



Q2 Interim Report 2009

July 24, 2009



Crafted from Experience – Positioned for Further Growth



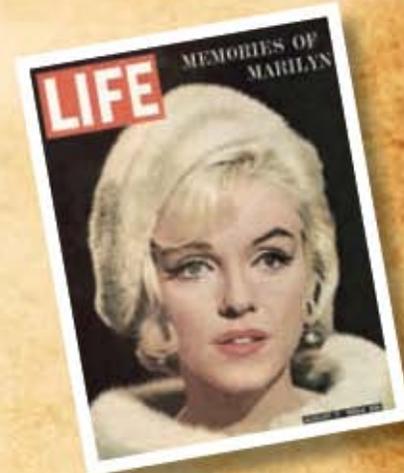
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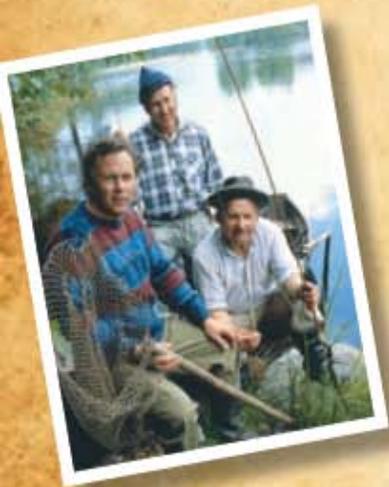
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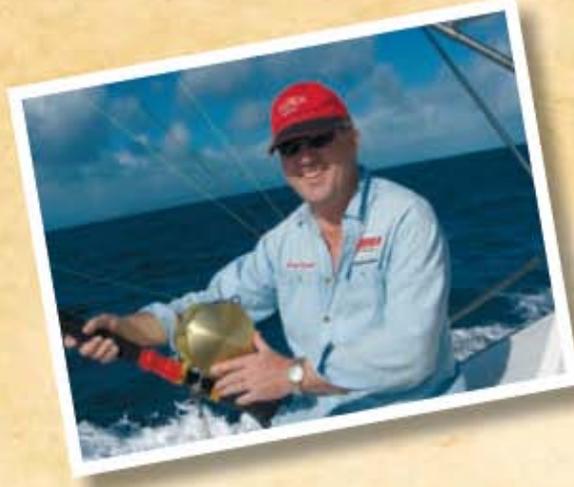
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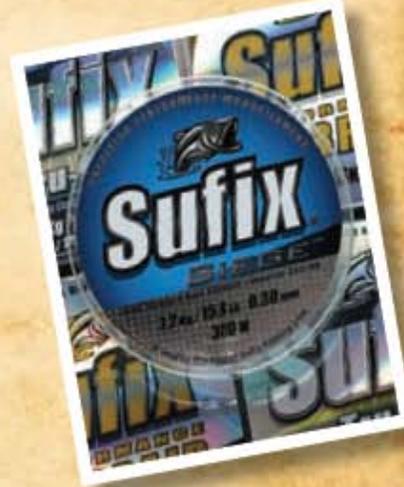
1975



