-3.0
Gains and losses on cash flow hedges	-	-	-0.1	-	-	-	-	-	-0.1
Gains and losses on hedges of net investments	-	-	-	-0.1	-	-	-	-	-0.1
Net income recognized directly in equity	-	-	-0.1	-3.1	-	-	-	-	-3.2
Net profit for the period	-	-	-	-	-	-	14.5	1.7	16.2
Total recognized income and expenses	-	-	-0.1	-3.1	-	-	14.5	1.7	13.1
Purchase of own shares	-	-	-	-	-	-0.3	-	-	-0.3
Dividends paid	-	-	-	-	-	-	-6.9	-	-6.9
Share option program	-	-	-	-	-	-	0.1	-	0.1
Other changes	-	-	-	-	-	-	0.0	-0.2	-0.2
Equity on June 30, 2008	3.6	16.7	-0.1	-12.9	4.9	-0.3	88.3	2.4	102.7



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SEGMENT INFORMATION**	II	II	I-II	I-II	I-IV
MEUR	2008	2007	2008	2007	2007
Net Sales by Area**					
North America	15.4	20.6	32.7	41.7	66.7
Nordic	35.3	30.5	65.8	55.5	96.0
Rest of Europe	31.9	27.8	61.6	53.2	92.1
Rest of the world	12.9	15.9	26.3	30.7	62.9
Intra-Group	-21.2	-21.5	-47.1	-44.2	-75.2
Total	74.2	73.4	139.4	136.8	242.5
Operating Profit by Area**					
North America	0.9	2.2	2.8	6.0	7.5
Nordic	5.2	4.8	7.5	7.6	12.5
Rest of Europe	6.1	3.4	12.8	7.6	3.4
Rest of the world	0.9	0.4	1.6	1.5	5.4
Intra-Group	0.7	0.2	-0.3	0.4	-0.3
Total	13.8	11.0	24.5	23.0	28.3
Net Sales by Product Line***					
Lures	20.5	25.3	40.0	48.4	73.9
Fishing Hooks	4.1	4.5	8.7	9.3	16.9
Fishing Accessories	12.5	11.8	23.1	22.5	43.5
Third Party Fishing Products	24.0	21.2	45.1	38.0	63.4
Other	13.8	11.6	24.1	20.4	47.8
Intra-Group	-0.7	-0.9	-1.6	-1.9	-3.2
Total	74.2	73.4	139.4	136.8	242.5

** Note: This primary segment information is by geographical areas and it has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales/profit generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.

*** Note: This secondary segment information is by product lines. Lures, Fishing Hooks and Fishing Accessories include Group branded fishing tackle products. Third Party Fishing Products include non-Group branded fishing products, mostly rods and reels. Other Products include non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	I	II
MEUR	2007	2007	2007	2007	2007	2008	2008
Net sales	63.4	73.4	52.0	53.7	242.5	65.1	74.2
EBITDA	12.3	12.6	4.6	4.3	33.8	12.2	15.4
Operating profit (EBIT)	12.0	11.0	2.9	2.4	28.3	10.6	13.8
Profit before taxes	11.0	9.8	1.4	1.1	23.3	9.3	12.8
Net profit for the period	7.7	6.7	1.1	2.0	17.5	6.8	9.4

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

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 Annual Report 2007, except for the adoption of new interpretations: IFRIC 11, IFRIC 12 and IFRIC 14. Adoption of these interpretations did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Use of estimates

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.

Definition of key figures

Definitions of key figures used in the interim report are consistent with those used in the Annual Report 2007.

Rounding of figures

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

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 2008. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

At June 30, 2008, the book value of inventories differed from its net realizable value by 2.2 MEUR (1.0 MEUR at June 30, 2007 and 2.4 MEUR at December 31, 2007).

Assets held-for-sale and sale of assets

As part of the consolidation of French operations, Rapala signed a sale agreement for the warehouse and office building in Saint Marcel in January 2008. This resulted in a capital gain of 1.2 MEUR. The plan is also to sell the building in Loudeac during 2008.

Impact of acquisitions on the consolidated financial statements

Rapala increased its ownership in the Finnish cross country ski manufacturer Peltonen Ski Oy from 80% to 90% in January 2008 and ownership in the Lithuanian distribution company from 82% to 100% in March 2008. These acquisitions do not have a material impact on the Group's financial statements for January-June 2008. Also in February, Rapala made the final payment of the Terminator acquisition (0.2 MEUR) closed in 2007, the final payment of the Freetime acquisition (0.1 MEUR) closed in 2005 and a payment of the minority acquisition of Normark Innovation Inc. (0.1 MEUR) closed last year.

