RAPALA VMC CORP.

HALF YEAR REPORT H1/2017

JULY 21, 2017

RAPALA VMC CORPORATION'S HALF YEAR REPORT H1/2017: SALES AND PROFITABILITY DOWN FROM LAST YEAR, OUTLOOK REVISED FOLLOWING CONTINUED TURMOIL IN THE MARKETS

January-June (H1) in brief:

- Net sales were 140.9 MEUR, down 2% from previous year (143.1). With comparable exchange rates sales were 4% lower than last year.
- Operating profit was 11.0 MEUR (14.2), down 23%.
- Comparable operating profit* was 11.4 MEUR (15.6), down 27%.
- Cash flow from operations was 8.1 MEUR (6.2), up 31%.
- Gearing was 46.8% (82.9).
- Earnings per share was 0.15 EUR (0.19).
- Full year (FY) guidance updated: Full year net sales expected to be around last year's level and comparable operating profit to be clearly below last year's level.

President and CEO Jussi Ristimäki: "Trading conditions remained tough in key markets for the first half of the year, which resulted in a 2% decline in sales from last year. The sales of Group Products remained at last year's level, while Third Party Products decreased somewhat. The positive highlights for the first half were good sales development in carp business, ice fishing as well as Marttiini knives.

The ongoing structural changes in the US retail market had still a negative impact on our sales as consumers are increasingly going online. We are responding to this by making more investments into our digital presence. Big European markets were affected by cold and late start of the summer as well as tighter price competition and consequently sales were lagging especially in France.

Our profitability was down from last year following lower sales and tightening competition. Comparable operating profit decreased only marginally in Group Products, whereas profitability in Third Party Products was disappointing. Focus on working capital management is yielding results and cash flow from operations was strong and above last year's levels as inventories decreased to 99.1 MEUR. As a result of strong cash flow, lower inventories and the successful issuance of a hybrid bond, our net debt was record low at 71.3 MEUR. Outlook for the whole year is cautious and our sales and profitability is expected to decrease from last year. We are executing our strategy of improving profitability, lightening balance sheet and improving operational performance in all our business units. The transfer of some production phases from the lure factory in Finland to Estonia and Russia is proceeding well and ahead of schedule."

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

Key figures

MEUR	**H1 2017**	H1 2016	**change %**	FY 2016
Net sales	**140.9**	143.1	**-2%**	260.6
Operating profit	**11.0**	14.2	**-23%**	7.2
% of net sales	**7.8%**	9.9%		2.8%
Comparable operating profit*	**11.4**	15.6	**-27%**	18.8
% of net sales	**8.1%**	10.9%		7.2%
Cash flow from operations	**8.1**	6.2	**+31%**	26.7
Gearing %	**46.8%**	82.9%		70.6%
EPS, EUR	**0.15**	0.19	**-21%**	-0.08

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

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

Market Environment

Trading conditions remain challenging. Especially in the US consumers are increasingly shifting into digital channels, which affects the retail business structures and some of the Group's biggest customers are in financial distress. The changes have a negative effect on sales in the marketplace, but the Group has largely been able to recover the lost sales from other channels in the US. In Europe, cold and late start of the summer coupled with increased price competition in certain product categories has impacted sales.

Business Review January-June 2017

The Group's net sales for the first half of the year were slightly below last year. Changes in translation exchange rates increased sales by approximately 3.2 MEUR. With comparable translation exchange rates, net sales were down 4% from last year for the half year.

North America

With comparable exchange rates, sales in North America were at last year's level. The sales in Canada were above last year's level due to successful sales campaigns. The retail landscape in the US is going through a structural change as traditional retail business is giving way to e-commerce. This has caused turmoil early in the year, but the market is slowly stabilizing. The first half of the year's sales in the US were affected by financial difficulties of a few bigger customers. However, sales to other retail channels increased in the second quarter, and lost sales have largely been recovered. Despite these changes in the trade, the Group is expected to have kept its market share as the whole fishing tackle business is hit by the same challenges. Strengthening of the US dollar had a positive impact on the region's sales.

