HALF YEAR REPORT **H1/2023**

RAPALA VMC CORPORATION'S HALF YEAR REPORT H1/2023: DECLINING SALES AND PROFITABILITY AMIDST CHALLENGING TRADING ENVIRONMENT

January-June (H1) in brief:

- Net sales were 117.9 MEUR, down 21% from previous year (148.4). With comparable exchange rates sales were 20% down from previous year.
- Operating profit was 4.4 MEUR (13.6).
- Comparable operating profit* was 5.3 MEUR (15.5).
- Earnings per share (non-diluted) was -0.03 EUR (0.22).
- Cash flow from operations was 18.6 MEUR (-8.6).
- Inventories were 98.5 MEUR (117.7).
- Short-term outlook was changed on June 30, 2023: The Group expects 2023 full year comparable operating profit* to be significantly below the previous year.

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

President and CEO Lars Ollberg: "Current market conditions continue to pose challenges as the destocking process at both the retail and wholesale levels persists for a longer duration than initially anticipated. This destocking phenomenon is a direct consequence of the resolution of global supply chain bottlenecks, which has flooded the market with an excess of products. Additionally, there has been a simultaneous shift in consumer spending patterns from outdoor activities to other activities in the post-COVID era. In conjunction with these challenges, the overall economic downturn and high inflation rates are exerting adverse effects on consumer discretionary spending in key markets.

Despite these obstacles, the US economy has demonstrated resilience, characterized by robust consumer spending and consistently low levels of unemployment. We have seen the tide starting to turn in the US with summer fishing replenishment orders coming in strong and consequently our consumables sales in the US have surpassed budget and forecasts. We expect this positive sentiment to gradually transfer over to durables in which we have a lot to gain in the years to come with 13F products.

Although it is expected that the destocking process will gradually ease in the latter half of the year, it will still have an impact on the Group's winter and ice businesses. Pre-sales of our winter business for the upcoming season have fallen short of expectations due to a general economic slowdown and weak sell-through at the retail level, primarily attributed to unfavourable winter weather conditions experienced in the previous year.

As 2023 remains challenging, the Group has implemented cost-saving measures at all levels of the organization aimed at mitigating the impact of reduced turnover. These include headcount reductions, particularly at the head office where a restructuring effort was undertaken, resulting in a reduction of 25 positions out of a total of 60. Factories are adapting their production capacity to align with demand in order to mitigate inventory level and control fixed costs. Overall measures are projected to yield a reduction of 6 million euros in fixed costs in the next coming 12 months.

Cash challenges compel us to leave no stone unturned to search for working capital improvements. We have implemented an aggressive inventory reduction plan with an ambitious goal of reducing inventories by 25% under the initiative called "One More Turn". Additionally, we are actively focusing on accelerating collection of receivables while simultaneously enhancing customer service.

We are determined to maintain a positive momentum for the introduction of our new soft plastic lure range, Crush City, at ICAST (USA). Our unwavering commitment to product development and innovation remains a top priority, and we are excited about the robust product pipeline that lies ahead in the coming years.

In addition to our own innovative products, one of my focuses will be to initiate new strategic partnerships that further support our existing categories and make us stronger. Our recent strategy with 3rd party distributorships has narrowed our product offering and consequently reduced the coverage of our fixed cost base."

Key figures

MEUR	**H1 2023**	H1 2022	**Change %**	FY 2022
Net sales	**117.9**	148.4	**-21%**	274.4
Operating profit	**4.4**	13.6		12.3
% of net sales	**3.7%**	9.2%		4.5%
Comparable operating profit *	**5.3**	15.5	**-66%**	15.3
% of net sales	**4.5%**	10.5%		5.6%
Cash flow from operations	**18.6**	-8.6	**-316%**	-12.9
Gearing %	**73.4%**	66.7%		77.0%
EPS, EUR	**-0.03**	0.22		0.10

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

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

Market Environment

During the first half of the year, trading conditions remained challenging due to the global economic slowdown and high inflation. Consumer discretionary spending remained limited and this was evident especially on higher ticket items. High inventories at retail and distributor level are being liquidated and this continued to squeeze manufacturers of fishing tackle equipment. High inventories are a result of supply chain bottle necks resolving in 2022, creating an overflow of products to the market. Simultaneous shift in consumer spending from outdoor activities to services and other activities previously restricted due to covid amplified the effect.

Business Review January–June 2023

The Group's net sales for the year were 21% below the comparison period with reported translation exchange rates. With comparable translation exchange rates, net sales were organically down by 20% from the comparison period.

North America

Sales in North America decreased by 16% from the comparison period with reported and comparable translation exchange rates. Majority of the decline comes from sales of Third Party Products following a strategic decision to outsource the supply chain function of 13 Fishing products sold to DQC International (13 Fishing USA). The Group holds a 49% share in the associated company. Excluding this, sales were down 4% with reported and comparable translation exchange rates.

Pre-season orders were soft as retail level remained cautious of the macroeconomic headwinds and continued the destocking of inventories. As the summer fishing season started well and foot traffic in retail proved out resilient, replenishment orders helped to gain the shortcomings of the low pre-season sales.

The ice fishing segment suffered from adverse weather and consumer cautiousness on high-ticket items. Sell-through at retail level of record-high deliveries in H2 of 2022 was weak. Hence replenishment sales in H1 of 2023 remained low.

Nordic

Sales in the Nordic market decreased by 33% from the comparison period. With comparable translation exchange rates sales were down by 32%.

