RAPALA VMC CORP.

HALF YEAR REPORT H1/2016

JULY 22, 2016

RAPALA VMC CORPORATION'S HALF YEAR REPORT H1/2016: SALES DEPRESSED IN SEVERAL BIG MARKETS

January-June (H1) in brief:

- Net sales were 143.1 MEUR, down 7% from previous year (154.0). With comparable exchange rates sales were 5% lower than last year.
- Operating profit was 14.2 MEUR (17.4), down 18%.
- Comparable operating profit* was 15.6 MEUR (20.6), down 24%.
- Cash flow from operations was 6.2 MEUR (10.7), down 42%.
- Earnings per share was 0.19 EUR (0.19).
- Full year (FY) guidance unchanged from July 11, 2016: Full year net sales and comparable operating profit are expected to be below 2015 levels.

President and CEO Jorma Kasslin: "In first half of the year several big markets had challenging trading conditions. First quarter was slower than last year and we were not able to bridge the gap during second quarter as was expected. Market conditions and consumer sentiment was depressed in our big markets in North America and Europe. The challenging conditions have affected also our competition and we don't see any loss in market share in our core categories.

Our profitability was also down from last year directly following the reduced sales.

Outlook for the whole year is now more depressed than earlier. While the slowdown in sales in western markets is considered to be temporary, we can't reach last year's results and it is difficult to accurately estimate the future developments in these big markets. This means that we will have to work intensively on new innovations, inventory reduction initiatives and control our fixed costs."

Key figures

MEUR	**H1 2016**	H1 2015	**change %**	FY 2015
Net sales	**143.1**	154.0	**-7%**	278.2
Operating profit	**14.2**	17.4	**-18%**	21.0
% of net sales	**9.9%**	11.3%		7.6%
Comparable operating profit *	**15.6**	20.6	**-24%**	25.3
% of net sales	**10.9%**	13.4%		9.1%
Cash flow from operations	**6.2**	10.7	**-42%**	15.6
Gearing %	**82.9%**	75.9%		77.3%
EPS, EUR	**0.19**	0.19	**0%**	0.17

* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. From 2016 onwards the Rapala Group has relabeled the previously referenced "non-recurring items" with "other items affecting comparability" including 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

Trading conditions during the first half of the year turned out to be more challenging than expected and second quarter sales did not reach last year's levels. Winter season was short in all main markets and summer sales started early but did not continue as good as was expected due to various reasons. The Group's second quarter and first half sales were down in big markets such as North America and France. In Europe the competition has also tightened and the overall market sentiment was somewhat reserved. In Russia conditions continue to be challenging and the change in market demand seems to be permanent. Several markets witnessed changes and uncertainties, causing retailers to be careful with their purchasing.

Business Review January-June 2016

The Group's net sales for the first half were down 7%. Changes in translation exchange rates decreased sales by approximately 3.3 MEUR for the half year. Correspondingly with comparable translation exchange rates net sales were down 5% from last year for the half year.

North America

North American sales reduced from last year's strong levels. Short ice fishing season affected sales negatively in the beginning of the year. Summer fishing products sales started relatively early and strong, supported by new product introductions. However while consumer demand for Group's products was good, US retails scene witnessed some unexpected turmoil during first half of the year impacting the Group, as well as the competition. Retailers' destocking and changes in purchasing behavior caused slowdown in Group's first half year sales especially on Group branded lures. Weak economic situation continued in Canada.

Nordic

In the Nordic countries the first half of the year's sales decreased from last year despite the improved sales in the second quarter. Valuation of currency nominated accounts receivable had a notable positive impact on last year's sales. Excluding these valuations, this first half year and quarterly sales were slightly above last year's level. In Finland summer sales season started earlier but ended up slightly below last year level for the first half of the year. Sales of hunting products were good in Finland. In Sweden sales were slightly down from last year, largely relating to delays in incoming shipments on third party products. In Norway the second quarter sales improved considerably from last year due to better weather conditions, bringing the first six month's sales above last year's level.