Nordic

In the Nordic countries, the sales were below last year's level, affected by lower hunting sales in Denmark and a challenging second quarter in Finland caused by cold spring and late start of the summer season. The Group's knife factory Marttiini showed strong growth supported by the Finland 100 Anniversary Knife sales. Sales in Norway and Sweden grew from last year, but were hindered by some third party supply problems and late deliveries.

Rest of Europe

The first half year sales were below last year's level, hurt by the continuing challenges in the region's biggest markets, Russia and France. While the Russian ruble has strengthened, having a positive impact on the regions EUR-nominated sales, it has not materialized into higher consumer demand. The demand is shifting into more low-end products which has a direct effect on the sales. In France, the sales were below last year's level, impacted by tightening competition and general consumer uncertainties. Following product portfolio changes, the sales in Poland were below last year. Business grew in the UK following the change in business model and Portugal also showed positive growth trends. After a slow start of the year in the Baltic countries, the sales grew in the second quarter supported by special campaigns.

Rest of the World

With comparable exchange rates, the sales for the region were below last year's level, mainly affected by a decrease in sales in Thailand, where the market is suffering. The sales in South Africa were above last year's level, supported by new hunting and outdoor business and sales to Middle East and North Africa. In Australia, after a good start of the year, outsourcing of the warehouse operations temporarily affected the sales negatively. In South Korea the sales grew in the second quarter after a slow start of the year, and brought the first half of the year's sales above last year. Currency exchange rate changes, especially South African Rand, had a positive impact on the regions sales.

External net sales by area

MEUR	**H1 2017**	H1 2016	**change %**	**Comparable change %**	FY 2016
North America	**47.6**	46.4	**+3%**	**+0%**	91.3
Nordic	**31.8**	33.3	**-5%**	**-4%**	55.3
Rest of Europe	**45.8**	48.0	**-5%**	**-8%**	81.3
Rest of the World	**15.7**	15.3	**+3%**	**-2%**	32.7
Total	**140.9**	143.1	**-2%**	**-4%**	260.6

MEUR	**Q2 2017**	Q2 2016	**change %**	**Comparable change %**	FY 2016
North America	**24.0**	22.9	**+5%**	**+4%**	91.3
Nordic	**15.9**	18.4	**-14%**	**-13%**	55.3
Rest of Europe	**23.3**	24.0	**-3%**	**-5%**	81.3
Rest of the World	**8.1**	8.1	**0%**	**-4%**	32.7
Total	**71.4**	73.4	**-3%**	**-4%**	260.6

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 increased operating profit by approximately 0.6 MEUR. With comparable translation exchange rates comparable operating profit was 4.8 MEUR behind last year's level.

Comparable operating profit margin was 8.1% (10.9) for the six months. The decline in the half year profitability was primarily driven by lower sales in key markets and reduced gross margin. Group's lure manufacturing units' profitability was hurt by lower volumes, some production disturbances and the transfer of certain production phases out from Finland. Profitability was further negatively impacted by allowances on receivables. Group's fixed costs were stable compared to last year despite some new fixed costs in strategic development areas.

Respectively reported operating profit margin was 7.8% (9.9). Reported operating profit included loss of mark-to-market valuation of operative currency derivatives of 0.1 MEUR (0.9). Net expenses of other items affecting comparability included in the reported operating profit were 0.3 MEUR (0.5), related to restructurings in Finland and France as well as an insurance compensation in the first half of 2017. In 2016 items affecting comparability included restructuring costs in Southeast Asia distribution and France.

Total financial (net) expenses were 1.8 MEUR (2.8) for the first half. Net interest and other financing expenses were 1.2 MEUR (1.7). Compared to last year financial items were impacted less by (net) foreign exchange expenses of 0.7 MEUR (1.1).

Net profit for the six months was below last year's level and earnings per share were 0.15 EUR (0.19). The share of non-controlling interest in net profit decreased from last year and totaled 0.1 MEUR (0.8) mainly due to challenges in Russia.