High inventories at retail level and macroeconomic headwinds had a significant impact on the sales in this region. Consumers remained cautious especially in high-ticket items. Destocking continued throughout the first half of the year impacting both pre-season and replenishment sales despite the summer fishing season being good weather-wise. Record high winter season deliveries in H2 of 2022 did not sell through as anticipated and this had a significant impact on replenishment sales in H1 of 2023. Sales of Third Party Products decreased in line with the Group strategy.

Rest of Europe

Sales in the Rest of Europe market decreased by 23% from the comparison period with reported and comparable translation exchange rates.

High inventories at retail level and macroeconomic headwinds had a significant impact on the sales in the region. Consumer cautiousness and low sell-through of high-ticket items was evident. Destocking continued throughout the first half of the year but started showing signs of slowing down towards the end of the reporting period.

Rest of the World

With reported translation exchange rates, sales in the Rest of the World market decreased by 19% from the comparison period. With comparable translation exchange rates, sales decreased by 18% compared to the previous year.

Decline in sales follows the macroeconomic headwinds and consumer cautiousness. Destocking didn’t impact the sales in this area as much as in the other regions but lower foot-traffic at retail level kept retailers careful with their replenishment orders. Australia and Brazil continued to grow sales, while China and Japan witnessed a sharp decline in sales.

External net sales by area

MEUR	**H1 2023**	H1 2022	**Change %**	**Comparable change %**	FY 2022
North America	**58.3**	69.2	**-16%**	**-16%**	132.2
Nordic	**13.4**	20.1	**-33%**	**-32%**	38.9
Rest of Europe	**32.8**	42.6	**-23%**	**-23%**	70.6
Rest of the World	**13.4**	16.5	**-19%**	**-18%**	32.7
Total	**117.9**	148.4	**-21%**	**-20%**	274.4

Financial Results and Profitability

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit decreased by 10.2 MEUR from the comparison period. Reported operating profit decreased by 9.2 MEUR from the previous year and the items affecting comparability had a negative impact of 0.9 MEUR (1.9) on reported operating profit.

Comparable operating profit margin was 4.5% (10.5) for the first half of 2023. The decreased profitability compared to the previous year was driven by lower sales in both open water market and in winter businesses. High inflation and production transfer from Sortavala and Vääksy to Pärnu put pressure on production costs, however the latter is only temporary. Freight costs started to normalize which helped to maintain margin. In operating expenses the Group started a savings program aimed to reduce expenses by 6 MEUR on an annual basis. These include, among other measures, a restructuring of the Helsinki headquarters which was finalized in June.

Reported operating profit margin was 3.7% (9.2) for the first half. Reported operating profit included impact of mark-to-market valuation of operative currency derivatives of 0.0 MEUR (-0.1). Net expenses of other items affecting comparability included in the reported operating profit were -0.9 MEUR (-1.9). Majority of the expenses relate to the restructuring of the Helsinki headquarters.

Total financial (net) expenses were 4.9 MEUR (1.1) for the year. Net interest and other financing expenses were 4.3 MEUR (0.7) and (net) foreign exchange expenses were 0.6 MEUR (0.4).

Net profit for the year decreased by 9.8 MEUR and was -1.1 MEUR (8.7) and earnings per share was -0.03 EUR (0.22).

Key figures

MEUR	**H1 2023**	H1 2022	**Change %**	FY 2022
Net sales	**117.9**	148.4	**-21%**	274.4
Operating profit / loss	**4.4**	13.6		12.3
Comparable operating profit *	**5.3**	15.5	**-66%**	15.3
Net profit / loss	**-1.1**	8.7		3.7

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

Bridge calculation of comparable operating profit

MEUR	**H1 2023**	H1 2022	Change %	FY 2022
Operating profit / loss	**4.4**	13.6	**-68%**	12.3
Mark-to-market valuations of operative currency derivatives	**0.0**	0.1		-0.2
Other items affecting comparability	**0.9**	1.9		3.2
Comparable operating profit	**5.3**	15.5	**-66%**	15.3

More detailed bridge of comparable operating profit and definitions and reconciliation of key figures are presented in the financial section of the release.

Segment Review

Group Products

With comparable translation exchange rates, Group Products sales decreased by 10.5 MEUR from the comparison period. Sales decrease was a result of the macroeconomic headwinds resulting in consumer cautiousness and high inventories, causing retail level to limit purchases and focus on clearing out existing inventories. The drop in sales was evidenced in most open water fishing categories. In ice and ski categories, sales decreased significantly following the record deliveries in H2 of 2022 coupled with adverse winter weather in North America and overall consumer cautiousness in high-ticket items.

Third Party Products

With comparable translation exchange rates, Third Party Products sales were 19.6 MEUR below the comparison period. Sales decline follows a strategic decision to outsource the supply chain function of 13 Fishing products sold to DQC International (13 Fishing USA). Also weak ski business replenishment sales contributed to the decline in this segment.

Net sales by segment

MEUR	**H1 2023**	H1 2022	**Change %**	**Comparable change %**	FY 2022
Group Products	**109.8**	120.8	**-9%**	**-9%**	228.4
Third Party Products	**8.1**	27.6	**-71%**	**-71%**	46.0
Total	**117.9**	148.4	**-21%**	**-20%**	274.4

Comparable operating profit by segment

MEUR	**H1 2023**	H1 2022	**Change %**	FY 2022
Group Products	**5.1**	14.3	**-64.4%**	15.0
Third Party Products	**0.2**	1.2	**-83.0%**	0.3
Comparable operating profit	**5.3**	15.5	**-65.8%**	15.3
Items affecting comparability	**-0.9**	-1.9	**-52.7%**	-3
Operating profit / loss	**4.4**	13.6	**-67.7%**	12.3

Financial Position

Cash flow from operations increased by 27.2 MEUR from the comparison period and landed at 18.6 MEUR (-8.6). Comparison period is impacted by resolving supply chain disruption and related inventory increase coupled with build-up of record-high winter business inventory. Compared to the previous year, the net change of working capital increased by 33.8 MEUR and was 10.5 MEUR (-23.3).