1989



1998



2005-

Q2 in Brief

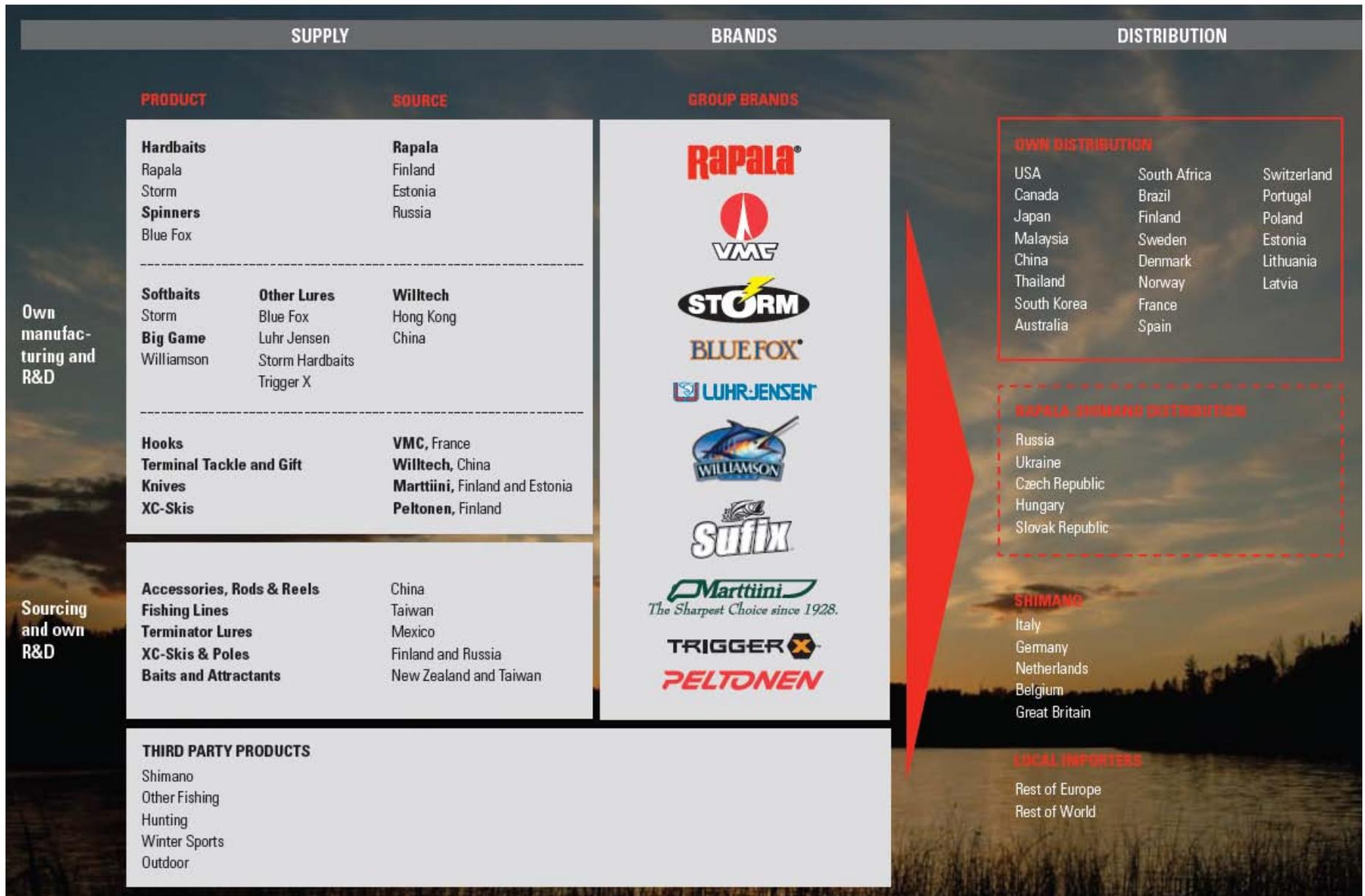


EUR million	II/09	II/08	I-II/09	I-II/08	2008
Sales	67.7	74.2	132.9	139.4	243.0
EBITDA	11.5	15.4	23.1	27.6	37.5
EBITDA ,excl. non-rec.items	11.6	15.7	23.3	26.9	36.7
Operating Profit	9.4	13.8	19.5	24.5	31.3
Operating Profit, excl.non-rec.	10.2	14.1	20.4	23.8	30.5
EPS (basic), EUR	0.16	0.21	0.31	0.37	0.45
Equity-to-assets, %	37.5	37.5	37.5	37.5	38.0
Net Interest-bearing Debt	101.0	98.7	101.0	98.7	89.5

- **Q2 2009 net sales below last year level** in a challenging business environment.
- **Operating profit, excluding non-recurring items, was 10.2 (14.1) MEUR.**
- **Performance improvement initiatives continue**, results have started to materialize.
- **Outlook for 2009:** Net sales for 2009 expected to be somewhat below last year level with a target to keep the operating margin quite close to the good levels reached in 2008, excl. non-recurring items.



