Annual Accounts 2008

February 6, 2009

Content

- Latest Changes in Business Organisation
- Q4 and 2008 in Brief
- Update on Performance Improvement Initiatives
- Cooperation with Shimano and Expansion in Russia
- Sales Analysis
- Profitability Analysis
- Cashflow & Working Capital
- Strategy Implementation
- Outlook for 2009
- Rapala Share Performance and Owners

Group Organization & Cornerstones of Strategy

Distribution

OWN DISTRIBUTION

- USA
- CANADA
- JAPAN
- MALAYSIA
- AUSTRALIA
- CHINA
- THAILAND
- SOUTH AFRICA
- FINLAND
- SWEDEN
- DENMARK
- NORWAY
- FRANCE
- SPAIN
- SWITZERLAND
- PORTUGAL
- ESTONIA
- POLAND
- LITHUANIA
- LATVIA
- BRAZIL
- SOUTH KOREA

RAPALA-SHIMANO

- RUSSIA (50/50)
- UKRAINE (50/50)
- HUNGARY (57/33/10)
- CZECH&SLOVAK REPUBLIC(50/50)

SHIMANO

- ITALY
- GERMANY
- NETHERLAND
- BELGIUM
- UNITED KINGDOM

LOCAL IMPORTERS

- REST OF EUROPE
- REST OF WORLD

Group Brands

OWN GROUP BRANDS

Rapala, Storm, VMC, Blue Fox, Williamson, Luhr-Jensen (Since 1932 ... Where Legends Live), Marttiini (The Sharpest Choice since 1928), Trigger X, Sufix

Supply — SOURCE / PRODUCT

OWN R&D AND MANUFACTURING OR SOURCING

MANUFACTURING AND R&D

HARDBAITS / SPINNERS	SOFTBAITS / OTHER LURES	HOOKS / TERMINAL TACKLE / KNIVES / XC-SKIS
HARDBAITS RAPALA STORM **SPINNERS** BLUE FOX	**SOFTBAITS** STORM, TRIGGER X **OTHER LURES** BLUE FOX WILLIAMSON LUHR JENSEN	**HOOKS** **TERMINAL TACKLE** **KNIVES** **XC-SKIS**
RAPALA FINLAND, ESTONIA, RUSSIA	**WILLTECH** HONG KONG CHINA	**VMC** FRANCE **WILLTECH** CHINA **MARTTIINI** FINLAND, ESTONIA & CHINA **PELTONEN** FINLAND