End of the period inventory was 98.5 MEUR (117.7). The change in obsolescence allowance decreased inventory value by 1.7 MEUR, and changes in translation exchange rates decreased inventory value by 4.7 MEUR. Inventory landed close to year-end level but below last year as prior year was impacted by resolving supply chain disruption and build-up of record-high winter business inventory. Inventory clearance actions are taking place and manufacturing capacity is being adjusted to accommodate further decrease in inventory.

Net cash used in investing activities decreased from the comparison period amounting to 4.3 MEUR (5.3). Capital expenditure was 4.8 MEUR (5.5) and disposals 0.4 MEUR (0.2). Significant part of the expenses relate to the production transfers from Russia and from Finland to the Rapala VMC campus in Pärnu, Estonia. Prior year capital expenditure includes expenses related to the Russian production transfer to Estonia.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 14.8 MEUR at the end of the reporting period. Gearing ratio increased and equity-to-assets ratio decreased from last year.

The Group had previously agreed with its lenders to temporarily change financial covenants used in its loan agreements for the periods from Q3/2022 to Q1/2023. During the reporting period, this was extended to cover Q2/2023. The financial covenants for Q3/22-Q1/2023 include limits on the amount of available liquidity, net debt to EBITDA and gearing ratio. For Q2/2023 the covenants remained the same except the net debt to EBITDA covenant was replaced by absolute EBITDA. The Group is currently compliant with all financial covenants and expects to comply with future bank requirements as well. The Group's cash position remains good, and cash and cash equivalents amounted to 24.5 MEUR at June 30, 2023.

Key figures

MEUR	H1 2023	H1 2022	Change %	FY 2022
Cash flow from operations	**18.6**	-8.6	**316%**	-12.9
Net interest-bearing debt at end of period	**98.0**	99.4	**-1%**	107.1
Gearing %	**73.4%**	66.7%		77.0%
Equity-to-assets ratio at end of period, %	**41.7%**	42.3%		41.2%

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

Strategy Implementation

The strategic target of the Group is to become a united Group Brand and innovation driven sport fishing powerhouse. Current strategic actions aim to utilize the full potential of the Group in the future. The core of the Group's strategy is based on six key building blocks that are all interconnected and shared around the Group in all business units. Future strategies are built upon utilizing and capitalizing the brand portfolio, manufacturing and sourcing platform, research and development knowledge, as well as the broad sales network and strong local presence around the world. The overall strategy execution progressed well as several elements of the ONE RAPALA VMC strategy are synergistic between each other.

TEAM & CULTURE - The first strategic building block is associated with the foundation that all business units and functions strive for togetherness as a one strong winning entity. This enables the entire Group culture to become more united, collaborative, dynamic and growth oriented. New managerial changes were carried out during the year to underline that the Group continuously positions team and culture to the forefront of its strategy. With fewer management layers and agile leadership structure, the Group is well positioned in the normalized market conditions to continue strong strategy implementation.

SUSTAINABILITY - We fight together to ensure that future generations get to enjoy fishing and the great outdoors. The aim is to become the leading company in the fishing tackle industry behind concrete sustainability actions from everyone in our team to ensure that we make a real and long-lasting difference. The Group's sustainability initiatives have steadily progressed across all key product categories.

CONSUMER - Focus on end-users is a critical part of the strategy. The aim is to lead the market and bring newest trends to the fishing industry by offering innovative and exciting products. The Group continues to put emphasis on improving its e-commerce to provide the best possible customer experience for the continuously growing digitally aware consumer base. The new e-commerce platform underlines the Group's ambition to become more directly connected with consumers.

CUSTOMER - Relationships with key customers and winning position in local markets are emphasized with deep customer and market know-how as well as continuously investing in all sales channels. The Group has invested in premium Customer Relationship Service. During the year the Group has implemented new B To B platform in different languages.

PD & INNOVATION - R&D and PD&I functions are becoming even stronger competitive advantages for the entire Group at the same time as fishermen around the world demand new innovations to catch more fish. In order to address consumer and customer needs on a global scale.

OPERATIONS & FINANCE - The Group continues to invest in its operations to make a step-change in operational excellence, to improve working capital efficiency.

The Group are currently developing an integrated business planning model with a global Sales and Operations Planning (S&OP) process. This initiative aims to enhance capital efficiency and improve the availability of key items. The Group has already successfully implemented this new tool in the USA.

During Q2/2023, The Group has implemented a robust inventory reduction plan with a bold target of reducing inventory by 25%, an initiative the Group refer to as "One MoreTurn".

Product Development

With a strong Category and Regional Product development pipeline now firmly in place global momentum is strong as we roll towards the 2024 selling season. Customer acceptance has been strong for the pre-booking of newly released items scheduled for shipment in the second half of 2023 and in the beginning of 2024. In continued challenging market conditions emphasis has been placed on developing a dynamic product pipeline within the core brands of Rapala and VMC. Most notable are the recent product launches of the all new Rapala Soft Plastics Line and VMC Redline Hooks.