Related party transactions

MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-II 2008					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.0	0.0	-
Management	0.0	0.1	0.1	-	0.0
I-II 2007					
Associated company Lanimo Oü	0.1	-	-	-	0.0
I-IV 2007					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.1	0.0	-

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



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Commitments

MEUR	June 30 2008	June 30 2007	Dec 31 2007
On own behalf			
Business mortgage	16.1	16.2	16.1
Guarantees	3.8	2.1	3.1
On behalf of other parties			
Guarantees	0.7	0.8	0.6
Minimum future lease payments on operating leases	7.9	13.2	9.5

Open derivatives

MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
June 30, 2008				
Foreign currency forwards	6.5	0.0	0.3	-0.3
Interest rate swaps	14.3	0.0	0.1	-0.1
Total	20.8	0.0	0.4	-0.4
June 30, 2007				
Foreign currency forwards	3.0	-	0.1	-0.1
Total	3.0	-	0.1	-0.1
Dec 31, 2007				
Foreign currency forwards	7.9	-	0.1	-0.1
Interest rate swaps	12.9	-	0.0	0.0
Total	20.8	-	0.2	-0.2

Group's financial risks and hedging principles are described in detail in the Annual Report 2007.

Non-recurring income and expenses in operating profit

MEUR	II 2008	II 2007	I-II 2008	I-II 2007	I-IV 2007
Sale of 50% of Rapala Shimano East Europe Oy	-	-	-	-	4.9
Consolidation of French operations	-	-	-0.1	-	-2.8
Closure of Irish lure factory	0.0	-	0.0	-	-1.1
Sale of French warehouse and office building	-0.1	-	1.2	-	-
Other disposals of assets	0.0	0.4	0.0	0.4	0.4
Excess of Group's interest in the net fair values of acquired net assets over costs (negative goodwill)	0.0	0.0	0.0	1.2	1.0
Other restructuring costs	0.0	-0.5	-0.2	-0.5	-1.0
Other non-recurring items	-0.2	0.1	-0.2	0.1	0.1
Total	-0.3	0.0	0.7	1.3	1.6

Share-based payments

The Group has three separate share-based payment programs: two stock option programs and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Report 2007. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the programs is 4.6 MEUR. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share options were granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. On March 31, 2008, the exercise period for the 2003B stock option program expired. The 2004A stock option program is exercisable between March 31, 2007 to March 31, 2009 at an exercise price of 5.96 EUR per share, the 2004B stock option program is exercisable between March 31, 2008 and March 31, 2010 at an exercise price of 6.09 EUR, the 2006A synthetic option program is exercisable between March 31, 2009 and March 31, 2011 at an exercise price of 6.14 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.14 EUR. The exercise prices have been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period. Applying of IFRS 2 reduced operating profit with 0.8 MEUR in January-December 2007 and 0.5 MEUR in Jan-June 2007, and increased operating profit with 0.2 in Jan-June 2008 mainly due to change in fair value of synthetic option program.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by OMX Nordic Exchange in Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of OMX Nordic Exchange in Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next Annual General Meeting.

On June 30, 2006, the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares in Jan-June 2008 was 39 468 449. On April 23, 2008 the Board decided to start buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. The repurchasing of shares ended on June 30, 2008. At June 30, 2008 Rapala held 62 366 of its own shares.

As a result of the share subscriptions with the 2003 and 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 80 955 EUR and the number of shares by a maximum of 899 500 shares. The shares that can be subscribed with these stock options correspond to 2.3% of the Company's shares and voting rights.

During the first six months 2 184 117 shares (4 800 770 shares) were traded. The shares traded at a high of 5.65 EUR and a low of 3.85 EUR during the period. The closing share price at the end of the period was 4.03 EUR.

Short term risks and uncertainties

The objective of Rapala'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 when Rapala has continued to expand its operations fast. Accordingly, Group management allocated more resources to risk management and developed risk management practices during 2007 and this work has continued in 2008. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2007, see www.rapala.com.



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Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's deliveries and sales as well as operating profit have traditionally been seasonally stronger in the first half of the financial year compared to the second half. In first half of 2008, deliveries to customers have realized according to plan, without any material operative problems in the supply chain. Group's sales are also to some extent affected by the weather. Second mild winter in a row affected negatively the winter sports equipment sales and this may have some knock-on impacts on the sales in the coming winter season.

Even if the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle if retailers reduce their inventory levels. While continuing, these uncertainties may also affect the amount retailers invest in advertising and promotions, which may affect consumer spending at least temporarily. Also quick and strong increases in living expenses, like interest rates on mortgages and price of fuels, may temporarily affect consumer spending also in fishing tackle.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US Dollar. Group is actively monitoring the currency position and risks and using e.g. foreign currency nominated loans to manage the natural hedging. In order to fix the exchange rate of future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance to IAS 39, also the change in fair value of these unrealized currency hedging agreements have an impact on the Group's operating profit. Due to uncertainties in the general economic climate, Group is actively monitoring the collection of its accounts receivable.

Increase of prices of certain raw materials and salaries, especially in China, have impacted Group's profitability. Group has successfully introduced price increases targeted to offset at least part of these effects.

Following the agreements concluded with Taiwanese Yao I, Group is in the process of taking over the Sufix-fishing line distribution to its 28 distribution companies, which will require special attention of the management.

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