Group Organization & Cornerstones of Strategy



Competition & Major Players in the Industry



- No major changes in the competitive environment in Q2 2009

Company	Worldwide sales MUSD*	Major product categories	Comments
Jarden Pure Fishing + Shakespeare	500-700	Rods, reels, combos, line, soft plastics	US sales ca. 50% of sales
Daiwa	630	Rods, reels, lures & sporting goods	Japan 79% of total sales
Shimano	570	Rods, reels, accessories, excl. bike	Japan ca. 50% of total sales
Rapala	360	Lures, hooks, accessories	3rd party products 1/3 of sales
Zebco	80-90	Rods & reels	USA
Gamakatsu	80-90	Hooks, rods, reels, accessories	Japan
Eagle Claw	60	Hooks, rods, reels, accessories	USA
Mustad	50-60	Hooks & accessories	Norway
Pradco	40	Lures	USA
Okuma	40	Rods & reels	Taiwan

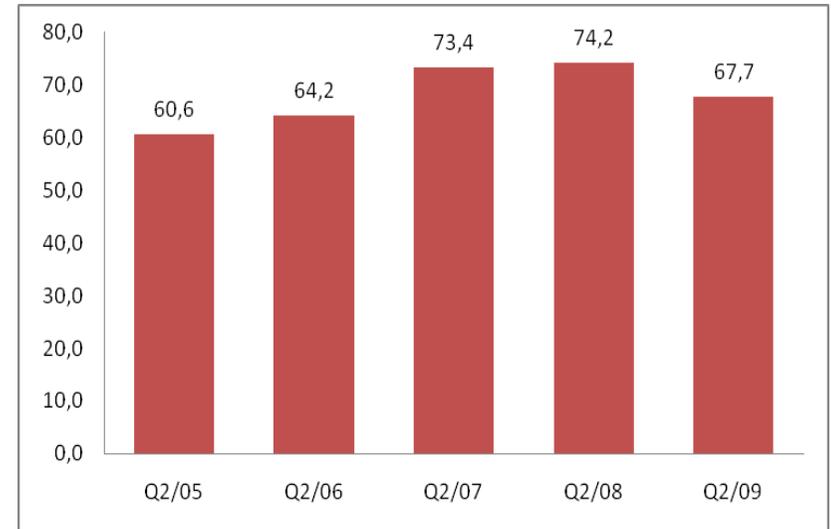
* 2008 figures, partly estimated if published information not available



Net Sales Analysis



- **Solid net sales for Q2 but down on last year** at 67.7 MEUR (74.2). H1 net sales at 132.9 (139.4); FX: -1.7M (Q2) % -1.3 (H1)
- Late spring & FX movements affected net sales negatively in **Nordic countries**.
- Increased business activity and strengthening of USD increased net sales in **North America**.
- **Rest of Europe's** net sales suffered from FX movements and bad economy in e.g. France.
- **Rest of the World** up from 2008 supported by new sales of Sufix products, strengthening of USD & good performance of many Asian units.
- Net sales of **Group Fishing Products up 4%** (Sufix & USD), **Other Group Products** down 32% (gifts & subcontracting) and **Third Party Products** down 19% (currencies & more expensive items).
- **Additional price increases** in many markets to compensate part of the weakening of currencies and slower demand for higher price category products.