The Rapala Soft Plastics line named “Crush City” is the culmination of 24 months careful strategic planning among global Sales, Marketing, Operations and Product Development teams. This has led to a strong yet focused initial product line that has regional relevance from the United States to Northern and Southern Europe and APAC regions. Currently most of Rapala’s Top 30 retail customers have committed to carrying the product line for the 2024 season. Deep collaboration with the world’s top professional anglers, such as Jacob Wheeler, have led to an incredibly unique and original product design which includes various scents and salts along with varied durometers and buoyancy rates all achieved with the precise Smart Injection Technology™. The goal in this product line was to create the best soft plastics in the marketplace and with incredibly strong catch rates, and early tournament success the product development teams agrees this has been achieved. Consumer promotion will begin after the main product Launch at ICAST 2023 in Orlando this month.

With the focus on developing new incremental sales through the adoption of new categories Rapala has entered deeply into the Tackle Storage market. The Rapala Precision Xtreme Series (PXR) also makes its debut of all new premium MAVRIK Jerkbait. This new model is positioned in the highly competitive premium lure category and has been designed to be the best in the world with a number of new features not seen on any of our existing lures, including premium VMC Redline P.T.F.E coated hooks. Overall, strong global collaboration with Sales and Marketing are leading to great breadth and depth of the long-term 3-5 year product pipeline globally.

Sustainability

From sustainability perspective, the beginning of 2023 has been characterized by adaptation and preparation for the future. The schedule for achieving the previously set sustainability goals has been revised to better reflect the Group’s financial situation. For example, all Rapala products will initially become lead-free only in 2025 instead of 2023, which was communicated earlier. Consequently, our product development department will have more time to solve the technical challenges related to lead-free products. A longer period also enables the Group to have more flexibility in terms of product development costs and to launch new, innovative products in a challenging market environment instead of just technically developing old products.

The Group has also started an initiative to reassess and revise its sustainability strategy. The new management wants to update the previous, distinguished strategy to better reflect their ambitions in terms of sustainability actions. Revision of the strategy is still in progress. The Group also closely monitors the current legislative development in the area of sustainability, with the aim to take it into account in the new strategy before launching it.

In H1/2023 special attention has also been paid in modernizing sustainability related guidance documentation. Several teams in the Group have been working cross-functionally in collaboration to update Supplier Code of Conduct based on the recent experiences of this ethical guidance. Furthermore, processes related to procurement of conflict minerals (wolfram) and timber covered by the EU timber regulation have been further refined and documentation has been updated. The Group procures a limited amount of wolfram, generally used as a substitute for lead as product weight in fishing. Wolfram is considered a conflict mineral and better known by its trade name tungsten. Additionally, there are certain risks associated with the harvesting of balsa used in lures and to tackle these risks, the EU timber regulation has been issued.

The extended producer responsibility for fishing gear based on the EU directive on the reduction of the impact of certain plastic products on the environment will be implemented in the next few years in EU countries. Solutions in the implementation of producer responsibility vary from country to country. The Group's local subsidiaries monitor the development of legislation and are active in fulfilling their producer responsibility obligations locally. In Finland, the Group has been discussing with the Finnish SUP producer association (Suomen SUP-Tuottajayhteisö Oy) on how the producer responsibility obligations are to be arranged comprehensively in Finland.

As a concrete measure, sustainability audits were initiated at Rapala's own factory in Estonia. The audits were performed by KPMG in May 2023 and they focused on human rights, employee rights, safety, environment and business practices. The audit did not reveal any critical deviations. The results were very encouraging and based on this, the sustainability audits will be extended to include significant suppliers in Asia. Next supplier audits will be organized during autumn 2023. A reliable external partner will perform the supplier audits, using the same template which was used in the audit of the own factory.

Actions to meet the future sustainability requirements were continued in the spring. The Group carried on the preparations for the full-scale implementation of Tofuture data collection system. This system will be used to collect data on environmental and social responsibility. Furthermore, the internal analysis of sustainability related business risks was updated in the spring by a cross-functional risk assessment group.

Personnel and Organization

Average number of personnel was 1 491 (1 794) for the first half of the year. At the end of June, the number of personnel was 1 434 (1 777).

The Board of Directors of Rapala VMC Corporation appointed on April 4, 2023 Lars Ollberg as the new President and Chief Executive Officer of Rapala VMC Corporation. Lars started in Rapala VMC on May 1, 2023.

The Board of Directors of Rapala VMC Corporation has appointed on April 4, 2023 Cyrille Viellard as Deputy Chief Executive Officer of Rapala VMC Corporation. He started as deputy CEO on May 1st, 2023. Cyrille Viellard has previously worked In Rapala VMC Group as Executive Vice President and head of hook business. He has been member of the Global Management team since 2015.

The Board of Directors of Rapala VMC Corporation has also appointed on April 4, 2023 Jean-Philippe Nicolle as Chief Financial Officer of Rapala VMC Corporation to succeed the previous CFO, who left the Group on June 21, 2023. Jean-Philippe Nicolle has previously worked in Rapala VMC Group as Executive Vice President, head of South-European distribution and has been member of the Global Management team since 2020.

The Board of Directors did inform on April 4, 2023 that Executive Vice President, head of Russian distribution, Victor Skvortsov resignation from Global Management Team with immediate effect.

Short-term Outlook and Risks

Market outlook for 2023 continues to be challenging in the Group's key markets. The global macroeconomic situation affects purchase behavior at retail and consumer level.

