

April 23, 2008

**INTERIM REPORT – JANUARY TO MARCH 2008****Record sales for the first quarter**

- Despite of the weakening of the US dollar, timing of the Easter holidays and challenging winter weather conditions, first quarter net sales reached a record level at 65.1 MEUR (1/2007: 63.4 MEUR). Weakening of US dollar and some other currencies decreased net sales by 3.6 MEUR. Comparable net sales increased 8%.
- Operating profit decreased from last year and amounted to 10.6 MEUR (12.0 MEUR). Operating margin was 16.3% (18.9%). Comparable operating profit, excluding non-recurring items and effects of foreign exchange movements, was 10.5 MEUR (10.7 MEUR) and comparable operating margin 15.3% (16.9%).
- Net profit for the first quarter amounted to 6.8 MEUR (7.7 MEUR). Earnings per share were 0.16 EUR (0.20 EUR).
- Cash flow from operating activities was below last year levels. Net interest-bearing debt was up to 96.5 MEUR (Dec 2007: 80.2 MEUR) due to seasonal increase in working capital but was clearly below March 2007 level (109.1 MEUR). Accordingly, equity-to-asset ratio decreased to 36.3% (Dec 2007: 38.2%) and gearing increased to 96.7% (Dec 2007: 82.8%) while both indicators improved clearly compared to March 2007.
- Rapala continued to implement its strategy for profitable growth. Consolidation of French operations and restructuring of the Chinese manufacturing unit proceeded on plan. Ramp-up of the new lure factory in Russia progressed and the Irish lure factory will be closed in the end of April. These savings will start to materialize from the latter half of 2008 onwards and full effect will be seen in 2009. Distribution joint venture in East Europe with Shimano started well with increased sales. Negotiations for new acquisitions and business combinations continued.
- It is expected that the Group's net sales for the financial year 2008 will increase 8-12% from 2007 assuming comparable exchange rates. With comparable exchange rates and excluding non-recurring items, operating margin is expected to improve from 2007.

The attachment presents the interim review by the Board of Directors as well as accounts.

A conference call on the first quarter 2008 result will be arranged today at 2.00 pm Finnish time (1.00 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: 220622#) to dial is +44 207 750 99 28. Information is also available at [www.rapala.com](http://www.rapala.com).

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Rapala VMC Corporation

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**Market Situation and Sales**

During the first quarter, the fishing tackle season started quite well in Western Europe and Canada. In the end of the first quarter, some US customers started to reduce their inventories as a reaction to the increased uncertainties in the US economy. Despite these actions of certain customers, the consumer demand continued healthy in the key product categories for Rapala. Northern US market was also affected by very cold and long winter, which postponed the start of the peak season for fishing tackle sales. In Australia and South-Africa, the markets continued strong and the summer season has now come to its end. In Eastern Europe, the markets continued to grow strongly. Due to an unusually short and mild winter season in the Nordic countries, especially in Finland, the market for both winter fishing and winter sports equipment was very slow. Easter holidays were this year in March instead of April, which reduced the number of business days in March compared to 2007.

Net sales for the first quarter, which is normally and seasonally the second best quarter for sales, were in line with Group expectations and reached a new record for the first quarter at 65.1 MEUR (I/07: 63.4 MEUR) boosted mainly by good sales performance in Nordic and Rest of Europe segments, latter one boosted by the distribution co-operation with Shimano in Eastern Europe. Net sales were negatively affected by the mild and short winter in Nordic countries, especially cold and long winter in the Northern USA and the timing of Easter holidays. Weakening of the US dollar and some other currencies, especially the South African rand, decreased the net sales by 3.6 MEUR. Excluding the effect of foreign exchange movements, Group net sales were up 8%. With comparable exchange rates, net sales were down 2% in North America.