Restructuring of European Operations



Marttiini

- Knife manufacturing
- Ca. 60 employees (FIN&EST)
- Personnel down by ca. 20 vs Q2 2008

Vääksy

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

Sortavala

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

Pärnu

- Focus on assembly, finishing & testing
- Ca. 170 employees

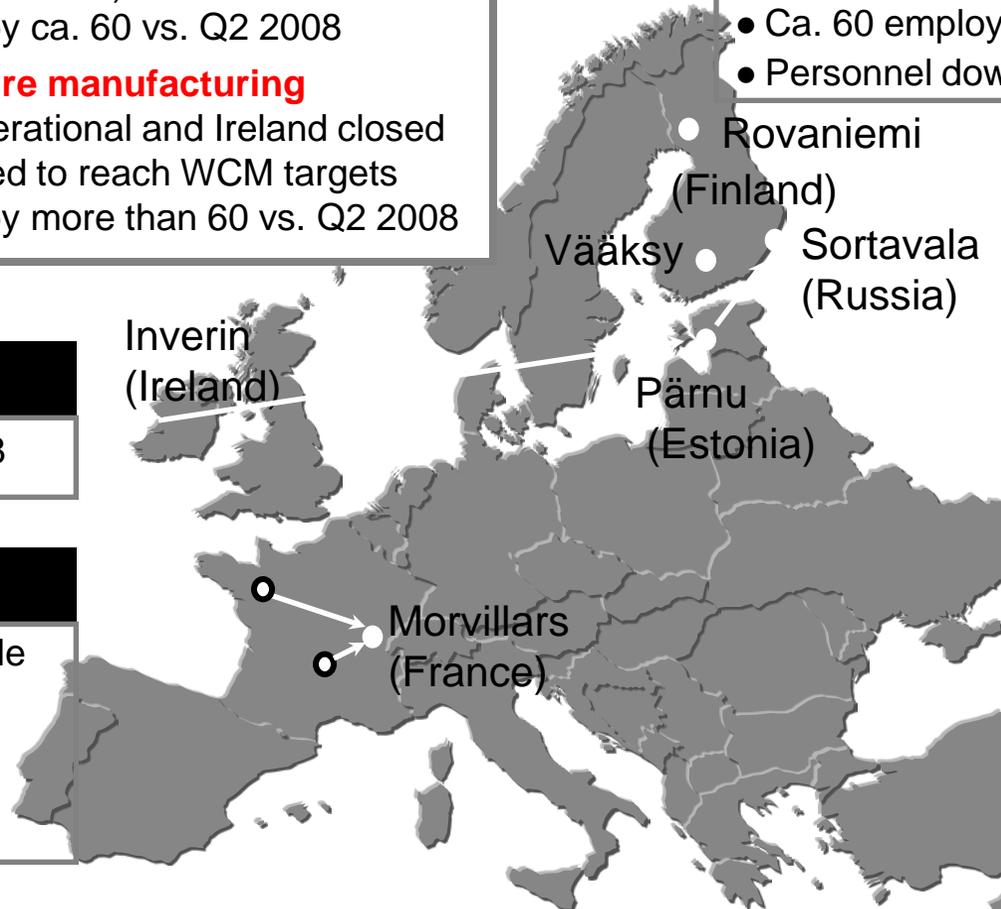
- **Consolidation of French operations**
 - 3 out of 4 units already in new premises
 - Capital gains (1.4 MEUR) in 2008
 - Personnel down by ca. 60 vs. Q2 2008
- **Development of lure manufacturing**
 - Sortavala fully operational and Ireland closed
 - Production reduced to reach WCM targets
 - Personnel down by more than 60 vs. Q2 2008

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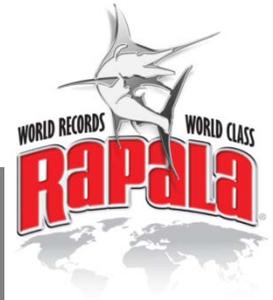
- Closed in April 2008

Morvillars

- Manufacture of treble hooks
- New consolidated distribution center
- Ca. 200 employees



Enhancement of Chinese Manufacturing



- Major operational changes and improvements to enhance production efficiencies and shorten lead times & physical split of fishing tackle & gifts.
- Major increase of outsourcing and, production fine-tuned to reach WCM targets
- Personnel down ca. 2300 from Q2 2008 and more than 900 from Q4 2008

Guangzhou

- Rapala sourcing office
- Ca. 20 employees
- Local sourcing, design/development, quality control etc.