SOURCING AND R&D

KNIVES, BEITS, ACCESSORIES
LINE, TERMINATOR
RODS & REELS
XC-SKIS & POLES

FINLAND, MEXICO, CHINA, TAIWAN, RUSSIA, NEW ZEALAND

THIRD PARTY SUPPLIERS

- SHIMANO
- OTHER FISHING
- HUNTING
- WINTER SPORTS
- OUTDOOR
- GIFT PRODUCTS

THE NEXT LEVEL

Rapala

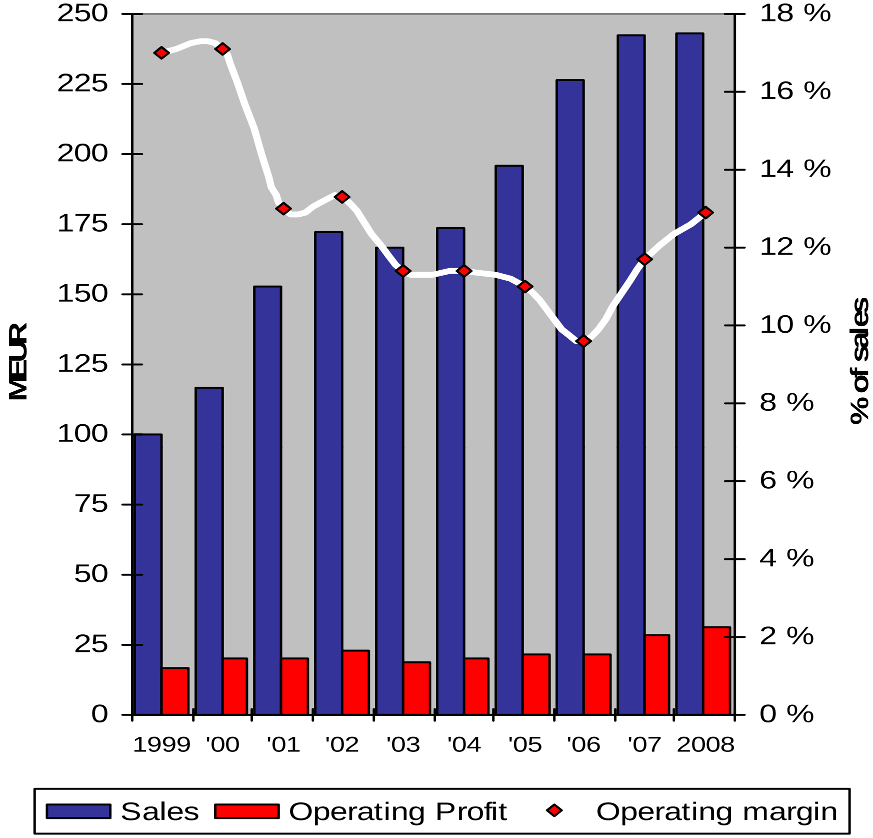
Q4 and 2008 in Brief

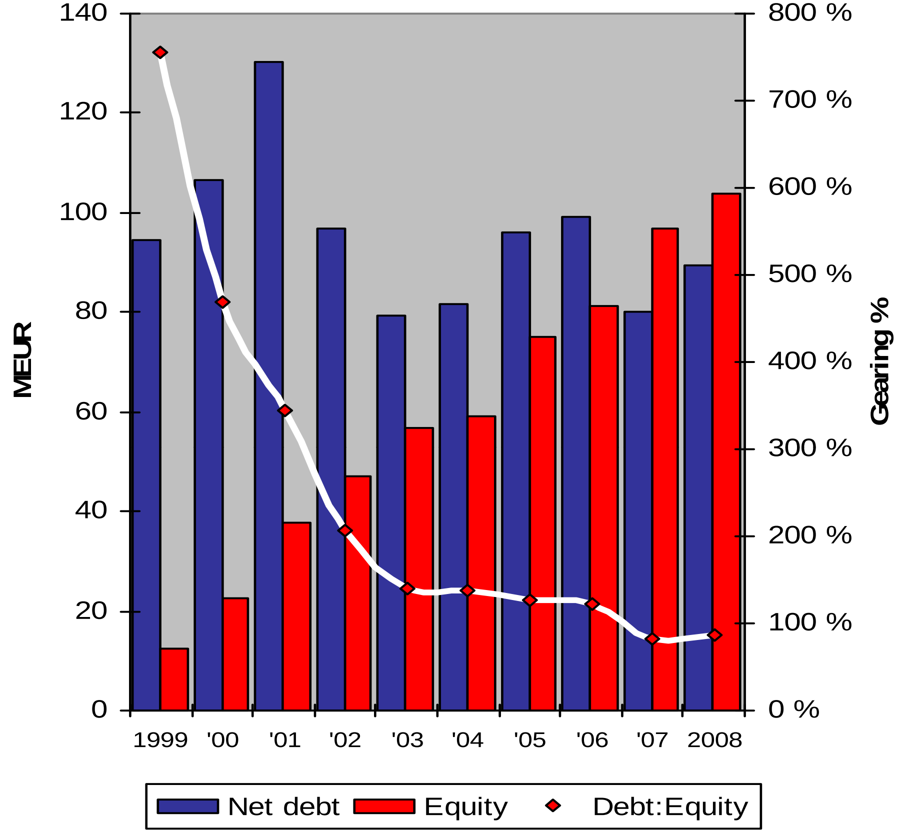
EUR million	IV/08	IV/07	2008	2007
Sales	**50.9**	53.7	**243.0**	242.5
EBITDA	**4.8**	4.3	**37.5**	33.8
Operating Profit (EBIT)	**3.2**	2.4	**31.3**	28.3
Profit Before Taxes	**1.9**	1.1	**26.5**	23.3
Net Profit for the Period	**1.0**	2.0	**19.2**	17.5
EPS (basic), EUR	**0.05**	0.05	**0.45**	0.45
Equity-to-assets, %	**38.0**	38.2	**38.0**	38.2
Net Interest-bearing Debt	**89.5**	80.2	**89.5**	80.2