The guidance for 2023 was changed on June 30, 2023. Consequently, the Group expects 2023 full year comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to be significantly below the previous year. The previous outlook for 2023 issued on February 10, 2023 was: “The Group expects 2023 full year comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to decrease from 2022.”

Short term risks and uncertainties and seasonality of the business are described in more detail in the end of this report.

Other significant events

Annual General Meeting

The Annual General Meeting (AGM) kept on March 29, 2023 approved the Board of Director’s proposal that a dividend of EUR 0.04 per share is paid based on the adopted balance sheet for the financial year 2022. The AGM approved that the Board of Directors consists of six members. Jorma Kasslin, Emmanuel Viellard, Julia Aubertin, Louis d’Alançon and Vesa Luhtanen were re-elected as members of the Board of Directors and Alexander Rosenlew was elected as new member. A separate stock exchange release on the decisions of the AGM has been given, and up to date information on the Board’s authorizations and other decisions of the AGM are available also on the corporate website.

Helsinki, July 20, 2023

Board of Directors of Rapala VMC Corporation

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A conference call on the first half year result will be arranged on Friday July 21, 2023 at 11:00 a.m. Finnish time (9:00 a.m UK time). Please dial +44 (0)330 551 0202 or +1 786 496 5601 or +358 (0)9 2319 5436 (pin code: 7746491#) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)330 551 0202 (pin code: 7746491#). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	**H1 2023**	H1 2022	FY 2022
Net sales	**117.9**	148.4	274.4
Other operating income	**0.2**	0.3	0.4
Materials and services	**-48.0**	-63.9	-125.2
Employee benefit expenses	**-33.6**	-37.4	-71.5
Other operating expenses	**-25.1**	-27.3	-52.3
Share of results in associates and joint ventures	**-1.3**	-0.7	-2.3
EBITDA	**10.0**	19.4	23.6
Depreciation, amortization and impairments	**-5.6**	-5.8	-11.3
Operating profit/loss (EBIT)	**4.4**	13.6	12.3
Financial income and expenses	**-4.9**	-1.1	-3.5
Profit/loss before taxes	**-0.5**	12.5	8.8
Income taxes	**-0.6**	-3.9	-5.1
Net profit/loss for the period	**-1.1**	8.7	3.7
Attributable to:			
Equity holders of the parent company	**-1.1**	8.7	3.7
Earnings per share for profit attributable to the equity holders of the company:			
Earnings per share, EUR, non-diluted	**-0.03**	0.22	0.10
Earnings per share, EUR, diluted	**-0.03**	0.22	0.10

STATEMENT OF COMPREHENSIVE INCOME MEUR	**H1 2023**	H1 2022	FY 2022
Net profit / loss for the period	**-1.1**	8.7	3.7
Other comprehensive income, net of tax			
Change in translation differences*	**-3.2**	7.2	2.4
Gains and losses on hedges of net investments*	**0.0**	0.1	-0.6
Remeasurements of defined benefit liabilities	**-**	-	0.3
Total other comprehensive income, net of tax	**-3.2**	7.3	2.1
Total comprehensive income for the period	**-4.3**	16.0	5.8
Total comprehensive income attributable to:			
Equity holders of the parent company	**-4.3**	16.0	5.8

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

STATEMENT OF FINANCIAL POSITION MEUR	**Jun 30 2023**	Jun 30 2022	Dec 31 2022
ASSETS			
Non-current assets			
Intangible assets	**85.9**	84.0	84.7
Property, plant and equipment	**27.9**	27.0	28.7
Right-of-use assets	**15.7**	15.9	16.0
Non-current assets			
Interest-bearing	**14.3**	8.3	11.8
Non-interest-bearing	**11.3**	15.1	13.1
	155.0	150.4	154.3
Current assets			
Inventories	**98.5**	117.7	99.9
Current assets			
Interest-bearing	**-**	-	2.8
Non-interest-bearing	**42.2**	59.7	52.1
Cash and cash equivalents	**24.5**	25.2	29.0
	165.3	202.6	183.9
Total assets	**320.3**	353.0	338.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	**133.5**	149.0	139.0
	133.5	149.0	139.0
Non-current liabilities			
Interest-bearing	**0.5**	41.9	41.5
Non-interest-bearing	**10.0**	12.5	11.1
Right-of-use liabilities	**11.2**	12.0	11.8
	21.6	66.3	64.3
Current liabilities			
Interest-bearing	**120.2**	74.7	92.9
Non-interest-bearing	**40.1**	58.6	37.3
Right-of-use liabilities	**4.9**	4.4	4.6
	165.2	137.7	134.8
Total equity and liabilities	**320.3**	353.0	338.1

STATEMENT OF CASH FLOWS	**H1**	H1	FY
MEUR	**2023**	2022	2022
Net profit / loss for the period	**-1.1**	8.7	3.7
Adjustments to net profit / loss for the period *	**14.5**	11.1	22.9
Financial items and taxes paid and received	**-5.4**	-5.1	-10.8
Change in working capital	**10.5**	-23.3	-28.7
Net cash generated from operating activities	**18.6**	-8.6	-12.9
Investments	**-4.8**	-5.5	-11.5
Proceeds from sales of assets	**0.4**	0.2	0.8
Change in interest-bearing receivables	**0.1**	0.0	0.0
Net cash used in investing activities	**-4.3**	-5.3	-10.7
Dividends paid	**-**	-5.8	-5.8
Net funding	**-15.4**	20.6	38.0
Change in right-of-use liabilities	**-2.8**	-2.5	-5.3
Purchase of own shares	**-**	-0.5	-0.5
Net cash generated from financing activities	**-18.2**	11.8	26.3
Change in cash and cash equivalents	**-4.0**	-2.1	2.7
Cash & cash equivalents at the beginning of the period	**29.0**	27.8	27.8
Foreign exchange rate effect	**-0.5**	-0.5	-1.4
Cash and cash equivalents at the end of the period	**24.5**	25.2	29.0