**Financial Results and Profitability**

MEUR	I/2008	I/2007	I-IV/2007
Net sales	<b>65.1</b>	63.4	242.5
EBITDA	<b>12.2</b>	12.3	33.8
Operating profit (EBIT)	<b>10.6</b>	12.0	28.3
Profit before taxes	<b>9.3</b>	11.0	23.3
Net profit for the period	<b>6.8</b>	7.7	17.5

Operating profit for January to March decreased from last year and totaled 10.6 MEUR (12.0 MEUR). Operating margin was 16.3% (18.9%) and return on capital employed 22.8% (25.4%). First quarter result was negatively affected by bad winter season for winter fishing and winter sports in Nordic countries, cold and long winter in the Northern US, weakening of the US dollar (-0.4 MEUR net for all currencies), timing of Easter holidays in March and 0.3 MEUR of non-recurring costs related to restructurings in Europe and Asia. The Group has entered into derivative contracts to fix part of its USD exposure related to purchases for the next 14 months. Since hedge accounting is not applied to these derivatives, the unrealized loss for these contracts (0.5 MEUR) decrease the operating profit for the first quarter. On the other hand, the result includes a non-recurring gain of 1.3 MEUR from the real estate sold in France. The comparable period in 2007 included a negative goodwill of 1.2 MEUR from the Terminator deal and 0.1 MEUR other non-recurring gains. The result of currency hedging related to operating profit (+0.1 MEUR) is booked in financial items.



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Comparable operating profit, excluding non-recurring items and effects of foreign exchange movements, was 10.5 MEUR (10.7 MEUR) and comparable operating margin 15.3% (16.9%).

### Management Analysis

MEUR	I/2008	I/2007		I/2008	I/2007
Net sales as reported	<b>65.1</b>	63.4	Operating profit as reported	<b>10.6</b>	12.0
Foreign exchange effects	<b>3.6</b>	0.0	Non-recurring items (net)	<b>-1.0</b>	-1.3
Comparable net sales	<b>68.7</b>	63.4	Foreign exchange effects	<b>0.9</b>	0.0
			Comparable operating profit	<b>10.5</b>	10.7
Operating margin as reported	<b>16.3%</b>	18.9%	Comparable operating margin	<b>15.3%</b>	16.9%

Operating profit of Nordic countries was down 0.8 MEUR as a result of currency movements and it suffered also from the mild winter affecting winter sports and winter fishing equipment sales. Rest of Europe's result was boosted by good sales and one-off gain of 1.3 MEUR from the real estate sold in France. Operating profit in North America and Rest of the World were down in line with the decrease in sales taking into account that the comparable figure for North America in 2007 included the negative goodwill from the Terminator acquisition.

Financial expenses increased from last year mainly due to decrease in currency exchange gains. Net interest expenses decreased slightly. Net profit for the quarter amounted to 6.8 MEUR (7.7 MEUR) and earning per share was 0.16 EUR (0.20 EUR).

### Cash Flow and Financial Position

Cash flow from operating activities was below last year level due to decreased result and higher increase in working capital. Working capital was up from December 2007 as inventories and especially trade receivables increased seasonally and new inventories were built up for new sales of Shimano products in Eastern Europe. Net cash used in investing activities, including acquisitions, amounted to 2.0 MEUR (3.0 MEUR).

Net interest-bearing debt increased seasonally to 96.5 MEUR (Dec 2007: 80.2 MEUR) but was clearly below March 2007 levels (109.1 MEUR). Equity-to-asset ratio decreased to 36.3% (Dec 2007: 38.2%) and gearing increased to 96.7% (Dec 2007: 82.8%) while both of these ratios improved clearly compared to March 2007.

### Strategy Implementation - Growth

During the first quarter of 2008, Rapala continued to develop its product portfolio and market coverage to implement its strategy for profitable growth. Also discussions and negotiations regarding acquisitions and business combinations continued.

Rapala's competitive position both in the global and regional fishing tackle markets has strengthened in the past years thanks to innovative product development, high quality products, good service, extension of product offering for both global and regional markets as well as wide distribution network covering almost all fishing tackle markets.