- 2008 reported sales slightly above 2007 levels. Comparable sales up 4 % in 2008.
- Margin turnaround continued: comparable operating margin to 13.3% (2007: 11.0%).
- EPS at EUR 0.45 (0.45) – Board proposes a dividend of EUR 0.19 (0.18).
- Outlook for 2009: Net sales for 2009 will be at last year levels or somewhat above. The target is to keep the operating margin close to the good levels reached in 2008, excluding non-recurring items.

Financial Position Healthy - Fuelled for Growth

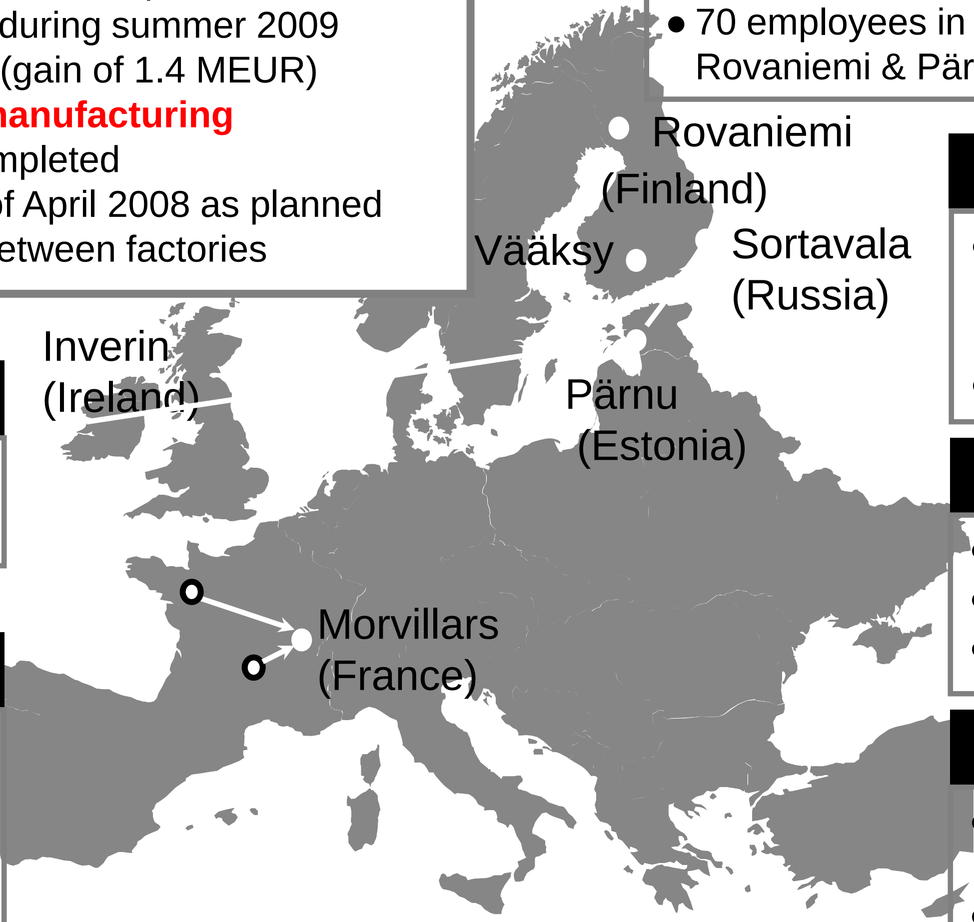
- Rapid growth in last few years from €100m to above € 240m.
- Promised turnaround in operating margin continued in 2008.
- Succesful performance improvement projects and strong balance sheet.