Key figures

MEUR	**H1 2017**	H1 2016	**change %**	FY 2016
Net sales	**140.9**	143.1	**-2%**	260.6
Operating profit	**11.0**	14.2	**-23%**	7.2
Comparable operating profit *	**11.4**	15.6	**-27%**	18.8
Net profit	**6.0**	8.2	**-27%**	-2.0

* 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 2017**	H1 2016	**change %**	FY 2016
Operating profit	**11.0**	**14.2**	**-23%**	**7.2**
Mark-to-market valuations of operative currency derivatives	0.1	0.9	-89%	1.6
Other items affecting comparability	0.3	0.5	-40%	10.0
Comparable operating profit	**11.4**	**15.6**	**-27%**	**18.8**

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

With comparable exchange rates, sales of Group Products were below last year's level.

Group fishing product sales were below last year's level in North America for the first half of the year, but Q2 sales exceeded last year's level. Winter fishing products benefited from good winter conditions and the sales were higher than last year, especially in the US.

Sales of other group products were up from last year. The sales of hunting products were supported by increased Marttiini knife sales. Winter sport products' sales were also up from last year.

Operating profit for Group Products declined compared to last year. Operating profit was burdened by lower sales, which reduced profits at distribution and profitability at manufacturing level.

Third Party Products

The sales of Third Party Products on the first half of the year were below last year's level.

Third party fishing product sales were behind last year, reduced by the loss of a product category in Poland as well as the challenging market situation affecting sales especially in Russia and France. Tightened price competition and poor spring and early summer weathers in Russia and northern Europe further decreased the sales of third party fishing products.

Operating profit for Third Party Products was below last year's level burdened by lower sales and increased price competition which had a negative impact on margins.

Net sales by segment

MEUR	**H1 2017**	H1 2016	**change %**	**Comparable change %**	FY 2016
Group Products	**94.9**	95.0	**0 %**	**-2 %**	172.1
Third Party Products	**45.9**	48.1	**-5 %**	**-8 %**	88.5
Eliminations					
Total	**140.9**	143.1	**-2%**	**-4%**	260.6

MEUR	**Q2 2017**	Q2 2016	**change %**	**Comparable change %**	FY 2016
Group Products	**47.4**	47.8	**-1%**	**-1%**	172.1
Third Party Products	**24.0**	25.7	**-7%**	**-9%**	88.5
Eliminations					
Total	**71.4**	73.4	**-3%**	**-4%**	260.6

Comparable operating profit by segment

MEUR	**H1 2017**	H1 2016	**change %**	FY 2016
Group Products	**11.5**	12.0	**-4%**	17.4
Third Party Products	**-0.1**	3.6	**-103%**	1.4
Comparable operating profit	**11.4**	15.6	**-27%**	18.8
Items affecting comparability	**-0.4**	-1.4	**-71%**	-11.6
Operating profit	**11.0**	14.2	**-23%**	7.2

Financial Position

Cash flow from operations increased from last year being 8.1 MEUR (6.2) for the six months supported by decrease in inventories and timing of trade payables. Net change in working capital amounted to -2.6 MEUR (-7.3).

Despite lower sales than anticipated, inventories decreased by 18.9 MEUR from last June amounting to 99.1 MEUR (118.1), of which 0.7 MEUR is related to change in translation exchange rates. Excluding the impact of allowance on inventories and translation exchange rates, the organic decrease of inventories was 10.3 MEUR. The inventory reduction is driven by the ongoing focus on working capital management and various supply chain initiatives.

Net cash used in investing activities decreased significantly from last year's level and totaled 2.6 MEUR (4.8) for the first half of the year consisting mainly of normal operative capital expenditure. Last year's higher capital expenditure were driven by investments in the Indonesian manufacturing operations as well as extension of the hook factory in France.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 59.9 MEUR at the end of the period. Following the successful issuance of 25.0 MEUR hybrid bond, gearing and net interest-bearing debt decreased significantly from last year and equity-to-assets ratio increased notably. Leverage level (ratio between net interest bearing debt and reported EBITDA) decreased significantly and the Group is compliant with all financial covenants.