Rest of Europe

In comparable exchange rates the sales were below last year's level in the first half of the year, following slowdown in sales in second quarter. The instability and uncertainties in Russia and Ukraine continued to impact sales volumes in the respective countries and also in Belarus and Kazakhstan. The weakening of the Ruble had a notable negative impact on the sales. The second quarter sales in France suffered from unfavorable summer fishing weathers, reserved market sentiment and tightened price competition. Hungary and Romania showed conservative growth. Expansion into hunting product distribution increased sales in Spain and Baltic countries.

Rest of the World

Currency exchange rate changes had a notable negative impact on the region's sales, while in comparable exchange rates the sales were just slightly behind last year's level for the first half of the year. Market picture was mixed with ups and downs around the region: South Africa and Chile had strongest sales growth while several countries suffered from overall slow market situation impacted by economic uncertainties. Restructuring of the Group's distribution organization in Southeast Asia triggered aggressive sales campaigns in the region.

External Net Sales by Area

MEUR	**H1 2016**	H1 2015	**change %**	**Comparable change %**	FY 2015
North America	**46.4**	51.6	**-10%**	**-11%**	99.2
Nordic	**33.3**	34.2	**-3%**	**-2%**	56.2
Rest of Europe	**48.0**	51.4	**-7%**	**-3%**	86.9
Rest of the World	**15.3**	16.8	**-9%**	**-1%**	35.9
Total	**143.1**	154.0	**-7%**	**-5%**	278.2

MEUR	**Q2 2016**	Q2 2015	**change %**	**Comparable change %**	FY 2015
North America	**22.9**	26.6	**-14%**	**-13%**	99.2
Nordic	**18.4**	17.7	**+4%**	**+5%**	56.2
Rest of Europe	**24.0**	27.0	**-11%**	**-7%**	86.9
Rest of the World	**8.1**	8.8	**-8%**	**0%**	35.9
Total	**73.4**	80.1	**-8%**	**-6%**	278.2

Financial Results and Profitability

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) and reported operating profit decreased from last year for the first half of the year. Changes in translation exchange rates decreased operating profit by approximately 0.3 MEUR. With comparable translation exchange rates comparable operating profit was 4.7 MEUR behind last year's level.

Comparable operating profit margin was 10.9% (13.4) for the six months. The decline in the half year profitability was primarily driven by the lower sales, especially on higher margin Group branded products. Lower sales volumes impacted profitability negatively both at distribution and manufacturing level. Profitability was further hurt by lower result of the UK joint venture and more aggressive sales campaigns reducing the margins. Group's fixed costs were stable compared to last year.

Respectively reported operating profit margin was 9.9% (11.3). Reported operating profit included loss of mark-to-market valuation of operative currency derivatives of 0.9 MEUR (2.0). Net expenses of other items affecting comparability included in the reported operating profit were 0.5 MEUR (1.2), related to the restructurings in Southeast Asia distribution and France in the first half of 2016. In 2015 restructuring costs related to closing down of the manufacturing operations in China.

Total financial (net) expenses were 2.8 MEUR (4.1) for the first half. Net interest and other financing expenses were slightly above last year's level at 1.7 MEUR (1.5). Compared to last year financial items were impacted less by (net) foreign exchange expenses of 1.1 MEUR (2.7).

Net profit for the six-months was almost at last year level and earnings per share were 0.19 EUR (0.19). The share of non-controlling interest in net profit decreased from last year and totaled 0.8 MEUR (1.1).

Key figures

MEUR	**H1 2016**	H1 2015	**change %**	FY 2015
Net sales	**143.1**	154.0	**-7%**	278.2
Operating profit	**14.2**	17.4	**-18%**	21.0
Comparable operating profit *	**15.6**	20.6	**-24%**	25.3
Net profit	**8.2**	8.3	**-1%**	8.1

* 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 2016**	H1 2015	change %	FY 2015
Operating profit	**14.2**	**17.4**	**-18%**	**21.0**
Mark-to-market valuations of operative currency derivatives	0.9	2.0	-55%	2.1
Other items affecting comparability	0.5	1.2	-58%	2.3
Comparable operating profit	**15.6**	**20.6**	**-24%**	**25.3**

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

Group Products six month and second quarter sales were down from last year's strong levels, negatively impacted by lower sales of fishing lures, hooks and lines especially in North America. Group fishing products half year sales were supported by better sales of fishing accessories.