Restructuring of European Operations

- **Consolidation of French operations**
  - Move from Bretagne completed in Q4 2007
  - Move from Central France completed in Q3 2008
  - Move of VMC Europe during summer 2009
  - Both real estates sold (gain of 1.4 MEUR)
- **Development of lure manufacturing**
  - Sortavala ramp-up completed
  - Inverin closed in end of April 2008 as planned
  - Production transfers between factories



Marttiini

- Knife manufacturing
- 70 employees in Rovaniemi & Pärnu

Vääksy

- Focus on skilled and technical tasks in lures manufacturing
- 180 employees

Sortavala

- Lure assembly
- Start-up in 2007
- 60 employees

Pärnu

- Focus on finishing, testing & shipping
- 200 employees

Inverin

- Closed in April 2008
- Liabilities cleared

Morvillars

- Manufacture of treble hooks & distribution
- 230 employees
- Location for consoli-dated operations

Enhancement of Chinese Manufacturing

- Major operational changes and improvements to enhance production efficiencies & shorten lead times and physical split of fishing tackle & gift.
- International task force established to support the development initiatives.
- During H2 2008 number of personnel reduced by some 1000 persons.

Guangzhou

- Rapala sourcing office
- 25 employees
- Local sourcing, design/development, quality control etc.

Hong Kong

- Management for Willtech Fishing and Willtech Gift business
- 30 employees

Shenzhen

- Willtech manufacturing facility
- Below 1 800 employees
- Lures (metal & plastic)
- Hook manufacturing
- Knife manufacturing
- Gift manufacturing
- Consolidated shipments

Continuous Strong Growth in Russia

- Rapala has penetrated the Russian fishing tackle market already years ago and continuously grown in this market
- An additional boost to this growth came when Rapala and Shimano joined forces in distribution in Russia in end of 2007 and in Ukraine and Czech Republic in 2008
- Russian Rapala-Shimano head office is in Moscow
- Seven regional sales offices and warehouses established in the past few years
- Khabarovsk sales office was opened during 2008 and the latest newcomer is the sales office opened in Ekaterinburg (Ural) in November

Competition & Major Players in the Industry

- No major changes in the competitive environment in 2008

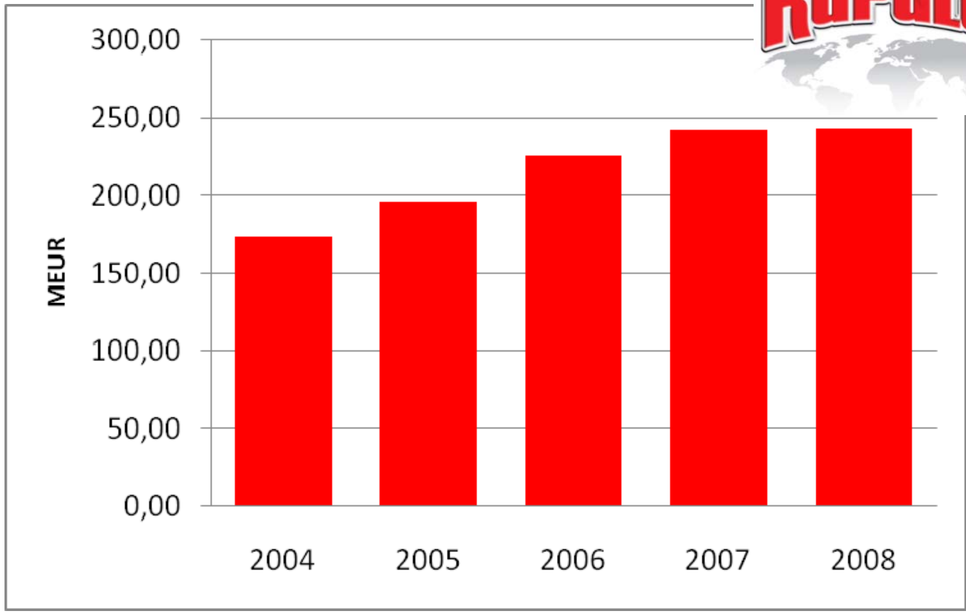
Company	Worldwide sales MUSD	Major product categories	Comments
Jarden **Pure Fishing + Shakespeare**	450**	Rods, reels, combos, line, soft plastics	US sales ca. 50% of sales
Shimano	430*	Rods, reels, accessories	Japan ca. 50% of total sales
Daiwa	425*	Rods, reels, lures	Japan ca. 80% of total sales
Rapala VMC	357	Lures, hooks, accessories	3rd party products 1/3 of sales
Zebco	100*	Rods & reels	USA
Gamakatsu	80**	Hooks, rods, reels, accessories	Japan
Eagle Claw	60**	Hooks, rods, reels, accessories	USA
Mustad	55**	Hooks & accessories	Norway
Pradco	40 *	Lures	USA
Okuma	40**	Rods & reels	Taiwan

