February 5, 2008

ANNUAL ACCOUNTS 2007 – RECORD SALES AND EARNINGS

- Net sales for 2007 increased 7% and reached an all time record at 242.5 MEUR (226.6 MEUR). Fourth quarter net sales were up 9% and amounted to 53.7 MEUR (49.2 MEUR).
- Operating profit for 2007 was up 30% and totaled 28.3 MEUR (21.7 MEUR). Operating profit for the fourth quarter reached a good level at 2.4 MEUR (0.7 MEUR). Comparable operating profit margin improved clearly both for the fourth quarter and full year.
- Net result for 2007 was up 59% and reached an all time record 17.5 MEUR (11.0 MEUR) and was 2.0 MEUR (0.5 MEUR) for the fourth quarter. Earnings per share increased to the highest level ever at 0.45 EUR (0.28 EUR) for the full financial year and reached 0.05 EUR (0.01 EUR) for the fourth quarter.
- Cash flow from operations was up 82% to 18.2 MEUR (10.0 MEUR). Net interest-bearing debt decreased strongly to 80.2 MEUR (Dec 2006: 99.3 MEUR) and gearing to a historically low 82.8% (122.2%). Equity-to-asset increased to 38.2% (33.4%).
- Rapala continued to implement its strategy for profitable growth: Terminator lures was acquired in the USA, a lure assembly factory established in Russia, consolidation of French operations started, a new distribution company opened in South Korea, the Irish lure factory to be closed in April 2008 and cooperation with Shimano increased to a new level by establishing joint distribution centers in Hungary, Russia and Ukraine.
- The outlook for 2008 is quite good. It is expected that the Group's net sales for 2008 will increase 8-12% assuming 2007 exchange rates. Possible new acquisitions would further increase the sales. Assuming 2007 exchange rates and excluding non-recurring items, operating profit margin is expected to improve from 2007.
- Board proposes to the Annual General Meeting a dividend of EUR 0.18 per share to be paid. This represents 40% of earning per share.

The attachment presents the summary of the annual review by the Board of Directors and extracts from the financial statements for 2007.

A conference call on the 2007 result will be arranged today at 4.30 pm Finnish time (3.30 pm CET). Please dial +44 207 750 9950 or +1 866 676 5870 five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 5 working days following the teleconference. The number (pin code: 218149#) to dial is +44 207 750 99 28. Rapala's financial information 2007 and annual summary of stock exchange releases and announcements published in 2007 are available at www.rapala.com.

For further information, please contact:
Jorma Kasslin, President and Chief Executive Officer, +358 9 7562 540
Jouni Grönroos, Chief Financial Officer, +358 9 7562 540
Olli Aho, Investor Relations, +358 9 7562 540

Distribution: Helsinki Stock Exchange and Main Media

Market Situation and Sales

The general conditions in the fishing tackle market were quite good in 2007. Due to normal weather conditions, the peak season for fishing tackle business started somewhat earlier than in 2006, when the summer season was clearly late. On the other hand, the season also ended earlier in 2007. Market growth was strongest in East Europe, South Africa, Australia and Asia. In West Europe and North America, the trading conditions remained quite stable even if US markets suffered somewhat from the weak dollar.

Year 2007 was characterized by strong emphasis on performance improvement and cost cutting initiatives in the Group. These were though executed so that the investment in business development and sales growth was not limited.

The seasonality of the fishing tackle business has been reduced during the last few years by expanding the Group’s operations in southern hemisphere and closer to equator by acquisitions, start-ups and expanding existing operations. Even if almost 50% of the sales is generated during the second half of the year, more than 80% of the operating profit was still generated in the first six month of 2007.

Net sales were up 7% from last year and amounted to 242.5 MEUR (2006: 226.6 MEUR). Almost 90% of the growth was organic. This increase came from all geographical segments except North America. Weakening of the US dollar reduced North American sales by 5.8 MEUR. With comparable exchange rates, Group’s net sales were up 11% and North American up 4%.

All product lines except Accessories increased their sales and Fishing Hooks made their all time sales record: lure sales were up 1%, fishing hooks 14%, third party fishing products 19% and other products 13%. For more detailed information see the attached accounts.