Compared to last year both Group Products and Third Party Products half year sales were also negatively impacted by valuation of currency nominated accounts receivable, which supported the sales last year.

Operating profit for Group Products declined compared to last year. Operating profit was burdened by lower sales, which reduced profitability both at distribution and manufacturing level. Profitability of Group Products was also hurt by lower margins as a result of sales campaigns.

Third Party Products

The sales of Third Party Products on the first half of the year were at last year's level in comparable exchange rates. The economic situation in Russia continued to reduce the third party fishing products sales in the region. Also the difficult market situation in France affected negatively the Third Party Products sales. Third Party Hunting sales were up from last year in the Nordic and Rest of Europe. Currency fluctuations had major negative impact especially in Russia and South Africa.

Operating profit for Third Party Products was almost at last year's level burdened by aggressive sales campaigns' negative impact on margins, but supported by price increases issued to offset the unfavorable development in purchase currencies.

Net Sales by Segment

MEUR	**H1 2016**	H1 2015	**change %**	**Comparable change %**	FY 2015
Group Products	**95.0**	103.5	**-8%**	**-7%**	184.7
Third Party Products	**48.1**	50.5	**-5%**	**0%**	93.5
Eliminations					0.0
Total	**143.1**	154.0	**-7%**	**-5%**	278.2

MEUR	**Q2 2016**	Q2 2015	**change %**	**Comparable change %**	FY 2015
Group Products	**47.8**	52.7	**-9%**	**-8%**	184.7
Third Party Products	**25.7**	27.3	**-6%**	**-1%**	93.5
Eliminations					0.0
Total	**73.4**	80.1	**-8%**	**-6%**	278.2

Comparable operating profit by Segment

MEUR	**H1 2016**	H1 2015	**change %**	FY 2015
Group Products	**12.0**	16.9	**-29%**	22.2
Third Party Products	**3.6**	3.7	**-3%**	3.2
Comparable operating profit	**15.6**	20.6	**-24%**	25.3
Items affecting comparability	**-1.4**	-3.2	**-56%**	-4.3
Operating profit	**14.2**	17.4	**-18%**	21.0

Rapala Group has changed the measurements of segment performance by excluding items affecting comparability from operating profit. Comparative figures 2014-2015, definitions and reconciliations are presented in the financial section of the release.

Financial position

Cash flow from operations decreased from last year being 6.2 MEUR (10.7) for the six months burdened by lower sales and profitability as well as change in working capital driven by earlier timing of payables. Net change in working capital amounted to -7.3 MEUR (-6.7).

Inventories decreased by 3.7 MEUR from last June amounting to 118.1 MEUR (121.8), of which 3.0 MEUR is related to change in translation exchange rates. The slowdown in sales prevented the Group to achieve planned inventory reduction targets.

Net cash used in investing activities was at last year's level and totaled 4.8 MEUR (4.1) for the first half of the year consisting mainly of normal operative capital expenditure. Operative capital expenditure was higher compared to last year in manufacturing operations in Indonesia and France where extension of the hook factory and warehouse building was finalized. Last year investing activities included the last installment of the acquisition of the Sufix brand of 0.9 MEUR.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 79.9 MEUR at the end of the period. Gearing and net interest-bearing debt increased from last year and equity-to-assets was slightly above last year's level. Following the higher ratio between net interest bearing debt and reported EBITDA, the Group has agreed with its lenders on higher covenant levels for the second and third quarter in 2016. The Group expects to comply with these covenant levels.

Key figures

MEUR	**H1 2016**	H1 2015	**change %**	FY 2015
Cash flow from operations	**6.2**	10.7	**-42%**	15.6
Net interest-bearing debt at end of period	**115.8**	108.8	**+6%**	108.2
Gearing %	**82.9%**	75.9%		77.3%
Equity-to-assets ratio at end of period, %	**43.6%**	42.3%		44.7%

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

Strategy Implementation

Execution of the Rapala Group's strategy is based on three cornerstones: brands, manufacturing and distribution, supported by strong corporate culture. During 2016 strategy implementation continued in various areas.