*** 2007 figures, partly estimated if published information not available**

**** 2006 figures, partly estimated if published information not available**

Net Sales Analysis

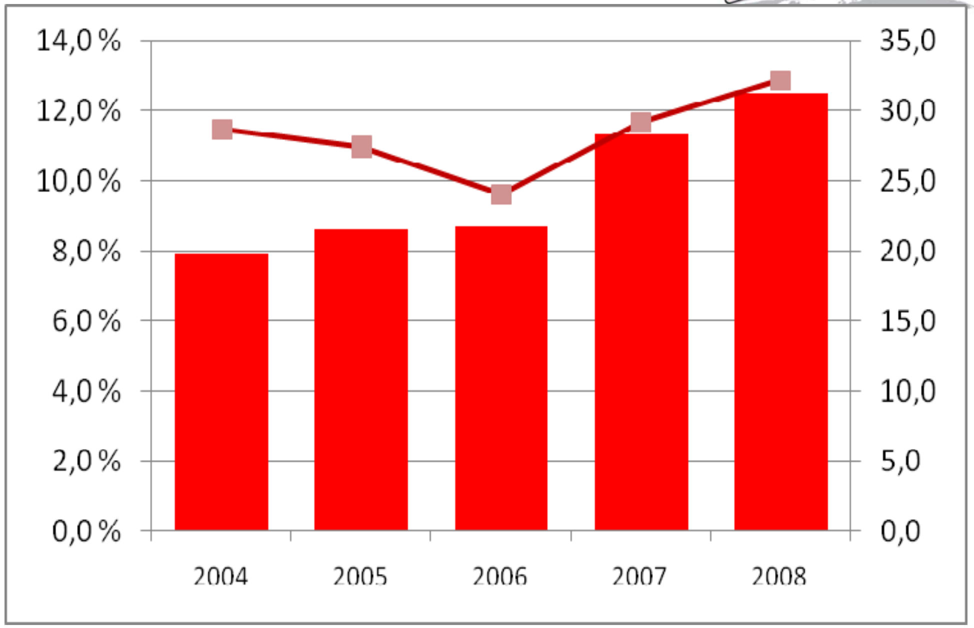
- Q4 sales were 50.9 MEUR (53.7).
- Net sales 2008 were 243.0 MEUR (242.5), fx comparable sales up 4%.
- Increase from Nordic (10%) & Rest of Europe (10%), sales growth strongest in East Europe. RoW (-14%) affected by weak local currencies. US sales down 14%, with comparable fx-rates 8%.
- Net sales suffered from weakened USD, rand, ruble and some other currencies, especially in Q4.



- Third Party Fishing Products grew fastest (18%), boosted by Shimano sales
- Other Products up 3%, boosted by increased sale of hunting products in Nodic.
- Lures were down 11% mainly as a result of decreased sales in the USA
- Net sales of Hooks were down 9%, Lines 17% and Accessories 5%

Operating Profit Analysis (1)

- Q4 EBIT up 33% to 3.2 MEUR (2.4).
- 2008 operating profit increased 11% to 31.3 MEUR (28.3 MEUR).
- Weakening of several currencies, mainly South African rand, Russia ruble and Canadian dollar reduced the operating profit by 3.1 MEUR.
- Non-recurring net gain of 0.8 MEUR.
- Operating margin up to 12.9% (11.7%).
- ROCE increased to 16.9% (15.9%).