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

Changes in liabilities included in net funding	
MEUR	
Liabilities Jan 1, 2023	**134.4**
Drawdowns	183.0
Repayments	-196.7
Unrealized foreign exchange differences*	-
Liabilities Jun 30, 2023	**120.7**
Net funding	
Drawdowns and repayments from loans	-13.7
Derivatives and other realized foreign exchange on financial activities	-1.6
Net funding	**-15.4**

*Unrealized foreign exchange differences from loans are not included in cash flow statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Share premium fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	**Total equity**
Equity on Jan 1, 2022	**3.6**	**16.7**	**4.9**	**-2.5**	**-9.6**	**126.2**	**139.3**
Comprehensive income *	-	-	-	-	7.3	8.7	**16.0**
Purchase of own shares	-	-	-	-0.5	-	-	**-0.5**
Dividends	-	-	-	-	-	-5.8	**-5.8**
Share option program	-	-	-	-	-	0.0	**0.0**
Equity on Jun 30, 2022	**3.6**	**16.7**	**4.9**	**-3.0**	**-2.2**	**129.0**	**149.0**
Equity on Jan 1, 2023	**3.6**	**16.7**	**4.9**	**-3.0**	**-7.8**	**124.6**	**139.0**
Comprehensive income*	-	-	-	-	-3.2	-1.1	**-4.3**
Dividends [1)]						-1.6	**1.6**
Share option program	-	-	-	-	-	0.3	**0.3**
Equity on Jun 30, 2023	**3.6**	**16.7**	**4.9**	**-3.0**	**-11.0**	**122.2**	**133.5**

* For the period, (net of tax)
[1)] Decision, payment on July 7, 2023

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial information included in this financial statement release is unaudited. This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the financial statements 2022.

Use of estimates and rounding of figures

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

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

Events after the end of the half year period

Rapala VMC introduced 13 Fishing (13fishing.com) freshwater, saltwater and hardwater (ice fishing) rods and reels to markets outside the United States following the 49% acquisition in DQC International in 2019. Rapala VMC Corporation did announce July 13, 2023 that Rapala VMC Corporation and James Coble, current majority shareholder of DQC International, which manufactures and markets 13 Fishing rods and reels, have reached an agreement in which Rapala VMC will increase its ownership of DQC International to 60% of the Florida-based company while Coble will retain a 40% share of the company. The agreement is expected to be signed within one to two weeks.

The Group has no knowledge of any significant events after the end of the reporting period that would have a material impact on the financial statements for January-June 2023. Material events after the end of the half year period, if any, have been discussed in the commentary section of the Board of Directors.

Acquisitions

There have not been any acquisitions or divestments during the first half of the year.

Key figures	**H1 2023**	H1 2022	FY 2022
EBITDA, % of net sales	**8.5%**	13.1%	8.6%
Operating profit, % of net sales	**3.7%**	9.2%	4.5%
Return on capital employed, %	**3.7%**	11.9%	5.4%
Capital employed at end of period, MEUR	**231.4**	248.4	246.1
Net interest-bearing debt at end of period, MEUR	**98.0**	99.4	107.1
Equity-to-assets ratio at end of period, %	**41.7%**	42.3%	41.2%
Debt-to-equity ratio at end of period, %	**73.4%**	66.7%	77.0%
Earnings per share, EUR	**-0.03**	0.22	0.10
Fully diluted earnings per share	**-0.03**	0.22	0.10
Equity per share at end of period, EUR	**3.43**	3.83	3.58
Average personnel for the period	**1 491**	1 794	1 704

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

Key figures by half year MEUR	H1 2021	H2 2021	H1 2022	H2 2022	**H1** **2023**
Net sales	159.6	134.6	148.4	126.0	**117.9**
EBITDA	31.3	10.7	19.4	4.2	**10.0**
Operating profit / loss	26.3	5.8	13.6	-1.3	**4.4**
Profit / loss before taxes	24.9	3.1	12.5	-3.8	**-0.5**
Net profit / loss for the period	18.1	1.7	8.7	-5.0	**-1.1**

Bridge calculation of comparable operating profit MEUR	**H1** **2023**	H1 2022	**Change** **%**	FY 2022
Operating profit/loss	**4.4**	13.6	**-68%**	12.3
Items affecting comparability				
Mark-to-market valuations of operative currency derivatives	**0.0**	0.1		-0.2
Other items affecting comparability				
Finnish organizational restructuring	**0.7**			
Russia organizational restructuring		0.6		0.6
Organizational restructurings	**0.2**	1.1		2.3
Other restructurings	**0.0**	0.1		0.2
Comparable operating profit	**5.3**	15.5	**-66%**	15.3

Segment information

MEUR	**H1**	H1	FY
Net sales by operating segment	**2023**	2022	2022
Group Products	**109.8**	120.8	228.4
Third Party Products	**8.1**	27.6	46.0
Total	**117.9**	148.4	274.4
Operating profit / loss by operating segment			
Group Products	**5.1**	14.3	15.0
Third Party Products	**0.2**	1.2	0.3
Comparable operating profit / loss	**5.3**	15.5	15.3
Items affecting comparability	**-0.9**	-1.9	-3.0
Operating profit / loss	**4.4**	13.6	12.3