Financial Results and Profitability

MEUR	**IV 2007**	IV 2006	**I-IV 2007**	I-IV 2006
Net sales	**53.7**	49.2	**242.5**	226.6
EBITDA	**4.3**	2.4	**33.8**	28.0
Operating profit (EBIT)	**2.4**	0.7	**28.3**	21.7
Profit before taxes	**1.1**	-0.3	**23.3**	14.6
Net profit for the period	**2.0**	0.5	**17.5**	11.0

Operating profit for 2007 was up 30% and reached 28.3 MEUR (21.7 MEUR). Also operating profit margin increased and amounted to 11.7% (9.6%). Return on capital employed reached a good level at 15.9% (12.3%).

Operating profit included several non-recurring items of which the largest resulted from the sale of 50% of the new distribution joint-venture to Shimano (+4.9 MEUR), the consolidation of French operations (-2.5 MEUR), closing of Irish lure factory (-1.1 MEUR) and negative goodwill from the acquisition of Terminator business (+1.0 MEUR). The net of other non-recurring items was -0.7 MEUR (-0.4 MEUR).

The operating profit was negatively affected by weakening of US dollar and some other currencies (1.6 MEUR) as well as increase of raw material prices and personnel costs especially in China. On the other hand, the first result of several performance improvement initiatives started to gradually capitalize during the second half of the year. Also the increase of Group products sold in 2007 improved the result. The result of currency hedges booked in financial items was +1.0 MEUR (+0.3 MEUR).

Comparable operating profit margin, excluding non-recurring items and using 2006 exchange rates, improved clearly and reached 11.2% (9.8%). This was a major turnaround and stopped the trend of declining profit margins.

Management Analysis MEUR	**I-IV 2007**	I-IV 2006		**I-IV 2007**	I-IV 2006
Net sales as reported	**242.5**	226.6	Operating profit as reported	**28.3**	21.7
Foreign exchange effects	**10.0**	0.0	Non-recurring items (net)	**-1.6**	0.4
Comparable net sales	**252.5**	226.6	Foreign exchange effects	**1.6**	0.0
			Comparable operating profit	**28.3**	22.1
Operating (profit) margin	**11.7%**	9.6%	Comparable operating margin	**11.2%**	9.8%

All geographical segments except Rest of Europe increased their operating profit. The result in Rest of Europe was down due to restructuring provisions in France, Ireland and few other countries. The result in Nordic includes the gain from the sale of 50% of the new distribution joint venture. For more detailed geographical segment information, see the attached accounts.

Financial expenses were above previous year level as a result of increased average interest rates. Net result for 2007 was up 59% and reached an all time record 17.5 MEUR (11.0 MEUR). Also earning per share increased to the highest level ever at 0.45 EUR (0.28 EUR).

Cash Flow and Financial Position

Cash flow from operating activities was up 82% from last year and amounted to 18.2 MEUR (10.0 MEUR). Work to reduce working capital compared to business volumes continued and started to show results. Even if business volumes increased, the Group was able to reduce working capital to 96.7 MEUR (97.8 MEUR). In 2007, working capital (end of the year) to net sales was 40% (43%) excluding the start-up inventories bought from Shimano in the end of 2007 for the new distribution joint-venture.

Net cash used in investing activities amounted to 3.7 MEUR (14.7 MEUR) including capital expenditure of 9.9 MEUR (15.5 MEUR). This includes the acquisition of Terminator lure business, second installment of the Freetime acquisition closed in 2005 and the final payment of the Guigo acquisition closed in 2004. The total purchase price for acquisitions closed in 2007 is 2.1 MEUR of which 2.7 MEUR is allocated to working capital, 0.9 MEUR to fixed assets, 0.5 MEUR to liabilities and the difference is booked as negative goodwill. Proceeds from sales of assets and disposal of subsidiary shares totaled 6.3 MEUR. This includes the sale of 50% of the new distribution joint-venture to Shimano (5.0 MEUR) and a number of smaller disposals.

As part of the strengthening of the long-term distribution alliance, Rapala issued 889 680 new shares to Shimano in October for the subscription price of 5.62 EUR per share, which represented a three-month weighted average trading price for the share. These new shares will not give right to dividend paid from the financial year 2007 and they have a lock-up period of 12 months. The total proceed from this share subscription was 5 MEUR.

Net interest-bearing debt decreased strongly to 80.2 MEUR (Dec 2006: 99.3 MEUR) as a result of positive cash flow and asset disposals. Improved profitability and cash flow increased the equity-to-asset ratio to 38.2% (Dec 2006: 33.4%). Gearing decreased to a historically low 82.8% (Dec 2006: 122.2%). Group’s liquidity has never been better since it went public in 1998.