- Result of Rest of Europe improved, boosted by the gains from real estate sales (2007: restructuring provisions for France and Ireland).
- Comparable EBIT in Nordics was up (2007: one-off capital gain of 5 MEUR).
- North America was affected by strong euro and weak economic situation.
- Rest of the world suffered from weakening of USD and local currencies & sales drop

Operating Profit Analysis (2)

Management Analysis	2008	2007		2008	2007
Net sales as reported	**243.0**	242.5	Operating profit as reported	**31.3**	28.3
Foreign exchange effects	**9.1**		Non-recurring items (net)	**-0.8**	-1.6
Comparable net sales	**252.1**	242.5	Foreign exchange effects	**3.1**	
			Comparable operating profit	**33.7**	26.8
Operating (profit) margin	**12.9%**	11.7%	Comparable operating margin	**13.3%**	11.0%

- The net of non-recurring items was a gain of 0.8 MEUR (1.6 MEUR):
  - 1.4 MEUR gains from sale of premises in France and
  - 0.6 MEUR of restructuring and non-recurring costs.
- Weakening of several currencies & strengthening of yuan reduced EBIT by 3.1 MEUR
- Comparable operating profit increased 26% to 33.7 MEUR (26.8 MEUR).
- Comparable operating margin, excluding non-recurring items and using 2007 exchange rates, improved to 13.3% (11.0%).
- Hedging result (+0.6 MEUR) booked in financial items.
- Net result up 10% to 19.2 MEUR (17.5 MEUR).
- EPS at last year levels 0.45 EUR (0.45 EUR) due to increase in minority share.

Cash Flow and Working Capital

EUR million	**IV/2008**	IV/2007	**I-IV/2008**	I-IV/2007
Net profit for the period	**1.0**	2.0	**19.2**	17.5
Adjustments (reversal of non-cash items)	**2.8**	0.7	**13.0**	14.8
Financial items and taxes paid/received	**-4.7**	-3.1	**-14.0**	-11.1
Change in working capital	**2.5**	0.2	**-12.7**	-3.1
Net cash from operating activities	**1.6**	-0.3	**5.4**	18.2
Net cash used in investing activities	**-1.9**	2.8	**-6.8**	-3.7
Cash flow before financing	**-0.3**	2.5	**-1.4**	14.5

- Cash flow from operating activities decreased to 5.4 MEUR (18.2 MEUR).
- Working capital increased to 106.8 MEUR (96.7 MEUR) as a result of higher inventories. Working capital to net sales increased to 44% (40%).
- Cash used in investing activities 6.8 MEUR (3.7) included 7.1 MEUR (7.2) capex, 2.0 MEUR (2.7) acquisitions and 2.2 MEUR (6.3) proceeds from disposal of assets&shares.
- Net interest-bearing debt increased to 89.5 MEUR (80.2) and gearing to 86.4% (82.8 %).
- Equity-to-asset ratio remained at 2007 levels at 38.0% (38.2%).

Strategy Implementation - Growth

- In 2008, management continued discussions and negotiations regarding acquisitions and business combinations to implement the Group strategy.
- These discussions resulted an acquisition of Sufix fishing line brand from Yao I Co Ltd. At the same time, Rapala and Yao I concluded an exclusive supply agreement for the supply of fishing lines.
  - Consideration 10 MEUR, paid in 7 years (1.5 MEUR in 2008).
  - Sales target for fishing lines in 2-3 years is above 20 MEUR and strategic long-term target 30-40 MEUR.
- Rapala also started to distribute Shimano fishing tackle through its distribution joint venture in Russia and Ukraine, and in September in Czech and Slovak Republics.
- Rapala's distribution in the UK to Shimano.
- In 2008, the Group opened two new sales offices in Russia, in Khabarovsk and Ekaterinburg. All together, the Group has eight regional sales offices in Russia.
- The Group also increased its shareholding in Thailand from 80% to 100%, in Lithuania from 82% to 100% and in ski manufacturer Peltonen Ski from 80% to 90%.
- Development of organic growth also in terms of new product lines, extensions of current product categories as well as special marketing, sales and brand initiatives continued.