Assets by operating segment	**Jun 30**	Jun 30	Dec 31
MEUR	**2023**	2022	2022
Group Products	**256.8**	281.4	272.5
Third Party Products	**27.6**	38.2	22.0
Non-interest-bearing assets total	**284.4**	319.5	294.5
Unallocated interest-bearing assets	**35.9**	33.5	43.7
Total assets	**320.3**	353.0	338.2

External net sales by area	**H1**	H1	FY
MEUR	**2023**	2022	2022
North America	**58.3**	69.2	132.2
Nordic	**13.4**	20.1	38.9
Rest of Europe	**32.8**	42.6	70.6
Rest of the world	**13.4**	16.5	32.7
Total	**117.9**	148.4	274.4

Commitments	**Jun 30**	Jun 30	Dec 31
MEUR	**2023**	2022	2022
Minimum future lease payments other than IFRS 16 leases	**0.3**	0.3	0.3

Related party transactions MEUR	Sales and other income	Pur-chases	Rents paid	Other expen-ses	Recei-vables	Paya-bles
H1 2023						
Associated company DQC International Corp.	**0.2**	**0.1**	**-**	**-**	**15.1**	**-**
Associated company Lanimo Oü	**0.0**	**0.0**	**-**	**0.0**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**-**	**0.1**	**-**	**-**	**-**
Management	**0.0**	**-**	**0.1**	**0.0**	**0.7**	**-**
H1 2022						
Associated company DQC International Corp.	10.1	0.3	-	-	7.7	-
Associated company Lanimo Oü	0.0	0.1	-	0.0	0.0	-
Entity with significant influence over the Group*	-	-	0.1	-	0.0	-
Management	0.0	-	0.1	0.0	0.7	-
FY 2022						
Associated company DQC International Corp.	13.8	-1.3	-	-	16.1	-
Associated company Lanimo Oü	0.0	-0.1	-	-	0.0	0.0
Entity with significant influence over the Group*	-	-	-0.2	0.0	0.0	-
Management	0.0	-	-0.1	0.0	0.7	-

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

Intangible assets **2023** MEUR	Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Acquisition cost Jan 1	50.2	33.9	4.0	8.6	**96.7**
Additions				0.6	**0.6**
Disposals				-0.1	**-0.1**
Reclassifications				1.2	**1.2**
Translation differences	-0.5	-0.2	-0.1	0.1	**-0.5**
Acquisition cost Jun 30	**49.7**	**33.7**	**4.0**	**10.5**	**97.9**
Accumulated amortization Jan 1		-0.9	-3.8	-7.3	**-12.0**
Disposals				0.1	**0.1**
Amortization during the period			0.0	-0.2	**-0.2**
Translation differences		0.0	0.1	0.0	**0.1**
Accumulated amortization Jun 30		**-0.9**	**-3.8**	**-7.4**	**-12.0**
Carrying value Jan 1	50.2	33.0	0.2	1.3	**84.7**
Carrying value Jun 30	**49.7**	**32.9**	**0.2**	**3.1**	**85.9**

There is no indication of assets impairment in the first half of 2023, however the Group will perform additional impairment assessments during mid Q3 2023.

Tangible assets 2023 MEUR	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan 1	2.0	27.8	65.1	19.0	3.0	**117.0**
Additions		0.1	0.7	0.2	1.8	**2.8**
Disposals		0.0	-0.6	-2.2	-0.4	**-3.2**
Reclassifications		0.0	0.3	0.1	-2.1	**-1.7**
Translation differences	0.0	-0.2	-0.1	-0.2	0.3	**-0.2**
Acquisition cost Jun 30	**2.0**	**27.7**	**65.4**	**16.9**	**2.7**	**114.7**
Accumulated depreciation Jan 1		-20.3	-52.7	-15.3		**-88.3**
Disposals		0.1	0.6	2.1		**2.8**
Reclassifications			0.5	0.0		**0.5**
Depreciation during the period		-0.5	-1.6	-0.6		**-2.6**
Impairments	0.0		-0.0			**-0.0**
Translation differences		0.1	0.5	0.2		**0.8**
Accumulated depreciation Jun 30	**0.0**	**-20.6**	**-52.7**	**-13.5**		**-86.8**
Carrying value Jan 1	2.0	7.5	12.4	3.8	3.0	**28.7**
Carrying value Jun 30	**2.0**	**7.1**	**12.7**	**3.4**	**2.7**	**27.9**

Open derivatives		**H1 2023**		H1 2022		FY 2022
MEUR	**Nominal Value**	**Fair Value**	Nominal Value	Fair Value	Nominal Value	Fair Value
Non-hedge accounting derivative financial instruments						
Interest rate swaps, less than 12 months	**25.0**	**0.9**	-	-	-	-
Interest rate swaps, 1 to 5 years	**10.0**	**0.1**	25.0	0.7	35.0	1.1
Currency derivatives, less than 12 months	**15.3**	**-0.0**	28.2	-0.3	18.1	0.1
Total	**50.3**	**0.9**	53.2	0.4	53.1	1.1

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting and are recognized based on their nature either in operative costs or income, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction.

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

	H1 2023	H1 2022	FY 2022
Included in operating profit	**-0.0**	-0.1	0.2

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivatives' fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting, impact the Group’s operating profit for the accounting period. The changes in unrealized valuations include both valuations of derivatives that will realize in the future periods as well as reversal of previously accumulated value of derivatives that realized in the accounting period.