Key figures

MEUR	**H1 2017**	H1 2016	**change %**	FY 2016
Cash flow from operations	**8.1**	6.2	**+31%**	26.7
Net interest-bearing debt at end of period	**71.3**	115.8	**-38%**	96.1
Gearing %	**46.8%**	82.9%		70.6%
Equity-to-assets ratio at end of period, %	**50.1%**	43.6%		43.1%

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

Strategy Implementation

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

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

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

Significant focus and resources have been allocated to streamline internal supply chains and to develop better sales and operations planning to achieve lower group-wide inventories. Additionally, lean projects are ongoing in several factories. Transfer of certain production phases from Finland to Estonia and Russia is developing ahead of schedule. Following the codetermination negotiations, a total of 50 persons were laid off from the lure factory and head office. The annual cost savings will be around 1.5 MEUR, which will materialize from 2018 onwards.

The Group is investing in group-wide common IT systems to increase efficiencies and enable better end-to-end supply chain and product management. The Group is also making increased investments towards digital channels in order to exploit these opportunities stronger in the future.

The Group will organize a capital markets day during Q4 of 2017 to elaborate the updated strategy and its execution.

Product Development

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

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

The most important product launches in the first half of year were a globally coordinated launch of Storm 360 GT Searchbait in January and the June introduction of Sufix Advance fishing line at the European Fishing Tackle Trade Exhibition, where the line received the Best New Monofilament award. Further introductions of hero lure categories were prepared for the US trade show ICAST in July.

Organization and Personnel

Average number of personnel was 2 786 (2 921) for the first half of the year. At the end of June, the number of personnel was 2 754 (2 760).

Jan-Elof Cavander was appointed as Chief Financial Officer and member of the executive committee as of June 30, 2017.

Short-term Outlook and Risks

Following the continued market turmoil and structural changes especially in the US, the outlook for the full year is cautious. The market situation in the US is however expected to slowly stabilize and the Group sees continued consumer demand for its products via old and new channels. For example preorders for ice fishing products are significantly up from last year in the US. In Europe, the price competition in certain product categories has increased and this will continue to affect the second half of the year. The Russian market is still expected to be under pressure impacted by general low consumer demand. Increased political risks arising from North Korea affect consumer markets in South Korea and Japan.

The Group has launched various strategic initiatives to boost organic growth and improve cost and capital efficiency as well as operational performance in the future. These initiatives will trigger some additional expenses and investments in 2017.

Following the decreased sales in key markets and tightened price competition the Group specifies its outlook. The profitability of the second half of the year is expected to be lower than last year. The Group expects full year net sales to be around last year’s level and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to be clearly below last year’s level. Previous outlook expected net sales to be above last year’s level and comparable operating profit below last year’s level.

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 2017 will be published on October 27, 2017.

Helsinki, July 21, 2017

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 2:00 p.m. Finnish time (1:00 p.m. CET). Please dial +44 (0)330 336 9104 or +1 719 325 2340 or +358 (0)9 7479 0360 (pin code: 454332) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)207 984 7568 or +1 719 457 0820 or +358 (0)9 8171 0562 (pin code: 1922703). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME	**H1**	H1	FY
MEUR	**2017**	2016	2016
Net sales	**140.9**	143.1	260.6
Other operating income	**0.6**	0.2	1.3
Materials and services	**63.5**	63.6	129.0
Personnel expenses	**35.2**	35.1	67.6
Other costs and expenses	**28.2**	27.0	51.1
Share of results in associates and joint ventures	**0.0**	0.0	-0.1
EBITDA	**14.5**	17.6	14.1
Depreciation, amortization and impairments	**3.6**	3.4	6.9
Operating profit (EBIT)	**11.0**	14.2	7.2
Financial income and expenses	**1.8**	2.8	5.0
Profit before taxes	**9.2**	11.4	2.2
Income taxes	**3.1**	3.1	4.2
Net profit for the period	**6.0**	8.2	-2.0
Attributable to:			
Equity holders of the company	**5.9**	7.5	-3.0
Non-controlling interests	**0.1**	0.8	1.0
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR (diluted = non-diluted)	**0.15**	0.19	-0.08