Improving the performance, exploiting the strengths and capturing the benefits of the Asian lure manufacturing unit in Batam, Indonesia is one of the key priorities for the Group. The comparable and especially the reported operating profit of the unit were better than last year during the first half year. Improvements can be further expected in efficiency, quality and agility of manufacturing as well as of product development, which is being reorganized.

Special projects to improve the operational efficiencies of manufacturing operations have started in Indonesia and France.

Reducing inventory levels is another key priority for the Group. Planning and implementation of various actions to improve Group's global supply chain management are ongoing in order to achieve improvement in the capital efficiency. During the first half of the year the warehousing operations in Norway and Sweden were consolidated, scope of inventory buffering in Asia was widened and IT project to facilitate global supply chain management proceeded.

Initiatives to leverage from global co-ordination of the Group's brands and digital marketing are ongoing.

Following the declining profitability of the Group, some restructurings and cost saving measures have already been implemented. Further turnaround planning and strategic considerations relating to the low performing units will be initiated.

Discussions and negotiations regarding acquisitions and business combinations continued during the first half 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 contributors to the value and commercial success of the brands. The Group is reorganizing and boosting its lure product development procedure by centralizing the product development know-how and key resources to one location that will serve 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 market's seasons.

The most important product launch in 2016 was the introduction of the new Rapala Shadow Rap Shad lure launched in early spring. Other notable releases were new series of fisherman's tools and accessories which received Best New Product Awards in the European trade show.

Introductions of new hero lures are in the pipeline and they will be released to the markets early 2017.

Organization and Personnel

Average number of personnel was 2 921 (2 943) for the first half of the year. At the end of June, the number of personnel was 2 760 (3 156), decrease coming from optimizing the capacity and streamlining the lure manufacturing operations in Asia.

Short-term Outlook and Risks

Following the decline in sales during the first half of the year, the outlook for the whole year is now more depressed.

In North American and Western European markets the slowdown in sales is expected to be temporary. Especially in Europe but also in USA there are quite some political and macroeconomic distractions that might affect the retail and consumer behavior. In Russia the market is no longer falling, but is expected to remain under pressure at a much lower levels than in the past years.

In order to react to the reduced demand and support the inventory reduction targets the Group has temporarily adjusted the capacity of its manufacturing operations and is following closely the fixed cost development.

Group is actively working on various product development, sales and marketing initiatives to boost sales. However it is difficult to catch up the gap in sales and profitability compared to last year during latter part of the year.

Therefore the Group expects full year net sales and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to be below 2015 levels. The guidance is unchanged from July 11, 2016.

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

Third quarter Trading Report 2016 will be published on October 28, 2016.

Helsinki, July 22, 2016

Board of Directors of Rapala VMC Corporation

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A conference call on the first half year result will be arranged today at 4:00 p.m. Finnish time (3:00 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 917 286 8056 or +358 (0)9 2310 1675 (pin code: 927840) 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: 5989141). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	H1 2016	H1 2015	FY 2015
Net sales	**143.1**	154.0	278.2
Other operating income	**0.2**	0.3	1.0
Materials and services	**63.6**	70.6	130.9
Personnel expenses	**35.1**	35.3	68.4
Other costs and expenses	**27.0**	27.8	52.3
Share of results in associates and joint ventures	**0.0**	0.3	0.4
EBITDA	**17.6**	20.9	28.1
Depreciation, amortization and impairments	**3.4**	3.5	7.1
Operating profit (EBIT)	**14.2**	17.4	21.0
Financial income and expenses	**2.8**	4.1	6.8
Profit before taxes	**11.4**	13.3	14.2
Income taxes	**3.1**	5.0	6.1
Net profit for the period	**8.2**	8.3	8.1
Attributable to:			
Equity holders of the company	**7.5**	7.2	6.7
Non-controlling interests	**0.8**	1.1	1.4
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR (diluted = non-diluted)	**0.19**	0.19	0.17