Rapala-Shimano distribution joint venture started its operations in East Europe in the beginning of 2008 and has already proven to be a success. Rapala has consistently aimed at developing and deepening its fishing tackle distribution alliance with Shimano. South East

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European distribution center established with Shimano in early 2007 in Hungary has also progressed positively increasing both its sales and profitability. With the combined high quality product offering of Rapala and Shimano covering all key price points, the customers are able to fulfill majority of their fishing tackle needs. After these expansions of distribution alliance with Shimano, Rapala distributes Shimano fishing tackle, mainly rods and reels, in South Africa and in 22 countries in Europe. In Russia, the joint venture also distributes bicycle parts.

The new lure assembly factory in Russia is fully operational and increases its production volumes on a quarterly basis. The business of the new sales company established in 2007 in South Korea is proceeding on plan.

### **Strategy Implementation - Profitability**

In addition to M&A negotiations and development of new products and organic growth, the emphasis on performance improvement initiatives continued. The target is to further improve the Group's profitability in 2008.

The consolidation of the Group's French operation into Morvillars proceeded on plan. The relocation of distribution unit Ragot was completed in the end of 2007 and the moves of distribution unit Waterqueen and fishing line supplier Tortue are planned for mid-2008 and hook distributor VMC Europe later in 2008. The sale of the real estate owned by Waterqueen was signed in January with a non-recurring gain of 1.3 MEUR. The real estate of Ragot will also be sold in 2008. 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.

The restructuring and development of Rapala's lure manufacturing operations in Europe proceeds on plan. The manufacturing operations in Ireland will discontinue in the end of April 2008. 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. 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. This restructuring will strengthen the Group's position as the world's leading manufacturer of hard-bodied lures and increase production efficiencies and capacity.

Operational changes and improvements started in the Group's Chinese manufacturing facility in 2007 have progressed with a target to enhance the production efficiencies and shorten the lead time. These changes also include the ongoing physical split of the fishing tackle and gift businesses into separate buildings. This is done to develop both businesses more on a standalone basis but with good cooperation to decrease the effects of the seasonality of the fishing tackle business. The first results of these initiatives have started to capitalize but the full benefits are expected to materialize from 2009 onwards when the new production planning system and related new processes are implemented.

The distribution joint ventures established with Shimano in 2007 have proven to be a success not only regarding sales growth but also profitability. The impact of several cost cutting initiatives completed by the end of 2007 in distribution units have started to gradually



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materialize from the beginning of 2008. New reorganizations took place during the first quarter in some of the Asian distribution units.

### Short-term Outlook

In general, the outlook for 2008 remains unchanged. The market outlook for 2008 is though two-folded. The fishing tackle business, especially the product categories where Rapala operates, has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate. This together with a good start for the fishing tackle sales in Europe and Canada indicates that the market could be quite stable for the rest of 2008. On the other hand, the increased uncertainties and downturns in the economic environment may influence, at least for a short while, the sales of fishing tackle if retailers reduce their inventory levels further. This risk remains especially in the USA. Australia and Africa are now heading for their winter season, which will seasonally slow down their business for few months.

The profitability of the Group's ongoing operations continues to be good. Special initiatives are being implemented to further improve the profitability. In addition, prices have been increased and further price increases are planned to compensate for increases in raw material costs and wages especially in China. Business development and integration expenses and start-up costs will continue in 2008 while the new initiatives are planned and implemented. These costs are not expected to exceed the comparable costs in 2007.

It is expected that the Group's net sales for the financial year 2008 will increase 8-12% from 2007 assuming comparable exchange rates. Possible additional acquisitions during 2008 would further increase the sales. Assuming comparable exchange rates and excluding non-recurring items, operating margin is expected to improve from 2007.

Group management continues planning and negotiations regarding further acquisitions and business combinations to implement the Group's strategy. Also the project to manage working capital continues.

The launch of new products for season 2009 will take place during the next three months. The second quarter interim report will be published on July 23.