Fair values of financial instruments		**Jun 30 2023**		Jun 30 2022		Dec 31 2022
MEUR	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Assets						
Other shares (level 3)	**0.2**	**0.2**	0.2	0.2	0.2	0.2
Derivatives (level 2)	**1.0**	**1.0**	0.9	0.9	1.2	1.2
Total	**1.3**	**1.3**	1.2	1.2	1.4	1.4
Liabilities						
Non-current interest-bearing liabilities (excl. derivatives)	**0.5**	**0.5**	41.9	41.9	41.5	41.5
Derivatives (level 2)	**0.1**	**0.1**	0.5	0.5	0.1	0.1
Total	**0.6**	**0.6**	42.4	42.4	41.6	41.6

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

Shares and share capital

The Annual General Meeting (AGM) kept on March 29, 2023 approved the Board of Director's proposal that a dividend of EUR 0.04 per share will be paid. The dividend was paid on July 7, 2023 in full. A separate stock exchange release on the decisions of the AGM has been given, and up to date information on the Board's authorizations and other decisions of the AGM are available also on the corporate website.

Share related key figures	**Jun 30 2023**	Jun 30 2022
Number of shares	**39 000 000**	39 000 000
Number of shares, average	**39 000 000**	39 000 000
Number of treasury shares	**123 891**	123 891
Number of treasury shares, %	**0.3%**	0.3%
Number of outstanding shares	**38 876 109**	38 876 109
Number of shares traded, YTD	**1 158 865**	2 125 143
Share price, EUR	**3.62**	6.64
Highest share price, YTD, EUR	**5.14**	9.16
Lowest share price, YTD, EUR	**3.46**	5.50
Average price of treasury shares, all time, EUR	**7.41**	7.41

Short term risks and uncertainties

The objective of Rapala VMC Group's risk management is to support implementation of the Group's strategy and execution of business targets. Group management continuously develops its risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles were included in the Financial Statements 2022.

Due to the nature and seasonality of the fishing tackle business, weather impacts consumer demand and may have impact on the Group's sales for current and following seasons. However, the weather risk is to some extent diversified as the Group has a wide geographical footprint and sells products both for summer and winter seasons.

The Group's credit facilities include liquidity, profitability, net debt and equity related financial covenants, which are actively monitored. The Group has agreed with its lenders higher leverage (net debt to EBITDA) covenant for Q1/2023 and a temporary covenant (absolute EBITDA) to replace leverage covenant in Q2/2023 due to decreased EBITDA and increased net debt. The Group expects to continue to fulfill the requirements of its lenders in 2023. Liquidity risks are under control and the Group is preparing for refinancing its loans that mature to a large extent in H1 of 2024.

Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is closely monitored.

The current economic climate presents increased uncertainties and downturns that can impact the sales of fishing tackle. Retailers reducing their inventory levels and facing financial challenges contribute to this volatility. Additionally, rapid and significant increases in living expenses or sudden fluctuations in foreign exchange rates can temporarily affect consumer spending.

Nevertheless, it is important to note that consumer demand has historically remained relatively stable. While political tensions can have negative effects on the Group's business, we closely monitor geopolitical developments. As part of our strategic measures, the Group has transferred production from Russia to Estonia, and distribution in Russia has been scaled down.

The Group's sales and profitability are impacted by the changes in foreign exchange rates, and the Group has hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IFRS 9, the unrealized mark-to-market valuations of operative currency hedging agreements have an impact on the Group's reported operating profit. Some of the Group's currency positions are not possible or feasible to be hedged, and therefore may have impact on the Group's net result.

No significant changes are identified in the Group's strategic risks or business environment with the exception of the increased geopolitical risk environment.

Definitions of key figures

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

Reconciliation of key figures to IFRS MEUR	H1 2023	H1 2022	FY 2022
Items affecting comparability			
Change in mark-to-market valuations of operative derivatives	**0.0**	0.1	-0.2
Other items affecting comparability	**0.9**	1.9	3.2
Items affecting comparability	**0.9**	1.9	3.0
Other items affecting comparability			
Finnish organizational restructuring	**0.7**		
Russia organizational restructuring		0.6	0.6
Organizational restructurings	**0.2**	1.1	2.3
Other restructurings	**0.0**	0.1	0.2
Other items affecting comparability	**0.9**	1.9	3.2
Capital employed (average for the period)			
Total equity (average for the period)	**136.2**	144.1	139.4
Net interest-bearing debt (average for the period)	**102.5**	85.0	88.8
Capital employed (average for the period)	**238.8**	229.1	228.2
Return on capital employed (ROCE), %			
Operating profit (full-year adjusted)	**8.8**	27.3	12.3
Capital employed (average for the period)	**238.8**	229.1	228.2
Return on capital employed (ROCE), %	**3.7%**	11.9%	5.4%
Equity-to-assets ratio, %			
Total equity	**133.5**	149.0	139.0
Total equity and liabilities	**320.3**	353.0	338.1
Advances received	**0.2**	0.5	0.7
Equity-to-assets ratio, %	**41.7%**	42.3%	41.2%
Earnings per share, EUR			
Net profit for the period attributable to the equity holders of the parent company	**-1.1**	8.7	3.7
Adjusted weighted average number of shares	**38 876 109**	38 904 267	38 890 111
Earnings per share, EUR	**-0.03**	0.22	0.10
Equity per share, EUR			
Equity attributable to equity holders of the parent company	**133.5**	149.0	139.0
Adjusted number of shares at the end of the period	**38 876 109**	38 876 109	38 876 109
Equity per share, EUR	**3.43**	3.83	3.58