STATEMENT OF COMPREHENSIVE INCOME MEUR	H1 2016	H1 2015	FY 2015
Net profit for the period	**8.2**	8.3	8.1
Other comprehensive income, net of tax			
Change in translation differences*	**-2.0**	7.8	5.5
Gains and losses on cash flow hedges*	**0.1**	0.2	0.4
Gains and losses on hedges of net investments*	**0.8**	-1.7	-2.9
Actuarial gains (losses) on defined benefit plan	**-**	-	0.1
Total other comprehensive income, net of tax	**-1.1**	6.3	3.2
Total comprehensive income for the period	**7.1**	14.6	11.3
Total comprehensive income attributable to:			
Equity holders of the Company	**6.0**	13.4	11.0
Non-controlling interests	**1.1**	1.3	0.3

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

STATEMENT OF FINANCIAL POSITION MEUR	**Jun 30 2016**	Jun 30 2015	Dec 31 2015
ASSETS			
Non-current assets			
Intangible assets	**76.5**	78.1	78.2
Property, plant and equipment	**35.7**	32.0	33.9
Non-current assets			
Interest-bearing	**0.9**	5.1	2.8
Non-interest-bearing	**11.2**	12.0	11.8
	124.4	127.2	126.7
Current assets			
Inventories	**118.1**	121.8	116.2
Current assets			
Interest-bearing	**1.0**	1.1	1.0
Non-interest-bearing	**66.7**	74.0	58.1
Cash and cash equivalents	**10.4**	15.4	11.4
	196.2	212.4	186.7
Total assets	**320.6**	339.5	313.4
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**131.6**	133.8	131.5
Non-controlling interests	**8.1**	9.5	8.5
	139.7	143.3	140.0
Non-current liabilities			
Interest-bearing	**56.3**	73.7	58.6
Non-interest-bearing	**12.5**	14.5	13.4
	68.9	88.2	72.0
Current liabilities			
Interest-bearing	**71.8**	56.6	64.8
Non-interest-bearing	**40.2**	51.3	36.6
	112.1	108.0	101.5
Total equity and liabilities	**320.6**	339.5	313.4

STATEMENT OF CASH FLOWS MEUR	**H1** **2016**	H1 2015	FY 2015
Net profit for the period	**8.2**	8.3	8.1
Adjustments to net profit for the period *	**9.5**	14.0	21.8
Financial items and taxes paid and received	**-4.3**	-4.9	-11.1
Change in working capital	**-7.3**	-6.7	-3.3
Net cash generated from operating activities	**6.2**	10.7	15.6
Investments	**-5.0**	-3.4	-9.1
Proceeds from sales of assets	**0.2**	0.1	0.2
Sufix brand acquisition	**-**	-0.9	-0.9
Proceeds from disposal of subsidiaries, net of cash	**-**	-	1.1
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-4.8**	-4.1	-8.6
Dividends paid to parent company's shareholders	**-5.7**	-7.7	-7.7
Net funding	**3.8**	4.1	0.0
Purchase of own shares	**-0.2**	-0.2	-0.2
Net cash generated from financing activities	**-2.1**	-3.8	-7.8
Change in cash and cash equivalents	**-0.7**	2.8	-0.9
Cash & cash equivalents at the beginning of the period	**11.4**	12.2	12.2
Foreign exchange rate effect	**-0.3**	0.5	0.1
Cash and cash equivalents at the end of the period	**10.4**	15.4	11.4

* 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, 2015	**3.6**	**16.7**	**-1.1**	**-6.5**	**4.9**	**-5.2**	**116.0**	**8.2**	**136.5**
Comprehensive income *	-	-	0.2	6.0	-	-	7.2	1.3	**14.6**
Purchase of own shares	-	-	-	-	-	-0.2	-	-	**-0.2**
Dividends	-	-	-	-	-	-	-7.7	-	**-7.7**
Equity on Jun 30, 2015	**3.6**	**16.7**	**-1.0**	**-0.5**	**4.9**	**-5.4**	**115.5**	**9.5**	**143.3**
Equity on Jan 1, 2016	**3.6**	**16.7**	**-0.7**	**-2.6**	**4.9**	**-5.4**	**115.0**	**8.5**	**140.0**
Comprehensive income *	-	-	0.1	-1.5	-	-	7.5	1.1	**7.1**
Purchase of own shares	-	-	-	-	-	-0.2	-	-	**-0.2**
Dividends	-	-	-	-	-	-	-5.7	-1.5	**-7.2**
Equity on Jun 30, 2016	**3.6**	**16.7**	**-0.6**	**-4.2**	**4.9**	**-5.6**	**116.8**	**8.1**	**139.7**

* For the period, (net of tax)

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial information included in this half year financial report is unaudited.