Strategy Implementation - Growth

Management continued discussions and negotiations regarding acquisitions and business combinations throughout the year to further implement the Group’s strategy for profitable growth.

These discussions resulted in a major business combination when Rapala and Shimano agreed to join forces in East European distribution. Rapala has consistently aimed at developing and deepening its fishing tackle distribution alliance with Shimano. South East European distribution center established with Shimano earlier in 2007 in Hungary has already proven to be a success. The latest addition to this cooperation between Rapala and Shimano was announced in October, when the companies decided to establish a joint venture company to manage and develop their distribution in the fastest growing market area in the fishing tackle business including Russia and Ukraine. This transaction was completed in December and the joint venture company, Rapala Shimano East Europe Oy, is owned 50/50 by the parties and controlled by Rapala. In 2008, this joint venture is expected to increase Rapala’s net sales more than 10 MEUR. After this expansion of distribution alliance with Shimano, Rapala distributes Shimano rods and reels in South Africa and in 22 countries in Europe. In Russia, the new joint venture will also distribute bicycle parts.

In January 2007, Terminator branded spinner bait and lure business was acquired in the USA. Terminator is number two in the US spinner bait market with annual sales of some 2 MEUR. Currently these lures are manufactured in a subcontract facility in Mexico but the production is planned to be transferred later to Rapala’s factory in China.

Also organic growth continued strong. A lure assembling factory was established in Russia and a new distribution company in South Korea. The sales growth especially in Eastern Europe, Asia, Australia and South Africa continued strong. 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. Both the market coverage and the product portfolio were expanded and the Group’s position in current markets and product categories was strengthened. New products for 2008 season were finalized and introduced to distribution channels. The deliveries of these new products started in the last quarter of 2007 and they have reached or are about to reach the retail stores by now.

Strategy Implementation - Profitability

In addition to negotiations regarding acquisitions and business combinations and development of new products and organic growth, the emphasis on performance improvement initiatives was strengthened with the target to turn around the declining trend in operating profit margin and to further improve the Group's profitability.

The plan to consolidate Group's French operation into Morvillars was published in June. This restructure will affect some 90 persons in France, who were all offered work in the new location. Most of the personnel did not want to move and the recruitment of new people started in the fourth quarter. The relocation of distribution unit Ragot has now been completed. Distribution unit Waterqueen and fishing line supplier Tortue moves are planned for mid-2008 and hook distributor VMC Europe during the third quarter. The total investment in the new distribution centre is 0.5 MEUR. The plan is also to invest 0.4 MEUR in line spooling facilities in order to further improve operations. After all relocations have been made and the new organisation is up and running, the annual savings are expected to reach 1-2 MEUR. These savings will start to materialize from the latter half of 2008 onwards and full effect will be seen in 2009.

To strengthen the Group's position as the world's leading manufacturer of hard-bodied lures and increase production efficiencies and capacity, Rapala started the restructuring and development of its lure manufacturing operations in Europe in early 2007 by establishing a lure assembly factory in Russia. In December, the plan to close the lure factory in Ireland was published. The manufacturing operations in Ireland will discontinue in the end of April 2008. The average number of personnel in the Irish factory has been declining in the last few years and was some 20 persons at the end of 2007. The manufacturing functions of the Irish factory will be taken over by the Group's lure factory in Estonia that will continue finalizing, testing and packaging the products. At the same time, significant part of assembly work is being transferred from Estonia to the new factory in Russia, which currently employs some 50 persons. After the closing of the Irish factory and transfer of its duties to the Estonian factory, the annual savings are expected to reach some 0.7 MEUR.

During 2007, major operational changes and improvements were started also in the Group's manufacturing facility in China. This development project is supported by an international team of professionals and the target is to enhance the production efficiencies and shorten the lead time to restore the profitability of the operations that has been burdened by the increased raw material prices and personnel costs. The first results of this project started to capitalize during the last quarter of 2007 but the full benefits are expected to materialize later in 2008 when the new production planning system and related new processes are implemented.

The South East European distribution center established with Shimano earlier in 2007 in Hungary has already proven to be a success not only regarding sales growth but also profitability.

Also few organizational changes have been made in distribution units with unsatisfactory performance. In addition, the Group has introduced and implemented several cost cutting initiatives. Most of these initiatives have been completed and the results have started to materialize gradually. The full impact of these will be seen from the beginning of 2008 onwards.