Strategy Implementation - Profitability

- Strong focus on performance improvement initiatives continued.
- Consolidation of French operations into one location proceeded on plan. Both old premises are sold and move of the distribution unit Waterqueen and fishing line supplier Tortue were completed during the third quarter. After all relocations have been made, VMC Europe during summer 2009, annual savings are expected to reach 1-2 MEUR.
- Development of the European lure manufacturing was finalized. Manufacturing unit in Ireland was closed in April and the ramp-up of assembly factory in Russia finalized. This strengthens the Group's position as the world's leading manufacturer of hard-bodied lures and increase production efficiencies and capacity. The annual savings of the restructuring project are estimated to be 0.7 MEUR.
- Major operational changes and improvements in China proceeded on plan. The physical split of fishing tackle and gift businesses made it possible to develop processes separately faster. As a result of increased subcontracting, streamlining the operations and cutting the capacity to meet the market need, the headcount has dropped by some 1 000 employees during the second half of 2008.
- Most of the other performance improvement and cost cutting initiatives have been completed. Results of these initiatives started to materialize during the year.

Outlook for 2009

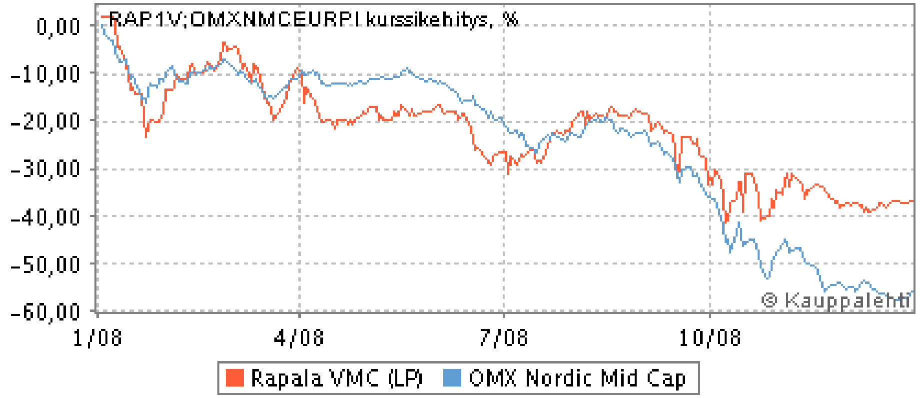
- Outlook for 2009 looks challenging. No major changes expected in short.
- Fishing tackle business has typically been quite non-cyclical during recessions
- In the history, fishermen and fisherwomen have continued their activity even in uncertain economic times and, therefore, the healthy demand for the Group products is expected to continue also in 2009.
- In this business environment, it is expected that the net sales for 2009 will be at last year levels or somewhat above. Excluding non-recurring items, the target is to maintain the operating margin close to the good levels reached in 2008.
- While the Group continues to implement its strategy for profitable growth, the Group management will increase its emphasis on working capital management with a target to reduce the inventory levels markedly in 2009 by developing the Group supply chains and changing ways of working in production planning and internal order management.
- Increasing cash flow from operating activities will be one of the key themes in 2009 together with the finalization of the ongoing performance improvement initiatives and integration of the new fishing line business.
- Order backlog at last year levels at 34.5 MEUR (35.2 MEUR).
- Board proposes a dividend of EUR 0.19 for 2008 (0.18) representing 42% of the EPS.
- Annual Report 2008 will be published on the week starting March 16, 2009.