Shenzhen

- Willtech manufacturing facility
- 800-900 employees
- Lures (metal & plastic)
- Hook manufacturing
- Knife manufacturing
- Gift production
- Consolidated shipments

Hong Kong

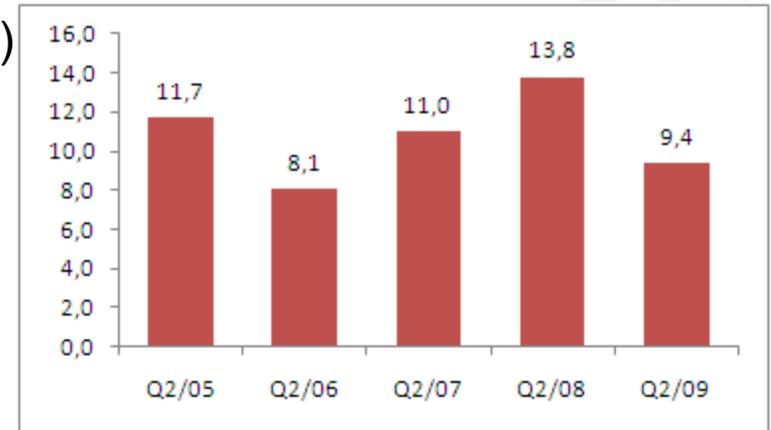
- Sales, R&D and administration
- Suffix Fishing Lines
- Ca. 20 employees



Operating Profit Analysis



- Q2 comparable operating profit, excluding one-offs, 10.2 MEUR (14.1) and comparable operating margin 15.1% (19.0%)
- H1 comparable operating profit 20.4 MEUR (23.8)
- Q2 included 0.8 MEUR (0.3) one-off costs (Chinese premises) and H1 0.9 MEUR (-0.7)
- Bookings for share based incentives affected Q2 by 0.4 MEUR and H1 by 0.3 MEUR compared to 2008
- Result was also negatively affected by decrease in net sales, FX & inventory sales
- Comparable operating margin was 15.1% (19.0) for Q2 and 15.3% (17.1) for H1.
- Reported operating profit was 9.4 MEUR (13.8) for Q2 & 19.5 MEUR (24.5) for H1
- H1 operating profit by operat. segment: Group Fishing Products MEUR 13.9 (13.4), Other Group Products MEUR 0.0 (1.7) and Third Party Products MEUR 5.6 (9.4)
- Financial (net) income for Q2 was positive 0.4 MEUR (-1.1) and for H1 -1.2 M (-2.4) including FX gains of 1.4 MEUR (0.4) for Q2 and 0.8 MEUR (0.5) for H1
- Net profit was 7.4 MEUR (9.4) for Q2 and 13.6 MEUR (16.2) for H1
- EPS was 0.16 EUR (0.21) for Q2 and 0.31 EUR (0.37) for H1.



Cash Flow and Working Capital



EUR million	II/2009	II/2008	I-II/2009	I-II/2008	I-IV/2008
Net profit for the period	7.4	9.4	13.6	16.2	19.2
Adjustments	4.9	3.7	10.1	8.7	13.0
Financial items and taxes paid/rec	-1.3	-3.5	-3.5	-6.3	-14.0
Change in working capital	6.7	-3.4	-22.3	-28.7	-12.7
Net cash from operating activities	17.8	6.2	-2.0	-10.1	5.4
Net cash used in investing activities	-1.9	-1.4	-2.4	-3.4	-6.8
Cash flow before financing	15.9	4.8	-4.4	-13.5	-1.4