Personnel and R&D

Number of personnel increased 11% during the year and was 4 356 (3 921) at the year end. The average number of personnel increased to 4 577 (3 987). Largest increases were in China and Russia.

Research and development expenses increased to 1.6 MEUR (1.2 MEUR) in 2007.

Risk Management and Environmental Affairs

The Group principles for risk management and environmental affairs were confirmed during 2007. These principles as well as the work done and progress made in these areas are described in the annual report for 2007.

Outlook for 2008

The outlook for 2008 is quite good. No major changes in the competition of fishing tackle market are expected. The general uncertainty especially in the US economy is not expected to have a significant effect on Group sales in 2008. It is expected that the Group’s net sales for the financial year 2008 will increase 8-12% assuming 2007 exchange rates. Possible new acquisitions during 2008 would further increase the sales.

Special initiatives started during 2007 to further improve Group’s profitability are gradually starting to capitalize during 2008. In addition, prices have been increased in several markets to compensate for recent cost increases. Business development and start-up costs are expected to remain on 2007 levels while new initiatives are planned and implemented. Assuming 2007 exchange rates and excluding non-recurring items, operating profit margin is expected to improve in 2008 compared to 2007.

In the end of 2007, order backlog was close to last year levels at 35.2 MEUR (35.8 MEUR).

In January 2008, Rapala signed a sale agreement for the warehouse and office building in Saint Marcel as part of the consolidation of operations in France and will book a capital gain of some 0.9 MEUR in the first quarter of 2008. The plan is also to sell the warehouse and office building in Loudeac in 2008.

Negotiations and discussions for new acquisitions and business combinations continue while new products and applications are being planned and developed. New products for 2009 season have just been finalized and they will be introduced to the distributors within the next few months. Reduction of working capital compared to business volume and improvement of cash flow remain an important target also in 2008.

Proposal for Profit Distribution

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.18 for 2007 (2006: EUR 0.12) per share be paid from the Group's distributable funds and that any remaining distributable funds be allocated to retained earnings. At December 31, 2007, the parent company's distributable funds totaled 54.2 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year 2007. Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

Helsinki, February 5, 2008

Board of Directors of Rapala VMC Corporation

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	**IV**	IV	**I-IV**	I-IV
MEUR	**2007**	2006	**2007**	2006
Net sales	**53.7**	49.2	**242.5**	226.6
Other operating income	**5.5**	1.0	**6.7**	1.5
Cost of sales	**31.1**	29.6	**135.8**	128.3
Other costs and expenses	**23.7**	18.3	**79.6**	71.9
EBITDA	**4.3**	2.4	**33.8**	28.0
Depreciation	**1.8**	1.6	**5.4**	6.3
Operating profit (EBIT)	**2.4**	0.7	**28.3**	21.7
Financial income and expenses	**1.3**	1.0	**5.0**	7.1
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0
Profit before taxes	**1.1**	-0.3	**23.3**	14.6
Income taxes	**-0.9**	-0.8	**5.8**	3.6
Net profit for the period	**2.0**	0.5	**17.5**	11.0
Attributable to:				
Equity holders of the Company	**2.0**	0.4	**17.3**	10.8
Minority interest	**0.1**	0.1	**0.3**	0.2
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, EUR (diluted = non-diluted)	**0.05**	0.01	**0.45**	0.28

CONSOLIDATED STATEMENT OF CASH FLOWS	**IV**	IV	**I-IV**	I-IV
MEUR	**2007**	2006	**2007**	2006
Net profit for the period	**2.0**	0.5	**17.5**	11.0
Adjustments to net profit for the period *	**0.7**	2.8	**14.8**	19.2
Financial items and taxes paid and received	**-3.1**	-3.5	**-11.1**	-12.1
Change in working capital	**0.2**	0.2	**-3.1**	-8.1
Net cash generated from operating activities	**-0.3**	-0.1	**18.2**	10.0
Investments	**-2.4**	-2.6	**-7.2**	-7.2
Proceeds from sales of assets	**0.0**	0.1	**0.4**	0.6
Acquisition of subsidiaries, net of cash	**0.0**	-2.1	**-2.7**	-8.3
Proceeds from disposal of subsidiaries, net of cash	**5.4**	0.0	**5.9**	0.0
Change in loans receivable	**-0.2**	0.2	**-0.1**	0.2
Net cash used in investing activities	**2.8**	-4.4	**-3.7**	-14.7
Dividends paid	**0.0**	0.0	**-4.6**	-4.2
Net funding	**-5.3**	6.6	**-11.5**	14.7
Proceeds from share subscriptions	**5.0**	0.0	**5.0**	0.4
Net cash generated from financing activities	**-0.4**	6.6	**-11.1**	10.9
Adjustments	**0.4**	0.0	**0.4**	0.0
Change in cash and cash equivalents	**2.5**	2.2	**3.8**	6.2
Cash & cash equivalents at the beginning of the period	**25.3**	22.7	**24.4**	19.2
Foreign exchange rate effect	**-0.5**	-0.4	**-0.9**	-1.0
Cash and cash equivalents at the end of the period	**27.3**	24.4	**27.3**	24.4