Helsinki, April 23, 2008

Board of Directors of Rapala VMC Corporation



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**CONSOLIDATED FINANCIAL STATEMENTS** (unaudited)

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>I</b>	<b>I</b>	<b>I-IV</b>
MEUR	<b>2008</b>	2007	2007
<b>Net sales</b>	<b>65.1</b>	63.4	242.5
Other operating income	<b>1.5</b>	0.3	6.7
Cost of sales	<b>34.7</b>	32.5	135.8
Other costs and expenses	<b>19.8</b>	18.8	79.6
<b>EBITDA</b>	<b>12.2</b>	12.3	33.8
Depreciation	<b>1.6</b>	0.3	5.4
<b>Operating profit (EBIT)</b>	<b>10.6</b>	12.0	28.3
Financial income and expenses	<b>1.3</b>	1.0	5.0
Share of results in associated companies	<b>0.0</b>	0.0	0.0
<b>Profit before taxes</b>	<b>9.3</b>	11.0	23.3
Income taxes	<b>2.5</b>	3.3	5.8
<b>Net profit for the period</b>	<b>6.8</b>	7.7	17.5

**Attributable to:**

Equity holders of the Company	<b>6.3</b>	7.6	17.3
Minority interest	<b>0.5</b>	0.1	0.3

**Earnings per share for profit attributable**

**to the equity holders of the Company:**

Earnings per share, EUR (diluted = non-diluted)	<b>0.16</b>	0.20	0.45
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<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>I</b>	<b>I</b>	<b>I-IV</b>
MEUR	<b>2008</b>	2007	2007
Net profit for the period	<b>6.8</b>	7.7	17.5
Adjustments to net profit for the period *	<b>5.0</b>	4.7	14.8
Financial items and taxes paid and received	<b>-2.8</b>	-1.9	-11.1
Change in working capital	<b>-25.3</b>	-17.8	-3.1
<b>Net cash generated from operating activities</b>	<b>-16.3</b>	-7.3	18.2
Investments	<b>-1.7</b>	-1.4	-7.2
Proceeds from sales of assets	<b>0.1</b>	0.0	0.4
Acquisition of subsidiaries, net of cash	<b>-0.3</b>	-1.6	-2.7
Proceeds from disposal of subsidiaries, net of cash	<b>-</b>	-	5.9
Change in interest-bearing receivables	<b>0.0</b>	0.0	-0.1
<b>Net cash used in investing activities</b>	<b>-2.0</b>	-3.0	-3.7
Dividends paid	<b>-</b>	-	-4.6
Net funding	<b>16.7</b>	7.8	-11.5
Proceeds from share subscriptions	<b>-</b>	0.0	5.0
<b>Net cash generated from financing activities</b>	<b>16.7</b>	7.8	-11.1
Adjustments	<b>-0.2</b>	-	0.4
Change in cash and cash equivalents	<b>-1.8</b>	-2.5	3.8
Cash & cash equivalents at the beginning of the period	<b>27.3</b>	24.4	24.4
Foreign exchange rate effect	<b>-0.7</b>	-0.2	-0.9
<b>Cash and cash equivalents at the end of the period</b>	<b>24.9</b>	21.8	27.3

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



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## CONSOLIDATED BALANCE SHEET