STATEMENT OF COMPREHENSIVE INCOME	**H1**	H1	FY
MEUR	**2017**	2016	2016
Net profit for the period	**6.0**	8.2	-2.0
Other comprehensive income, net of tax			
Change in translation differences*	**-8.8**	-2.0	4.2
Gains and losses on cash flow hedges*	**0.2**	0.1	0.5
Gains and losses on hedges of net investments*	**-0.8**	0.8	0.8
Actuarial gains (losses) on defined benefit plan	**-**	-	0.1
Total other comprehensive income, net of tax	**-9.4**	-1.1	5.6
Total comprehensive income for the period	**-3.4**	7.1	3.6
Total comprehensive income attributable to:			
Equity holders of the Company	**-3.4**	6.0	1.9
Non-controlling interests	**0.0**	1.1	1.6

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

STATEMENT OF FINANCIAL POSITION MEUR	Jun 30 2017	Jun 30 2016	Dec 31 2016
ASSETS			
Non-current assets			
Intangible assets	**74.9**	76.5	78.2
Property, plant and equipment	**34.2**	35.7	36.2
Non-current assets			
Interest-bearing	**0.0**	0.9	0.0
Non-interest-bearing	**8.5**	11.2	9.1
	117.6	124.4	123.5
Current assets			
Inventories	**99.1**	118.1	102.2
Current assets			
Interest-bearing	**0.9**	1.0	0.9
Non-interest-bearing	**63.0**	66.7	55.8
Cash and cash equivalents	**24.0**	10.4	33.8
	187.0	196.2	192.7
Total assets	**304.6**	320.6	316.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**120.0**	131.6	127.5
Non-controlling interests	**7.2**	8.1	8.6
Hybrid bond	**25.0**	-	-
	152.3	139.7	136.1
Non-current liabilities			
Interest-bearing	**40.6**	56.3	41.5
Non-interest-bearing	**11.0**	12.5	11.6
	51.6	68.9	53.1
Current liabilities			
Interest-bearing	**55.6**	71.8	89.3
Non-interest-bearing	**45.2**	40.2	37.6
	100.8	112.1	126.9
Total equity and liabilities	**304.6**	320.6	316.1

STATEMENT OF CASH FLOWS MEUR	**H1 2017**	H1 2016	FY 2016
Net profit for the period	**6.0**	8.2	-2.0
Adjustments to net profit for the period *	**8.1**	9.5	26.4
Financial items and taxes paid and received	**-3.4**	-4.3	-8.2
Change in working capital	**-2.6**	-7.3	10.5
Net cash generated from operating activities	**8.1**	6.2	26.7
Investments	**-2.7**	-5.0	-8.4
Proceeds from sales of assets	**0.1**	0.2	0.2
Proceeds from disposal of subsidiaries, net of cash	**-**	-	1.0
Proceeeds from disposal of joint ventures	**-**	-	1.2
Change in interest-bearing receivables	**0.0**	0.0	0.0
Net cash used in investing activities	**-2.6**	-4.8	-6.0
Dividends paid to parent company's shareholders	**-1.9**	-5.7	-5.7
Dividends paid to non-controlling interests	**-1.5**	-	-
Net funding	**-34.3**	3.8	5.7
Hybrid bond	**25.0**	-	-
Purchase of own shares	**-**	-0.2	-0.2
Net cash generated from financing activities	**-12.7**	-2.1	-0.2
Change in cash and cash equivalents	**-7.2**	-0.7	20.5
Cash & cash equivalents at the beginning of the period	**33.8**	11.4	11.4
Foreign exchange rate effect	**-2.6**	-0.3	1.9
Cash and cash equivalents at the end of the period	**24.0**	10.4	33.8