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

CONSOLIDATED BALANCE SHEET MEUR	**Dec 31 2007**	Dec 31 2006
ASSETS		
Non-current assets		
Intangible assets	**51.1**	53.3
Property, plant and equipment	**28.4**	29.4
Non-current financial assets		
Interest-bearing	**0.6**	0.6
Non-interest-bearing	**8.0**	6.3
	88.1	89.6
Current assets		
Inventories	**84.3**	73.0
Current financial assets		
Interest-bearing	**0.1**	0.2
Non-interest-bearing	**52.8**	56.5
Cash and cash equivalents	**27.3**	24.4
	164.6	154.0
Assets classified as held-for-sale	**0.9**	0.0
Total assets	**253.7**	243.6
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**96.0**	80.7
Minority interest	**0.9**	0.6
	96.9	81.3
Non-current liabilities		
Interest-bearing	**49.8**	64.6
Non-interest-bearing	**6.4**	6.6
	56.3	71.1
Current liabilities		
Interest-bearing	**58.4**	59.9
Non-interest-bearing	**42.0**	31.3
	100.5	91.2
Total equity and liabilities	**253.7**	243.6

Rounding of figures

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Fund for invested non-restricted equity	Retained earnings		
Equity on Jan 1, 2006	**3.5**	**16.3**	**-**	**-4.5**	**-**	**60.0**	**0.2**	**75.4**
Change in translation differences	-	-	-	-2.6	-	-	-	**-2.6**
Gains and losses on hedges of net investments				0.0				**0.0**
Fair value gains on available-for-sale investments, net of tax	-	-	0.1	-	-	-	-	**0.1**
Net income recognized directly in equity	-	-	0.1	-2.6	-	-	-	**-2.5**
Net profit for the period	-	-	-	-	-	10.8	0.2	**11.0**
Total recognized income and expenses	-	-	0.1	-2.6	-	10.8	0.2	**8.5**
Dividends paid	-	-	-	-	-	-4.2	-	**-4.2**
Shares subscribed with options	0.0	0.4	-	-	-	-	-	**0.4**
Share option program	-	-	-	-	-	0.8	-	**0.8**
Other changes	-	-	-	-	-	0.2	0.2	**0.4**
Equity on Dec 31, 2006	**3.5**	**16.7**	**0.1**	**-7.1**	**-**	**67.6**	**0.6**	**81.3**
Equity on Jan 1, 2007	**3.5**	**16.7**	**0.1**	**-7.1**	**-**	**67.6**	**0.6**	**81.3**
Change in translation differences	-	-	-	-3.4	-	-	-	**-3.4**
Gains and losses on cash flow hedges	-	-	0.0	-	-	-	-	**0.0**
Gains and losses on hedges of net investments	-	-	-	0.7	-	-	-	**0.7**
Fair value gains on available-for-sale investments, net of tax	-	-	0.0	-	-	-	-	**0.0**
Net income recognized directly in equity	-	-	-0.1	-2.7	-	-	-	**-2.7**
Net profit for the period	-	-	-	-	-	17.3	0.3	**17.5**
Total recognized income and expenses	-	-	-0.1	-2.7	-	17.3	0.3	**14.8**
Private offering	0.1	-	-	-	4.9	-	-	**5.0**
Dividends paid	-	-	-	-	-	-4.6	-	**-4.6**
Shares subscribed with options	0.0	0.0	-	-	-	-	-	**0.0**
Share option program	-	-	-	-	-	0.4	-	**0.4**
Other changes	-	-	-	-	-	0.0	0.1	**0.1**
Equity on Dec 31, 2007	**3.6**	**16.7**	**0.0**	**-9.8**	**4.9**	**80.6**	**0.9**	**96.9**