This half year financial 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 2015 except for change in measurement of segment performance. Any new amendments to IFRS standards or IFIRC interpretations did not have a material impact on the information presented in this report. The Group has not applied any new standards as of January 1, 2016.

Impact of new ESMA guidelines

New ESMA (European Securities and Markets Authority) guidelines on alternative performance measures are effective for the financial year 2016. Rapala Group presents alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS and may not be comparable to similarly titled amounts used by other companies.

Change in measurements of segment performance

The Group has changed the measurements of segment performance by excluding items affecting comparability from operating profit. The Group measures segment performance based on sales, comparable operating profit and assets. Definitions and reconciliations to alternative performance measures are presented in the end of the notes. Reportable segments are consistent with those in the financial statements 2015. Segments are described in detail in note 2 of the financial statements 2015.

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 2016. Material events after the end of the half year period, if any, have been discussed in the commentary section of the Board of Directors.

Inventories

On June 30, 2016, the book value of inventories included a provision for net realizable value of 4.2 MEUR (5.4 MEUR at June 30, 2015 and 5.3 MEUR at December 31, 2015).

Key figures	**H1 2016**	H1 2015	FY 2015
EBITDA, % of net sales	**12.3%**	13.6%	10.1%
Operating profit, % of net sales	**9.9%**	11.3%	7.6%
Return on capital employed, %	**11.3%**	14.3%	8.7%
Capital employed at end of period, MEUR	**255.5**	252.1	248.1
Net interest-bearing debt at end of period, MEUR	**115.8**	108.8	108.2
Equity-to-assets ratio at end of period, %	**43.6%**	42.3%	44.7%
Debt-to-equity ratio at end of period, %	**82.9%**	75.9%	77.3%
Earnings per share, EUR (diluted = non-diluted)	**0.19**	0.19	0.17
Equity per share at end of period, EUR	**3.43**	3.49	3.43
Average personnel for the period	**2 921**	2 943	3 078

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

Key figures by half year MEUR	H1 2014	H2 2014	H1 2015	H2 2015	**H1 2016**
Net sales	143.9	129.3	154.0	124.2	**143.1**
EBITDA	19.5	10.5	20.9	7.2	**17.6**
Operating profit	16.0	6.9	17.4	3.6	**14.2**
Profit before taxes	12.5	3.2	13.3	0.9	**11.4**
Net profit for the period	8.4	1.8	8.3	-0.2	**8.2**

Bridge calculation of comparable operating profit MEUR	**H1 2016**	H1 2015	change %	FY 2015
Operating profit	**14.2**	**17.4**	**-18%**	**21.0**
Items affecting comparability				
Mark-to-market valuations of operative currency derivatives	**0.9**	2.0	-55%	2.1
Other items affecting comparability				
Restructurings				
Closure of Chinese lure manufacturing		1.2		1.7
Closing down of Norwegian warehousing operations				0.5
Southeast Asian distribution restructuring	**0.2**			
France restructuring	**0.2**			
Impairments				0.1
Comparable operating profit	**15.6**	**20.6**	**-24%**	**25.3**

Segment information*

MEUR **Net Sales by Operating Segment**	**H1 2016**	H1 2015	FY 2015
Group Products	**95.0**	103.5	184.7
Third Party Products	**48.1**	50.5	93.5
Eliminations			0.0
Total	**143.1**	154.0	278.2
Operating Profit by Operating Segment			
Group Products	**12.0**	16.9	22.2
Third Party Products	**3.6**	3.7	3.2
Comparable operating profit	**15.6**	20.6	25.3
Items affecting comparability	**-1.4**	-3.2	-4.3
Operating Profit	**14.2**	17.4	21.0

* The Group has changed the measurements of segment performance by excluding items affecting comparability from operating profit. The Group measures segment performance based on sales, comparable operating profit and assets. Reportable segments are consistent with those in the financial statements 2015. Segments are described in detail in note 2 of the financial statements 2015.

