RAPALA ACQUIRES THE SUFIX BRAND AND CONCLUDES AN EXCLUSIVE SUPPLY AGREEMENT INCLUDING ALSO OEM FISHING LINES

Acquisition of Sufix Brand and Conclusion of an Exclusive Supply Agreement

Rapala VMC Corporation (“Rapala”) and Yao I Co ltd (“Yao I”), one of the leading manufacturers of fishing line in the world having its offices in Changhua, Taiwan, and fishing line factories in Taiwan and China, have decided to conclude an exclusive supply agreement for the supply of fishing lines. In connection with this arrangement, Yao I has agreed to sell its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), to Rapala.

Sufix brand is very well known around the world already for more than 20 years. The largest market for Sufix is currently the USA but the brand is well represented also in Europe, Asia and Oceania. As part of the deal, Rapala will acquire the Sufix branded fishing line inventory from Sufix North America, Inc.

According to the terms of the exclusive supply agreement, after an interim period and under certain conditions, Rapala alone will be selling fishing lines manufactured by Yao I and Yao I will be manufacturing fishing line for Rapala only, including subcontracted fishing lines for third party customers (OEM).

The amount of the total consideration for the transaction is not yet available since it is determined after the results of the ongoing due diligence process are available.

Yao I, established in 1973, is a family owned company manufacturing fishing line and strings for rackets, garden trimmer lines, and other industrial monofilament. Its net sales for 2007 were some USD 34 million (pro forma) and it employs some 600 people mainly in Taiwan and China.

Rapala to Strongly Expand its Fishing Line Business

Rapala aims to expand its fishing line sales in the next few years to some 25-40 MEUR and gain a significant market share of the global fishing line business. In 2007, the fishing line sales of Rapala were some 7 MEUR.

“Through this deal Rapala enters into the worldwide fishing line category in a meaningful way. As a result of this deal, Yao I will supply Rapala’s global distribution network with a wide selection of fishing lines including monofilament, braided and fluorocarbon lines. While Yao I is strong in manufacturing and development of fishing line Rapala is strong in global marketing and distribution. Therefore, this will be a win-win concept creating an exceptionally strong fishing line business for both companies. Rapala’s target is to gain a significant market share from the worldwide fishing line business during the next few years”, says Jorma Kasslin, CEO of Rapala.

Completion of the Deal

This transaction is expected to be completed and closed in July 2008. It will have an immaterial effect on Rapala's 2008 net sales and profitability but it is expected to increase Rapala's net sales close to 10 MEUR in 2009.

RAPALA VMC CORPORATION

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Rapala is a leading fishing tackle company and the global market leader in the fishing lures, treble hooks and fishing related knives and tools. The Group also has a strong global position in other fishing categories. The Group has its own distribution companies in all the main markets and the largest distribution network in the industry. The main manufacturing facilities are located in Finland, France, Estonia, Russia and China. The Group brand portfolio includes the leading brand in the industry, Rapala, and other global brands like VMC, Storm, Blue Fox, Luhr Jensen, Williamson and Marttiini. The Group, with net sales of EUR 242 million in 2007, employs more than 4 000 people in 30 countries.