MEUR

Mar 31

Mar 31

Dec 31

2008

2007

2007

### ASSETS

#### Non-current assets

Intangible assets

49.4

53.4

51.1

Property, plant and equipment

27.8

29.3

28.4

Non-current financial assets

Interest-bearing

0.6

0.6

0.6

Non-interest-bearing

7.6

6.3

8.0

85.4

89.6

88.1

#### Current assets

Inventories

89.0

79.9

84.3

Current assets

Interest-bearing

0.1

0.0

0.1

Non-interest-bearing

75.1

77.6

52.8

Cash and cash equivalents

24.9

21.8

27.3

189.1

179.3

164.6

Assets classified as held-for-sale

0.5

-

0.9

#### Total assets

275.0

268.8

253.7

### EQUITY AND LIABILITIES

#### Equity

Equity attributable to the equity holders of the Company

98.6

87.8

96.0

Minority interest

1.2

0.6

0.9

99.8

88.4

96.9

#### Non-current liabilities

Interest-bearing

48.6

75.4

49.8

Non-interest-bearing

6.7

6.6

6.4

55.2

82.0

56.3

#### Current liabilities

Interest-bearing

73.5

56.1

58.4

Non-interest-bearing

46.4

42.4

42.0

119.9

98.5

100.5

#### Total equity and liabilities

275.0

268.8

253.7

### 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.



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Fund for invested non-restriected equity	Retained earnings	Minority interest	Total equity
<b>Equity on Jan 1, 2007</b>	<b>3.5</b>	<b>16.7</b>	<b>0.1</b>	<b>-7.1</b>	<b>-</b>	<b>67.6</b>	<b>0.6</b>	<b>81.3</b>
Change in translation differences	-	-	-	-0.8	-	-	-	<b>-0.8</b>
Gains and losses on hedges of net investments, net of tax	-	-	-	0.0	-	-	-	<b>0.0</b>
Fair value gains on available-for-sale investments, net of tax	-	-	0.0	-	-	-	-	<b>0.0</b>
Net income recognized directly in equity	-	-	0.0	-0.8	-	-	-	<b>-0.8</b>
Net profit for the period	-	-	-	-	-	7.6	0.1	<b>7.7</b>
Total recognized income and expenses	-	-	0.0	-0.8	-	7.6	0.1	<b>6.9</b>
Shares subscribed with options	0.0	0.0	-	-	-	-	-	<b>0.0</b>
Share option program	-	-	-	-	-	0.2	-	<b>0.2</b>
Other changes	-	-	-	-	-	0.0	0.0	<b>0.0</b>
<b>Equity on Mar 31, 2007</b>	<b>3.5</b>	<b>16.7</b>	<b>0.1</b>	<b>-7.9</b>	<b>-</b>	<b>75.4</b>	<b>0.6</b>	<b>88.4</b>
<b>Equity on Jan 1, 2008</b>	<b>3.6</b>	<b>16.7</b>	<b>0.0</b>	<b>-9.8</b>	<b>4.9</b>	<b>80.6</b>	<b>0.9</b>	<b>96.9</b>
Change in translation differences	-	-	-	-3.6	-	-	-	<b>-3.6</b>
Gains and losses on cash flow hedges, net of tax	-	-	-0.2	-	-	-	-	<b>-0.2</b>
Gains and losses on hedges of net investments, net of tax	-	-	-	-0.1	-	-	-	<b>-0.1</b>
Net income recognized directly in equity	-	-	-0.2	-3.6	-	-	-	<b>-3.8</b>
Net profit for the period	-	-	-	-	-	6.3	0.5	<b>6.8</b>
Total recognized income and expenses	-	-	-0.2	-3.6	-	6.3	0.5	<b>3.0</b>
Share option program	-	-	-	-	-	0.1	-	<b>0.1</b>
Other changes	-	-	-	-	-	0.0	-0.2	<b>-0.2</b>
<b>Equity on Mar 31, 2008</b>	<b>3.6</b>	<b>16.7</b>	<b>-0.2</b>	<b>-13.4</b>	<b>4.9</b>	<b>87.1</b>	<b>1.2</b>	<b>99.8</b>



<b>SEGMENT INFORMATION</b>	<b>I</b>	<b>I</b>	<b>I-IV</b>
MEUR	<b>2008</b>	2007	2007
<b>Net Sales by Area**</b>			
North America	<b>17.4</b>	21.1	66.7
Nordic	<b>30.6</b>	24.9	96.0
Rest of Europe	<b>29.7</b>	25.4	92.1
Rest of the world	<b>13.4</b>	14.8	62.9
Intra-Group	<b>-25.9</b>	-22.8	-75.2
Total	<b>65.1</b>	63.4	242.5
<b>Operating Profit by Area**</b>			
North America	<b>1.9</b>	3.8	7.5
Nordic	<b>2.2</b>	2.7	12.5
Rest of Europe	<b>6.7</b>	4.2	3.4
Rest of the world	<b>0.7</b>	1.1	5.4
Intra-Group	<b>-0.9</b>	0.2	-0.3
Total	<b>10.6</b>	12.0	28.3
<b>Net Sales by Product line***</b>			
Lures	<b>19.5</b>	23.1	73.9
Fishing Hooks	<b>4.6</b>	4.9	16.9
Fishing Accessories	<b>10.6</b>	10.7	43.5
Third Party Fishing Products	<b>21.1</b>	16.8	63.4
Other	<b>10.3</b>	8.8	47.8
Intra-Group	<b>-0.9</b>	-1.0	-3.2
Total	<b>65.1</b>	63.4	242.5