Comparative figures 2014-2015 for comparable operating profit by operating segment

MEUR	H1 2014	H2 2014	FY 2014	H1 2015	H2 2015	FY 2015
Group Products	10.0	4.4	14.4	16.9	5.2	22.2
Third Party Products	6.3	0.2	6.5	3.7	-0.5	3.2
Comparable operating profit	**16.3**	**4.5**	**20.9**	**20.6**	**4.8**	**25.3**
Items affecting comparability	-0.3	2.4	2.0	-3.2	-1.2	-4.3
Operating profit	**16.0**	**6.9**	**22.9**	**17.4**	**3.6**	**21.0**

Assets by Operating Segment MEUR	**Jun 30 2016**	Jun 30 2015	Dec 31 2015
Group Products	**236.8**	243.5	236.8
Third Party Products	**71.5**	74.5	61.3
Non-interest-bearing assets total	**308.3**	317.9	298.2
Unallocated interest-bearing assets	**12.4**	21.6	15.2
Total assets	**320.6**	339.5	313.4

External Net Sales by Area MEUR	**H1** **2016**	H1 2015	FY 2015
North America	**46.4**	51.6	99.2
Nordic	**33.3**	34.2	56.2
Rest of Europe	**48.0**	51.4	86.9
Rest of the world	**15.3**	16.8	35.9
Total	**143.1**	154.0	278.2

Commitments MEUR	**Jun 30** **2016**	Jun 30 2015	Dec 31 2015
Minimum future lease payments on operating leases	**14.2**	15.5	14.4

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
H1 2016						
Joint venture Shimano Normark UK Ltd	**1.7**	**-**	**-**	**-**	**0.6**	**-**
Associated company Lanimo Oü	**-**	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.1**	**0.1**	**0.0**	**-**
Management	**-**	**0.2**	**0.1**	**0.0**	**-**	**0.1**
H1 2015						
Joint venture Shimano Normark UK Ltd	1.9	-	-	0.0	-	-
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 2015						
Joint venture Shimano Normark UK Ltd	3.6	-	-	0.0	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	-	-	0.2	0.0	-	0.0

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

Open derivatives		**H1 2016**		H1 2015		FY 2015
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	**16.8**	**-0.1**	**-**	**-**	-	-
Interest rate swaps, 1 to 5 years	**41.6**	**-0.4**	63.3	-0.4	58.9	-0.4
Total	**58.4**	**-0.5**	63.3	-0.4	58.9	-0.4
Derivative financial instruments designed as cash flow and fair value hedges						
Interest rate swaps, less than 12 months	**15.0**	**-0.4**	**-**	**-**	-	-
Cross currency swaps, 1 to 5 years	**-**	**-**	20.0	2.4	15.0	1.3
Total	**15.0**	**-0.4**	20.0	2.4	15.0	1.3
Non-hedge accounting derivative financial instruments						
Interest rate swaps, 1 to 5 years	**20.0**	**-0.3**	20.0	-0.4	20.0	-0.4
Currency derivatives, less than 12 months	**73.7**	**0.2**	89.8	2.6	70.9	1.6
Currency derivatives, 1 to 5 years	**-**	**-**	3.0	0.5	-	-
Total	**93.7**	**-0.1**	112.8	2.7	90.9	1.2

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 2015.
In the first half of 2016, the amount of the ineffective portion that was recognized in the financial income and expenses of income statement was EUR -0.0 (2015: EUR 0.0). Testing for effectiveness of the hedging relationship is conducted on a monthly basis.