Share Price Performance & Shareholders

Share Related Data (12/2008)

- Market Cap 137 MEUR
- 12-month high 5.65 EUR
- 12-month low 2.95 EUR
- All-time high 8.40 (2/99)
- All-time low 2.50 (11/01)

Share price performance in 2008



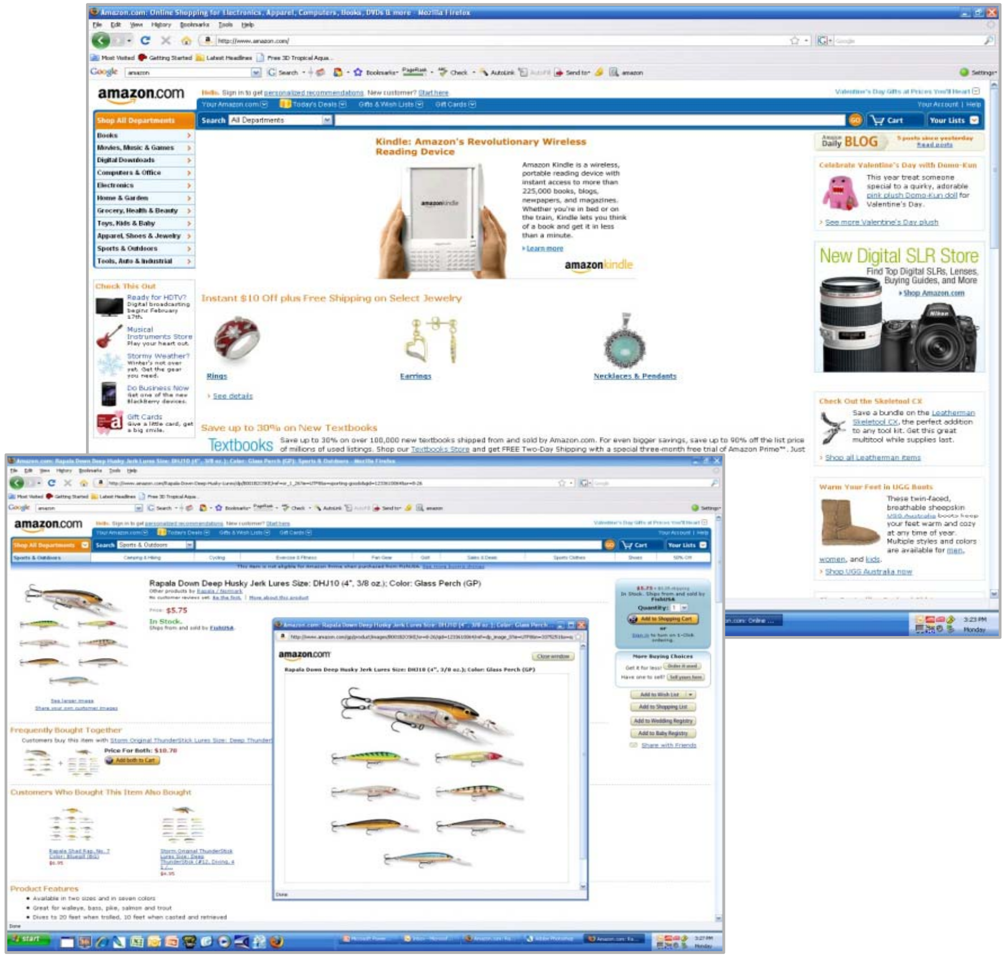
Major Shareholders

- VMC 28 %
- Sofina 19 %
- Odin Funds 9 %
- Utavia 4 %
- State Pension Fund 3%
- William Ng 2 %
- Shimano 2 %

Share price performance 12/2003-12/2008 (5 years)

New Distribution via Amazon.com

- Estimated go-alive on March 1
- America's Largest Online Retailer (mainly books, video games, toys, music and video recordings)
- 4th Quarter net income rose 8.7%
- Gained 18% in Nasdaq trading after sales and profits topped estimates, outpacing eBay
- Amazon.com growth outpaced the rest of the e-commerce market over the past two years



WORLD RECORDS

Rapala

WORLD CLASS