\*\* 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 include Group branded fishing tackle products. Third Party Fishing Products include non-Group branded fishing products, mostly rods and reels. Other Products include non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

<b>KEY FIGURES</b>	<b>I</b>	<b>I</b>	<b>I-IV</b>
	<b>2008</b>	2007	2007
EBITDA margin, %	<b>18.8%</b>	19.5%	13.9%
Operating margin, %	<b>16.3%</b>	18.9%	11.7%
Return on capital employed, %	<b>22.8%</b>	25.4%	15.9%
Capital employed at end of period, MEUR	<b>196.3</b>	197.5	177.1
Net interest-bearing debt at end of period, MEUR	<b>96.5</b>	109.1	80.2
Equity-to-assets ratio at end of period, %	<b>36.3%</b>	32.9%	38.2%
Debt-to-equity ratio at end of period, %	<b>96.7%</b>	123.5%	82.8%
Earnings per share, EUR	<b>0.16</b>	0.20	0.45
Average number of shares outstanding (1000)	<b>39 468</b>	38 577	38 781
Fully diluted earnings per share, EUR	<b>0.16</b>	0.20	0.45
Fully diluted average number of shares (1000)	<b>39 468</b>	38 580	38 781
Equity per share at end of period, EUR	<b>2.50</b>	2.27	2.43
Number of shares outstanding at end of period (1000)	<b>39 468</b>	38 579	39 468
Average personnel for the period	<b>4 398</b>	4 051	4 577

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KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	I
MEUR	2007	2007	2007	2007	2007	2008
Net sales	63.4	73.4	52.0	53.7	242.5	65.1
EBITDA	12.3	12.6	4.6	4.3	33.8	12.2
Operating profit (EBIT)	12.0	11.0	2.9	2.4	28.3	10.6
Profit before taxes	11.0	9.8	1.4	1.1	23.3	9.3
Net profit for the period	7.7	6.7	1.1	2.0	17.5	6.8

### 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 2007, except for the adoption of new interpretations: IFRIC 11 (IFRS 2 Group and Treasury Share Transactions), IFRIC 12 (Service Concession Arrangements) and IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). Adoption of these interpretations 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 2007.

#### 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-March 2008. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

#### Inventories

At March 31, 2008, the book value of inventories differed from its net realizable value by 2.3 MEUR (1.0 MEUR at March 31, 2007 and 2.4 MEUR at December 31, 2007).

#### Assets held-for-sale and sale of assets

As part of the consolidation of French operations, Rapala signed a sale agreement for the warehouse and office building in Saint Marcel in January 2008. This resulted in a capital gain of 1.3 MEUR. The plan is also to sell the building in Loudeac during 2008.

#### Impact of acquisitions on the consolidated financial statements

Rapala increased its ownership in the Finnish cross country ski manufacturer Peltonen Ski Oy from 80% to 90% in January 2008 and ownership in the Lithuanian distribution company from 82% to 100% in March 2008. These acquisitions do not have a material impact on the Group's financial statements for January-March 2008. Also in February, Rapala made the final payment of the Terminator acquisition (0.2 MEUR) closed in 2007 and the final payment of the Freetime acquisition (0.1 MEUR) closed in 2005.