* 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	Hedging fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interests	Hybrid bond	**Total equity**
Equity on Jan 1, 2016	**3.6**	**16.7**	**-0.7**	**4.9**	**-5.4**	**-2.6**	**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**	**4.9**	**-5.6**	**-4.2**	**116.8**	**8.1**	**-**	**139.7**
Equity on Jan 1, 2017	**3.6**	**16.7**	**-0.2**	**4.9**	**-5.6**	**1.7**	**106.4**	**8.6**	**-**	**136.1**
Comprehensive income *	-	-	0.2	-	-	-9.5	5.9	0.0	-	**-3.4**
Dividends	-	-	-	-	-	-	-3.8	-	-	**-3.8**
Transactions with non-controlling interests	-	-	-	-	-	-	0.0	-1.4	-	**-1.4**
Hybrid bond	-	-	-	-	-	-	-	-	25.0	**25.0**
Hybrid bond expenses	-	-	-	-	-	-	-0.2	-	-	**-0.2**
Equity on Jun 30, 2017	**3.6**	**16.7**	**0.0**	**4.9**	**-5.6**	**-7.8**	**108.3**	**7.2**	**25.0**	**152.3**

* 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 2016. Any new amendments to IFRS standards or IFRIC 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, 2017.

Implementation of the new IFRS 15 standard on revenue recognition

In 2018 the Group will adopt the new standard IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group has prepared a preliminary assessment of IFRS 15 and based on the assessment it will not have a material impact on the Group's consolidated financial statements, although increasing disclosure requirements.

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

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 2017. Material events after the end of the half year period, if any, have been discussed in the commentary section of the Board of Directors.

Acquisitions

In March 2017, the Group has acquired the non-controlling interest of 30% in Rapala VMC South-Africa Distributors Pty Ltd. After the acquisition the Group owns 100% of the shares of the subsidiary. The acquisition price of 1.4 MEUR is included in current non-interest-bearing liabilities.

Hybrid bond

In May 2017, the Group issued a EUR 25 million hybrid bond, which is classified as equity with no maturity date and is subordinated to other debt obligations. The bond bears a fixed interest rate of 5.375 per cent per annum until May 31, 2019. The Group is entitled to redeem the hybrid bond after 2 years. The interest on hybrid bond is paid if the Annual General Meeting decides to pay a dividend or in other ways to distribute capital to shareholders. If a dividend is not paid the Group has the right to decide on the possible payment of interest at its own discretion. Non-payable interest accumulates and is disclosed as off-balance sheet commitment. Payable interest is presented as a reduction of equity and as liability from the date the liability to pay arises to the date it is paid. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders.

Inventories

On June 30, 2017, the book value of inventories included a provision for net realizable value of 12.1 MEUR (4.2 MEUR on June 30, 2016 and 14.2 MEUR on December 31, 2016). The increase in allowance at year-end 2016 was due to decisions made in conjunction with the strategy update that the Group redefines inventory valuation to support new strategic actions to improve the Group’s capital efficiency (e.g. renewal and optimization of product range, improved product lifecycle and inventory management) and to support implementation of new management procedures.

Key figures	**H1 2017**	H1 2016	FY 2016
EBITDA, % of net sales	**10.3%**	12.3%	5.4%
Operating profit, % of net sales	**7.8%**	9.9%	2.8%
Return on capital employed, %	**9.6%**	11.3%	3.0%
Capital employed at end of period, MEUR	**223.6**	255.5	232.2
Net interest-bearing debt at end of period, MEUR	**71.3**	115.8	96.1
Equity-to-assets ratio at end of period, %	**50.1%**	43.6%	43.1%
Debt-to-equity ratio at end of period, %	**46.8%**	82.9%	70.6%
Earnings per share, EUR (diluted = non-diluted)	**0.15**	0.19	-0.08
Equity per share at end of period, EUR	**3.13**	3.43	3.33
Average personnel for the period	**2 786**	2 921	2 829

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

Key figures by half year MEUR	H1 2015	H2 2015	H1 2016	H2 2016	**H1** **2017**
Net sales	154.0	124.2	143.1	117.5	**140.9**
EBITDA	20.9	7.2	17.6	-3.5	**14.5**
Operating profit	17.4	3.6	14.2	-7.0	**11.0**
Profit before taxes	13.3	0.9	11.4	-9.2	**9.2**
Net profit for the period	8.3	-0.2	8.2	-10.2	**6.0**