SEGMENT INFORMATION** MEUR	**IV 2007**	IV 2006	**I-IV 2007**	I-IV 2006
Net Sales by Area**				
North America	**13.4**	14.3	**66.7**	69.7
Nordic	**21.0**	22.1	**96.0**	94.2
Rest of Europe	**19.3**	18.0	**92.1**	83.0
Rest of the world	**16.3**	11.7	**62.9**	43.7
Intra-Group	**-16.2**	-16.9	**-75.2**	-64.0
Total	**53.7**	49.2	**242.5**	226.6
Operating Profit by Area**				
North America	**1.0**	1.2	**7.5**	6.4
Nordic	**5.2**	0.5	**12.5**	6.9
Rest of Europe	**-5.3**	0.8	**3.4**	7.0
Rest of the world	**2.7**	-1.0	**5.4**	2.8
Intra-Group	**-1.1**	-0.9	**-0.3**	-1.4
Total	**2.4**	0.7	**28.3**	21.7
Net Sales by Product line***				
Lures	**11.1**	16.2	**73.9**	73.0
Fishing Hooks	**3.7**	3.4	**16.9**	14.8
Fishing Accessories	**13.8**	13.9	**43.5**	45.8
Third Party Fishing Products	**11.4**	3.9	**63.4**	53.5
Other	**14.2**	12.7	**47.8**	42.4
Intra-Group	**-0.5**	-0.7	**-3.2**	-2.9
Total	**53.7**	49.2	**242.5**	226.6

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

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

KEY FIGURES	**IV 2007**	IV 2006	**I-IV 2007**	I-IV 2006
EBITDA margin, %	**7.9%**	4.8%	**13.9%**	12.4%
Operating profit margin, %	**4.5%**	1.5%	**11.7%**	9.6%
Return on capital employed, %	**5.4%**	1.7%	**15.9%**	12.3%
Capital employed at end of period, MEUR	**177.1**	180.6	**177.1**	180.6
Net interest-bearing debt at end of period, MEUR	**80.2**	99.3	**80.2**	99.3
Equity-to-assets ratio at end of period, %	**38.2%**	33.4%	**38.2%**	33.4%
Debt-to-equity ratio at end of period, %	**82.8%**	122.2%	**82.8%**	122.2%
Earnings per share, EUR	**0.05**	0.01	**0.45**	0.28
Average number of shares outstanding (1000)	**39 381**	38 576	**38 781**	38 565
Fully diluted earnings per share, EUR	**0.05**	0.01	**0.45**	0.28
Fully diluted average number of shares (1000)	**39 381**	38 620	**38 781**	38 609
Equity per share at end of period, EUR	**2.43**	2.09	**2.43**	2.09
Number of shares outstanding at end of period (1000)	**39 468**	38 576	**39 468**	38 576
Average personnel for the period	**4 576**	3 964	**4 577**	3 987

KEY FIGURES BY QUARTERS MEUR	I 2006	II 2006	III 2006	IV 2006	I-IV 2006	I 2007	II 2007	III 2007	**IV 2007**	**I-IV 2007**
Net sales	63.4	64.2	49.8	49.2	226.6	63.4	73.4	52.0	**53.7**	**242.5**
EBITDA	11.6	9.7	4.4	2.4	28.0	12.3	12.6	4.6	**4.3**	**33.8**
Operating profit (EBIT)	10.0	8.1	2.8	0.7	21.7	12.0	11.0	2.9	**2.4**	**28.3**
Profit before taxes	7.8	6.1	1.0	-0.3	14.6	11.0	9.8	1.4	**1.1**	**23.3**
Net profit for the period	5.7	4.5	0.4	0.5	11.0	7.7	6.7	1.1	**2.0**	**17.5**

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This report has been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting principles adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group’s Annual Financial Statements 2006, except for the adoption of new and amended standards and interpretations: IFRS 7 (Financial Instruments), amendment to IAS 1 (Presentation of Financial Statements – Capital Disclosures), IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). Adoption of these interpretations and standards did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Use of estimates

Complying with the IFRS standards in preparing financial statements requires the management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

Definition of key figures

The definitions of key figures used in the interim report are consistent with those used in the Group’s Annual Financial Statements 2006.

Events after the end of the interim period

The Group has no knowledge of any significant events after the end of the interim period that would have a material impact on the financial statements for January-December 2007. Material events after the end of the interim period, if any, have been discussed in the annual review by the Board of Directors.