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### Open derivatives

MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
<b>Mar 31 2008</b>				
Foreign currency forwards	9.5	-	0.5	-0.5
Interest rate swaps	14.4	0.0	0.4	-0.4
<b>Total</b>	<b>23.9</b>	<b>0.0</b>	<b>0.9</b>	<b>-0.9</b>
Mar 31 2007				
Foreign currency forwards	2.7	-	0.0	0.0
Total	2.7	-	0.0	0.0
Dec 31 2007				
Foreign currency forwards	7.9	-	0.1	-0.1
Interest rate swaps	12.9	-	0.0	0.0
Total	20.8	-	0.2	-0.2

Group's financial risks and hedging principles are described in detail in the Annual Report 2007.

### Commitments

MEUR	Mar 31 2008	Mar 31 2007	Dec 31 2007
<b>On own behalf</b>			
Business mortgage	16.1	16.1	16.1
Guarantees	3.2	1.0	3.1
<b>On behalf of other parties</b>			
Guarantees	0.8	0.8	0.6
<b>Minimum future lease payments on operating leases</b>	<b>9.2</b>	<b>13.2</b>	<b>9.5</b>

### Related party transactions

MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
<b>I 2008</b>					
Associated company Lanimo Oü	-	-	-	0.0	-
Entity with significant influence*	-	0.1	0.0	0.0	-
<b>Business Unit Management</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>
I 2007					
Associated company Lanimo Oü	0.0	-	-	-	0.0
I-IV 2007					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence*	-	0.1	0.1	0.0	-

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

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### Non-recurring income and expenses in operating profit

MEUR	I 2008	I 2007	I-IV 2007
Sale of 50% of Rapala Shimano East Europe Oy	-	-	4.9
Consolidation of French operations	-	-	-2.5
Closure of Irish lure factory	-	-	-1.1
Sale of French warehouse and office building	1.3	-	-
Other disposals of assets	0.0	0.0	0.4
Excess of Group's interest in the net fair values of acquired net assets over costs (negative goodwill)	-	1.2	1.0
Other restructuring costs	-0.3	-	-1.3
Other non-recurring items	-	-	0.1
Total	1.0	1.3	1.6

### 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 2007. 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 programs is 5.2 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 options were 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, 2008, the exercise period for the 2003B stock option program expired. 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 0.8 MEUR in January-December 2007, 0.3 MEUR in Jan-Mar 2007 and 0.2 in Jan-Mar 2008.

### 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 by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by OMX Nordic Exchange in Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of OMX Nordic Exchange in Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next Annual General Meeting.

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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 121 110 EUR and the number of shares by a maximum of 1 345 668 shares. The shares that can be subscribed with these stock options correspond to 3.4% of the Company's shares and voting rights.

During the first three months 1 141 649 shares (2 131 888 shares) were traded. The shares traded at a high of 5.65 EUR and a low of 4.02 EUR during the period. The closing share price at the end of the period was 5.00 EUR.

**Short term risks and uncertainties**

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. The importance of risk management has increased when Rapala Group has continued to expand its operations fast. Accordingly, Group management allocated more resources to risk management and developed risk management practices during 2007 and this work has continued in 2008. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2007, see [www.rapala.com](http://www.rapala.com).

Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's deliveries and sales as well as operating profit have traditionally been seasonally stronger in the first half of the financial year compared to the second half. In early 2008, deliveries to customers have realized according to plan, without any material operative problems in the supply chain. Group's sales are also to some extent affected by the weather. Mild winter affected negatively the winter sports equipment sales especially in Finland.

Even if the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle if retailers reduce their inventory levels.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US Dollar. Group is actively monitoring the currency position and risks and using e.g. foreign currency nominated loans to manage the natural hedging. In order to fix the exchange rate of future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance to IAS 39, also the change in fair value of these unrealized currency hedging agreements have impact on the Group's operating profit.

Increase of prices of certain raw materials and salaries especially in China have impact on Group's profitability. Group has successfully introduced price increases targeted to offset at least part of these effects.

No significant changes are identified in the Group's strategic risks or business environment.