Bridge calculation of comparable operating profit MEUR	**H1** **2017**	H1 2016	**change** **%**	FY 2016
Operating profit/loss	**11.0**	**14.2**	**-23%**	**7.2**
Items affecting comparability				
Mark-to-market valuations of operative currency derivatives	**0.1**	0.9	**-89%**	1.6
Other items affecting comparability				
Restructurings				
France restructuring	**0.3**	0.2		0.7
Southeast Asia distribution restructuring		0.2		0.2
Finland restructuring	**0.2**			
Other restructurings	**0.0**			0.2
Insurance compensations	**-0.2**			-0.6
Redefined provision on inventory value				9.2
Other items				0.3
Comparable operating profit	**11.4**	**15.6**	**-27%**	**18.8**

Segment information

MEUR **Net sales by operating segment**	**H1** **2017**	H1 2016	FY 2016
Group Products	**94.9**	95.0	172.1
Third Party Products	**45.9**	48.1	88.5
Eliminations			
Total	**140.9**	143.1	260.6
Operating profit by operating segment			
Group Products	**11.5**	12.0	17.4
Third Party Products	**-0.1**	3.6	1.4
Comparable operating profit	**11.4**	15.6	18.8
Items affecting comparability	**-0.4**	-1.4	-11.6
Operating Profit	**11.0**	14.2	7.2

Assets by operating segment MEUR	**Jun 30 2017**	Jun 30 2016	Dec 31 2016
Group Products	**218.5**	236.8	226.3
Third Party Products	**61.2**	71.5	55.1
Non-interest-bearing assets total	**279.7**	308.3	281.4
Unallocated interest-bearing assets	**24.9**	12.4	34.7
Total assets	**304.6**	320.6	316.1

External net sales by area MEUR	**H1 2017**	H1 2016	FY 2016
North America	**47.6**	46.4	91.3
Nordic	**31.8**	33.3	55.3
Rest of Europe	**45.8**	48.0	81.3
Rest of the world	**15.7**	15.3	32.7
Total	**140.9**	143.1	260.6

Commitments MEUR	**Jun 30 2017**	Jun 30 2016	Dec 31 2016
Minimum future lease payments on operating leases	**12.0**	14.2	14.2

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
H1 2017						
Associated company Lanimo Oü	**0.0**	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.1**	**0.1**	**0.0**	**-**
Management	**-**	**-**	**0.1**	**0.0**	**-**	**0.0**
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
FY 2016						
Joint venture Shimano Normark UK Ltd	2.8	-	-	-	-	-
Associated company Lanimo Oü	-	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 2017**		H1 2016		FY 2016
MEUR	**Nominal value**	**Fair value**	Nominal value	Fair value	Nominal value	Fair value
Derivative financial instruments designed as cash flow hedges						
Interest rate swaps, less than 12 months	**10.0**	**0.0**	16.8	-0.1	27.5	-0.1
Interest rate swaps, 1 to 5 years	**16.0**	**-0.1**	41.6	-0.4	16.7	-0.1
Total	**26.0**	**-0.1**	**58.4**	**-0.5**	**44.1**	**-0.2**
Derivative financial instruments designed as cash flow and fair value hedges						
Cross currency swaps, less than 12 months			15.0	-0.4	15.0	-0.7
Total			**15.0**	**-0.4**	**15.0**	**-0.7**
Non-hedge accounting derivative financial instruments						
Interest rate swaps, less than 12 months	**20.0**	**-0.1**			20.0	-0.2
Interest rate swaps, 1 to 5 years	**16.0**	**0.1**	20.0	-0.3	16.0	0.0
Cross currency swaps, 1 to 5 years	**10.1**	**-0.2**				
Currency derivatives, less than 12 months	**42.5**	**0.1**	73.7	0.2	52.2	0.1
Total	**88.6**	**0.0**	**93.7**	**-0.1**	**88.2**	**-0.1**

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 2016.
In the first half of 2017, the amount of the ineffective portion that was recognized in the financial income and expenses of income statement was 0.0 MEUR (-0.0).