- **Net cash flow from operating activities** improved clearly from Q2 and H1 2008.
- **Inventories decreased 9.5 MEUR (0.0) during Q2** while the results from the major working capital management project started in Q4 2008 started gradually to materialize.
- **Net cash used in investing activities** incl. acquisitions & disposals was 1.9 MEUR (1.4)
- **Net interest-bearing debt** at 101.0 MEUR (Dec 2008: 89.5, II/2008: 98.7).
- **Equity-to-asset ratio** at 37.5% (Dec 08: 38.0, II/2008: 37.5) and **gearing** 91.4% (Dec 08: 86.4, II/2008: 96.1).



Strategy Implementation



- Rapala continued to implement its strategy for profitable growth.
- Discussions on **acquisitions & business combinations** continued.
- Strong emphasis on **performance improvement initiatives** continued, special focus on **Hungarian** and **South East European distribution** operations.
- **Custom paint shop** for Luhr Jensen lures was closed in the USA and the previously outsourced **production of Terminator lures** transferred to the Group's Chinese factory.
- **Integration of Sufix business** progress on plan and **sales continued strong**.
- Sales of new **Trigger X** products started in selected distribution channels.
- New innovative **Max Rap** lure introduced with immediate recognition.
- **New distribution company** will be established **in Romania** to support strategy.
- A major **supply chain and logistics initiative** was also started in the second quarter to shorten the lead times and further improve the service levels to customers.
- **Operational changes and improvements in the Chinese factory** proceeded.
- **Group's headcount down 52% in a year** mainly due to the new operating mode in China (-2 300).
- **Consolidation of French units, restructuring of European lure manufacturing and adjusting manufacturing volumes** to support ongoing working capital project have resulted in a further reduction of almost 150 employees.
- Simultaneously, **new personnel recruited** to support the growth (Sufix & distribution).



Current Trading Conditions in the USA

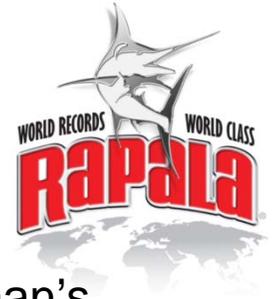


Market Overview

- Fishing participation is high this season – due, in part,
 - to the tough economic times and
 - high unemployment levels.
 - Fishing continues to be one of the least expensive entertainment alternatives.
- Pleasantly surprised with 2009 retail sales. All consumable items are selling thru.
- Rapala lures continue to sell well – by far the market leader (4x the number 2)! Currently ahead of LY by +10%.
- Integration and sales of Sufix fishing line are on target with plan.
- Sales of knives, tools and accessories are also strong. More anglers are consuming their catch – fishing for sustenance purposes helps to justify the activity.
- Fuel prices are significantly lower this year – allowing fishermen to use their boats more frequently.
- Boat, marine accessory, electronics and high-end rod and reel sales are slow.



Current Trading Conditions in the USA



Retail Situation

- Three major retail customers have declared bankruptcy in 2009 (Sportsman's Warehouse, Boater's World and Joe's Sports). This represents a loss in sales of \$6M USD. However, much of this lost business has already been shifted to other customers.
- Pipeline is clean meaning smaller and more frequent JIT orders. All retailers are taking a conservative approach and keeping inventory levels low.
- Fishing industry is consolidating, providing opportunities to gain market share.
- Rapala has become a more dominant and important supplier to major mass merchants due to contraction of less significant brands.

Other Initiatives

- Exciting new products for 2010 have been well received by the trade. First shipments begin this October (new Rapala Max Rap, launch of Trigger X biodegradable soft baits and further expansion of Sufix fishing lines).
- Successful launch of B2B and promo internet sales on 1/1/2009 (high margins).
- New launch of Rapala via amazon.com in March 2009.
- Rapala brand licensing program working well and continues to expand.
- Further expansion of Rapala, Sufix, Shimano Ultimate Angling System.