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

	H1 2016	H1 2015	FY 2015
Included in operating profit	**-0.9**	-2.0	-2.1

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 2016**		Jun 30 2015		Dec 31 2015
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)	**1.4**	**1.4**	6.7	6.7	3.7	3.7
Total	**1.6**	**1.6**	7.0	7.0	4.0	4.0
Liabilities						
Non-current interest-bearing liabilities (excl. derivatives)	**56.3**	**56.5**	73.7	74.1	58.6	58.7
Derivatives (level 2)	**2.3**	**2.3**	2.0	2.0	1.6	1.6
Total	**58.7**	**58.8**	75.7	76.1	60.1	60.3

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

Shares and share capital

On April 1, 2016 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.

Share related key figures	**Jun 30 2016**	Jun 30 2015
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**	639 671
Number of treasury shares, %	**1.7%**	1.6%
Number of outstanding shares	**38 322 792**	38 360 329
Number of shares traded, YTD	**2 334 222**	1 483 777
Share price	**4.39**	5.31
Highest share price, YTD	**4.73**	5.55
Lowest share price, YTD	**3.90**	4.72
Average price of treasury shares, all time	**5.08**	4.87

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 are included in the Financial Statements 2015.

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 selling serving both summer and winter season markets.

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 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 Group's credit facilities include some profitability, net debt and equity related financial covenants, which are actively monitored. Following the lower reported EBITDA and increased net interest bearing debt, the Group and its lenders have agreed on a higher leverage covenant for second and third quarters in 2016. The Group expects to decrease its leverage ratio back to lower levels during the second half of 2016. Liquidity and refinancing risks are well under control, but increased leverage level may put pressure on Group's financing costs.

The fishing tackle business has traditionally not 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, sudden fluctuations in foreign exchange rates and governmental austerity measures 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 the geopolitical situation is followed closely.

The truly global nature of the Group's sales and operations diversifies the market risks caused by the current uncertainties in the global economy. 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 individual large customers.

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 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 actions and cost rationalization.

No significant changes are identified in the Group's strategic risks or business environment, except in Russia where uncertainties have increased after 2014.

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
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, %	$\frac{\text{Total equity x 100}}{\text{Total shareholders' equity and liabilities - advances received}}$
Earnings per share, EUR	$\frac{\text{Net profit for the period attributable to the equity holders of the Company}}{\text{Adjusted weighted average number of shares}}$
Equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted number of shares at the end of the period}}$
Average number of personnel	Calculated as average of month end personnel amounts

Reconciliation of key figures to IFRS	H1 2016	H1 2015	FY 2015
Items affecting comparability			
Change in mark-to-market valuations of operative derivatives	**0.9**	2.0	2.1
Other items affecting comparability	**0.5**	1.2	2.3
Items affecting comparability	**1.4**	3.2	4.3
Other items affecting comparability			
Restructuring costs	**0.5**	1.2	2.1
Impairments			0.1
Other items affecting comparability	**0.5**	1.2	2.3
Capital employed (average for the period)			
Total equity (average for the period)	**139.8**	139.9	138.2
Net interest-bearing debt (average for the period)	**112.0**	104.3	104.0
Capital employed (average for the period)	**251.8**	244.3	242.3
Return on capital employed (ROCE), %			
Operating profit (full-year adjusted)	**28.4**	34.8	21.0
Capital employed (average for the period)	**251.8**	244.3	242.3
Return on capital employed (ROCE), %	**11.3%**	14.3%	8.7%
Equity-to-assets ratio, %			
Total equity	**139.7**	143.3	140.0
Total shareholders' equity and liabilities	**320.6**	339.5	313.4
Advances received	**0.2**	0.4	0.5
Equity-to-assets ratio, %	**43.6%**	42.3%	44.7%
Earnings per share, EUR			
Net profit for the period attributable to the equity holders of the Company	**7.5**	7.2	6.7
Adjusted weighted average number of shares	**38 335 711**	38 372 238	38 366 251
Earnings per share, EUR	**0.19**	0.19	0.17
Equity per share, EUR			
Equity attributable to equity holders of the Company	**131.6**	133.8	131.5
Adjusted number of shares at the end of the period	**38 322 792**	38 360 329	38 360 329
Equity per share, EUR	**3.43**	3.49	3.43