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

MEUR	**H1 2017**	H1 2016	FY 2016
Included in operating profit	**-0.1**	-0.9	-1.6

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 2017**		Jun 30 2016		Dec 31 2016
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Assets						
Available-for-sale financial assets (level 3)	**0.3**	**0.3**	0.3	0.3	0.3	0.3
Derivatives (level 2)	**0.7**	**0.7**	1.4	1.4	0.8	0.8
Total	**1.0**	**1.0**	1.6	1.6	1.0	1.0
Liabilities						
Non-current interest-bearing liabilities (excl. derivatives)	**40.6**	**40.6**	56.3	56.5	41.5	41.5
Derivatives (level 2)	**0.8**	**0.8**	2.3	2.3	1.7	1.7
Total	**41.4**	**41.5**	58.7	58.8	43.2	43.2

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

Shares and share capital

The Annual General Meeting (AGM) kept on March 30, 2017 approved the Board of Directors' proposal that a dividend of EUR 0.10 per share is paid. The dividend will be paid in two installments, EUR 0.05 each. First dividend installment of 1.9 MEUR was paid on April 10, 2017. The Board of Directors will in its meeting scheduled for October 26, 2017 decide on the dividend record date and the payment date for the second installment. The dividend record date for the second installment would then be October 30, 2017 and the dividend payment date November 6, 2017. The Annual General Meeting updated the Board of Directors' 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 at the corporate website.

Share related key figures	**Jun 30 2017**	Jun 30 2016
Number of shares	**39 000 000**	39 000 000
Number of shares, average	**39 000 000**	39 000 000
Number of treasury shares	**677 208**	677 208
Number of treasury shares, %	**1.7%**	1.7%
Number of outstanding shares	**38 322 792**	38 322 792
Number of shares traded, YTD	**1 572 985**	2 334 222
Share price, EUR	**3.99**	4.39
Highest share price, YTD, EUR	**4.68**	4.73
Lowest share price, YTD, EUR	**3.97**	3.90
Average price of treasury shares, all time, EUR	**5.08**	5.08

Short term risks and uncertainties

The objective of Rapala VMC Corporation's risk management is to support implementation of the Group's strategy and execution of business targets. Group management continuously develops its risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Financial Statements 2016.

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. After the issuance of a hybrid bond in May the level of net debt has decreased and the Group is compliant with all its financial covenants. Liquidity and refinancing risks are well under control, but 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.

Definitions of key figures

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

Reconciliation of key figures to IFRS MEUR	**H1** **2017**	H1 2016	FY 2016
Items affecting comparability			
Change in mark-to-market valuations of operative derivatives	**0.1**	0.9	1.6
Other items affecting comparability	**0.3**	0.5	10.0
Items affecting comparability	**0.4**	**1.4**	**11.6**
Other items affecting comparability			
Restructuring costs	**0.5**	0.5	1.1
Insurance compensations	**-0.2**		-0.6
Redifined provision on inventory value			9.2
Other non-operational items			0.3
Other items affecting comparability	**0.3**	**0.5**	**10.0**
Capital employed (average for the period)			
Total equity (average for the period)	**144.2**	139.8	138.0
Net interest-bearing debt (average for the period)	**83.7**	112.0	102.1
Capital employed (average for the period)	**227.9**	**251.8**	**240.2**
Return on capital employed (ROCE), %			
Operating profit (full-year adjusted)	**22.0**	28.4	7.2
Capital employed (average for the period)	**227.9**	251.8	240.2
Return on capital employed (ROCE), %	**9.6%**	**11.3%**	**3.0%**
Equity-to-assets ratio, %			
Total equity	**152.3**	139.7	136.1
Total equity and liabilities	**304.6**	320.6	316.1
Advances received	**0.4**	0.2	0.6
Equity-to-assets ratio, %	**50.1%**	**43.6%**	**43.1%**
Earnings per share, EUR			
Net profit for the period attributable to the equity holders of the parent company	**5.9**	7.5	-3.0
Adjusted weighted average number of shares	**38 322 792**	38 335 711	38 329 216
Earnings per share, EUR	**0.15**	**0.19**	**-0.08**
Equity per share, EUR			
Equity attributable to equity holders of the parent company	**120.0**	131.6	127.5
Adjusted number of shares at the end of the period	**38 322 792**	38 322 792	38 322 792
Equity per share, EUR	**3.13**	**3.43**	**3.33**