Inventories

In 2007, the book value of inventories differed from its net realizable value by EUR 2.4 million (EUR 1.0 million).

Assets held-for-sale

As part of the consolidation of it’s French operations, Rapala signed a sale agreement for the warehouse and office building in Saint Marcel in January 2008. The plan is also to sell the building in Loudeac during 2008.

Hedging of net investments in foreign subsidiaries

During the first quarter of 2007, the Group started to partially hedge its net investments in USD, AUD, JPY and NOK currency denominated foreign subsidiaries using equivalent currency loans. The Group also plans to start to partially hedge its net investment in SEK currency denominated foreign subsidiaries. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity.

Open derivatives

	31.12.2007			31.12.2006
MEUR	**Foreign currency forwards**	**Interest rate swaps**	**Total**	Foreign currency forwards
Nominal amount	**7.9**	**12.9**	**20.8**	1.0
Net fair values	**-0.1**	**0.0**	**-0.2**	0.0

Commitments

MEUR	**Dec 31 2007**	Dec 31 2006
On own behalf		
Business mortgage	**16.1**	16.6
Property mortgage	**0.0**	0.3
Pledges	**0.0**	0.8
Guarantees	**2.1**	1.1
On behalf of other parties		
Guarantees	**0.6**	0.6
Minimum future lease payments on operating leases	**9.5**	12.6

Related party transactions

MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-IV 2007					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**-**	**-**
Entity with significant influence on the Group*	**-**	**0.1**	**0.1**	**0.0**	**-**
I-IV 2006					
Associated company Lanimo Oü	0.1	-	-	-	0.1

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

Non-recurring income and expenses in operating profit

MEUR	**IV 2007**	IV 2006	**I-IV 2007**	I-IV 2006
Sale of 50% of Rapala Shimano East Europe Oy	**4.9**	-	**4.9**	-
Consolidation of French operations	**-2.5**	-	**-2.5**	-
Closure of Irish lure factory	**-1.1**	-	**-1.1**	-
Other disposals of assets	**0.0**	-0.1	**0.4**	-0.1
Excess of Group’s interest in the net fair values of acquired net assets over costs (negative goodwill)	**-0.2**	-	**1.0**	-
Other restructuring costs	**-0.3**	-0.2	**-1.3**	-0.2
Other non-recurring items	**-**	-0.1	**0.1**	-0.1
Total	**0.7**	-0.4	**1.6**	-0.4

Impact of acquisitions and disposals on the consolidated financial statements

In January, Rapala acquired the fishing tackle business of Outdoor Innovations LLC and Horizon Lures LP, USA based manufacturers and distributors of Terminator branded spinner baits and other fishing lures. The deal includes patents for the use of nickel titanium wire in fishing lures, trade marks, customer lists, inventories and some other assets.

In April, Rapala acquired 10% minority stake of Rapala's Hungarian distribution company, Rapala Eurohold Ltd ("Rapala Eurohold"), from Mr Agh Senior. Acquisition raised Rapala's ownership to 80%.

Also in February and April, Rapala made a 0.2 MEUR final payment of the Guigo acquisition closed in 2004 and in May a 0.8 MEUR first settlement of final payment of the Freetime acquisition closed in 2005.
.

Acquisitions by Dec 31, 2007 MEUR	**Fair value**	**Seller's carrying amount**
Working capital	**2.7**	**2.7**
Intangible assets	**0.7**	**0.1**
Tangible assets	**0.1**	**0.1**
Deferred tax liability	**-0.5**	**0.0**
Fair value of acquired net assets	**2.9**	**2.9**

MEUR	**I-IV 2007**
Cash paid	**1.5**
Cash to be paid	**0.4**
Payment of the Freetime acquisition closed in 2005	**0.8**
Final payment of the Guigo acquisition closed in 2004	**0.2**
Costs associated with the acquisitions	**0.1**
Total purchase consideration	**3.1**
Excess of Group's interest in the net fair value of acquired net assets over cost	**-1.0**
Goodwill	**0.2**
Net	**-0.9**
Cash paid for the acquisitions	**2.7**
Cash and cash equivalents acquired	**0.0**
Net cash flow	**2.7**

In May, Rapala and Shimano, one of the leading manufacturers of rods and reels worldwide, strengthened their distribution alliance in Hungary and South-East Europe. Shimano subscribed a 33.4% shareholding in Rapala Eurohold. Rapala's ownership is now 56.6% and the Managing Director of Rapala Eurohold, Mr Agh Jr, has the remaining 10% ownership. The funds from this transaction are invested in strengthening the sales and marketing in South-East Europe.