Actions to Strengthen US Operations



Actions Taken to Improve Profitability

- Terminator lure manufacturing was transferred from third party in Mexico to Group-owned factory in China in February 2009.
- Luhr-Jensen Custom Paint Shop in Oregon, USA was closed in march 2009 (Group's factory in China to produce to the most popular custom models).
- Overall improved margins on a larger percentage of sales to non-mass merchant customers.
- Realizing synergies from acquisitions.

Fixed Cost Reductions

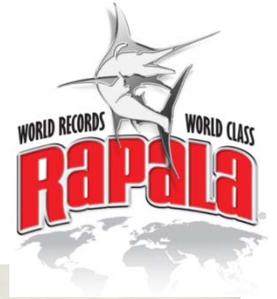
- Personnel reductions
- Reduced professional fees
- Selling costs reduced
- Miscellaneous other fixed cost reductions

Working Capital Management

- Supply chain improvements, ABC inventory management practices and increase in container programs will reduce inventory levels and increase inventory turnover. Rapala USA inventory has already been reduced significantly since Dec 2008.



Major New Product Lines Launched in 2009



Major new Rapala product line intro in May of 2009. The new **Rapala MAX RAP**. Retail price of \$18 (2X – 3X the price of traditional Rapala lures).

MAX RAP will have the maximum features of any fishing lure on the market. Plus maximum margin opportunities.



Outlook for 2009



- In general, the market outlook for 2009 remains unchanged and continues challenging.
- Positive signs of stabilization in the North American market but the slowdown and uncertainty in European economies as well as in many Asian countries and the Southern hemisphere are expected to continue during the coming months.
- It is expected that the Group's net sales for the financial year 2009 will be somewhat below previous year level.
- Excluding non-recurring items, the target is to maintain the operating margin quite close to the good levels reached in 2008.
- Implementation of the Group's strategy for profitable growth continue.
- Key themes in 2009 are
 - reduction of working capital and increase of cash flow from operating activities.
 - integration of acquired Sufix fishing line business, and
 - finalization of the ongoing performance improvement initiatives
- Third quarter interim report will be published on October 23.



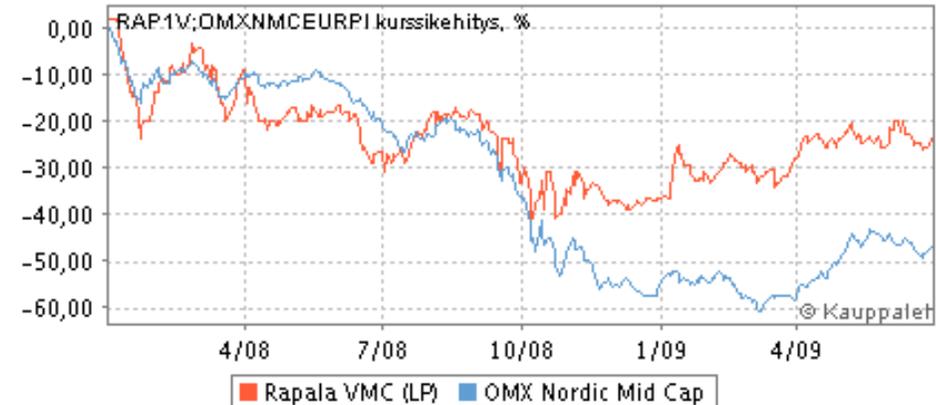
Share Price Performance & Shareholders



Share Related Data (6/2009)

- Market Cap 168 MEUR
- 12-month high 4.58 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 & H1 2009



Major Shareholders

- VMC 28 %
- Sofina 19 %
- Odin Funds 9 %
- William Ng 5 %
- Utavia 4 %
- State Pension Fund 3%
- Shimano 2 %

Share price performance 1/2004-6/2009 (5.5 years)