In October 2007, Rapala and Shimano decided to strengthen their distribution alliance in Russia and Ukraine by establishing a 50/50 joint venture company in Finland, controlled by Rapala. This joint venture company, Rapala Shimano East Europe Oy, acquired existing Rapala distribution companies in both of these countries. As a result of the new joint venture, these distribution companies started to distribute, in addition to their current product offering, Shimano reels, rods and other Shimano fishing tackle products on exclusive basis. The distribution company in Russia also started to distribute Shimano bicycle parts.

In addition to these partial disposals, the assets of the French Guigo fishing tackle shop where sold in December 2007.

Rapala VMC Corporation

Partial disposals of subsidiaries by Dec 31, 2007	**I-IV 2007**
Disposed working capital	**0.1**
Share of disposed goodwill	**0.4**
Share of disposed minority interest	**0.1**
Gain on disposals	**5.3**
Total consideration	**5.9**
Consideration received in cash	**5.9**

Share-based payments

The Group has three separate share-based payment programs: two stock option programs and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Report 2006. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the program is 5.1 MEUR. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share option where granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. On March 31, 2007, the exercise period for the 2003A stock option program expired. All 500 000 shares were subscribed. The 2003B stock option program is exercisable between March 31, 2006 and March 31, 2008 at an exercise price of 6.02 EUR per share, the 2004A stock option program is exercisable between March 31, 2007 to March 31, 2009 at an exercise price of 5.96 EUR per share, the 2004B stock option program is exercisable between March 31, 2008 and March 31, 2010 at an exercise price of 6.09 EUR, the 2006A synthetic option program is exercisable between March 31, 2009 and March 31, 2011 at an exercise price of 6.32 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.32 EUR. The exercise prices have been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period. Applying of IFRS 2 reduced operating profit with 0.9 MEUR in January-December 2006 and 0.8 MEUR in January-December 2007.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares. This amount of shares corresponds to less than 10% of all shares of the company. This authorization is in force until September 30, 2008.

In March 2007, 2 500 new shares where subscribed with 2003A option rights. The share capital increased with EUR 225.00 and the subscriptions were registered in the Trade Register on April 4, 2007 and listed on the main list of the OMX Nordic Exchange Helsinki on April 5, 2007. All 500 000 shares have now been subscribed with 2003A option rights.

In October 2007, 889 680 new shares were issued to Shimano for the subscription price of EUR 5.62 per share, which represented a three-month weighted average share price for the share from June 27 to September 27. The share capital increase of EUR 80 071.20 corresponding to the subscription was registered in the Trade Register on October 24, 2007. The new shares where listed as a new class of shares on the main list of the

OMX Nordic Exchange Helsinki on October 25, 2007.These new shares will not give right to dividend paid from the financial year 2007 and they have a lock-up period of 12 months. The new restricted class of shares shall be combined to the old class of shares as soon as the difference regarding the right to dividend between the classes no longer exists i.e. October 24, 2008. As a result of the share capital increase, Rapala's share capital was EUR 3 552 160.41 and the total number of outstanding shares 39 468 449 at December 31, 2007.

As a result of the share subscriptions with the 2003 and 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 121 425 EUR and the number of shares by a maximum of 1 349 168 shares. The shares that can be subscribed with these stock options correspond to 3.4% of the Company's shares and voting rights.

8 684 433 shares (12 468 161 shares) were traded during the year. The shares traded at a high of 6.27 EUR and a low of 5.40 EUR during the period. The closing share price at the end of the period was 5.55 EUR.

Business risks and seasonality of the business

Rapala currently operates in 30 countries in all major continents. There are no signs of significant changes in markets or fishing tackle business as such due to new product launches, product category introductions or competitor actions. Group's customers are acting mainly in local markets, consisting mainly of mass retailers offering a wide range of products and specialized fishing tackle and outdoor retailers. Group's sales and operating profit have traditionally been quite seasonal due to the geographic location of the Group operations and the seasonality of the fishing tackle business. The seasonality has been slightly mitigated in the last two years through the acquisitions of distribution companies on the southern hemisphere. For more information on the Group's financial risk and risk management see Annual Report 2006 on www.rapala.com.