

December 16, 2009 at 16.30

RAPALA ACQUIRES ULTRABITE PHEROMONE TECHNOLOGY BRAND

Rapala VMC Corporation (Rapala or Group) has concluded agreements with Kiotech International PLC (Kiotech) and the Centre for Environment, Fisheries and Aquaculture Science (Cefas), an executive agency of the UK government's Department for Environment, Food and Rural Affairs, to exclusively commercialize Ultrabite branded and patented pheromone technology to the sport fishing industry and market worldwide.

Since 2006, Rapala has been developing new products for worldwide sales exclusively using Ultrabite branded pheromone products developed by Cefas and licensed through Kiotech. Rapala and Kiotech mutually recognized that Rapala is uniquely qualified to further develop these products to the sport fishing market and Kiotech wish to concentrate on their fast growing aquaculture and agriculture businesses.

Rapala, having had the benefit of three years of research and development for product applications with fish pheromones, has identified the enormous potential that exists for unique baits and has already developed an impressive range of products specifically for the new pheromone technology including biodegradable soft baits, artificial maggots and worms. A new dough bait material as well as attractant gels and sprays are fully developed as well. After successful research and field tests, major product categories are ready for global markets through Rapala's worldwide distribution network. Rapala will also supply fish pheromones for third party manufacturers and it will enter into agreements with selected partners to develop and distribute products into other product categories of sport fishing such as ground baits, boilies, pellets and frozen fish baits.

Rapala has concluded an exclusive licensing agreement directly with Cefas for an initial period of 12 years with a further option for 10 years thereafter for the use of pheromone technology. This direct co-operation will be key to the future development and success of this important market sector for a long-term basis. Rapala will strengthen its own organization to liaise directly with Cefas and the subcontractors with whom Kiotech currently engage. This new business model will give Rapala a unique opportunity to further develop new product groups together with Cefas.

As part of the deal, Rapala acquired all intangible assets for the sale of all pheromone products under the license agreement to the worldwide sports fishing market from Kiotech including trademarks, business information, customer lists, logos, domain names etc. At the same time, Kiotech has entered into a variation with Cefas giving up its right to the sport fishing market worldwide and a covenant not to compete with Rapala. Rapala and Kiotech also agreed to share all new future innovations with each other.

Fish pheromone technology was developed by Cefas initially for the important aquaculture and commercial fishing markets to stimulate feeding behavior of fish but it has been recognized that it holds great opportunities also for the sport fishing market as it gives an extra dimension to artificial baits, which normally rely mainly upon other senses such as sound and sight.

"We are very excited about this long-term business opportunity, which we now have with Cefas. Based on their research results and knowledge on fish pheromone technology

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combined with our product experience and distribution power, we see remarkable potential for additional business for our fishing lure sales. These artificially made fish pheromones used with our environmentally friendly materials allows us to produce soft baits that are very close to natural live baits. Our goal is to offer more species specific fishing lures for sport fishing around the world and continue to do research and field tests to find more and new opportunities with these unique Ultrabite branded fish pheromones. Due to our strong interest in this product category and the required investments in R&D, we wanted to gain more control of the fish pheromone technology and the ownership of the Ultrabite brand. With this deal, we achieved all this and secured the further development and growth of this product category," says Jari Kokkonen, Director of Lure sales.

Rapala's estimated sales of products including pheromones will be 1-2 MEUR in 2009. It is expected that the sales of these products will grow substantially in the future as the newly developed products will be sold through Rapala's worldwide distribution network with further new products being developed and introduced.

The total consideration for the deal is 0.9 MEUR. This deal will have no material effect on Rapala's net sales or profitability in 2009.

RAPALA VMC CORPORATION

Jorma Kasslin
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Distribution: NASDAQ OMX Helsinki and Main Media

Rapala is a leading fishing tackle company and the global market leader in fishing lures, treble hooks and fishing related knives and tools. The Group also has a strong global position in other fishing categories and it is one of the leading distributors of outdoor, hunting and winter sport products in the Nordic countries. The Group has 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, Marttiini and Sufix. The Group, with net sales of EUR 243 million in 2008, employs some 2000 people in 30 countries. Rapala's share is listed and traded on the NASDAQ OMX Helsinki stock exchange since 1998.

Cefas is an internationally renowned scientific research and advisory establishment and the UK's largest and most diverse applied marine science organization. Bridging the interface between science, policy and delivery, Cefas provides evidence-based scientific advice, manages related data and information, conducts world-class scientific research, and facilitates collaborative action through wide-ranging relationships with government organizations, scientific institutions, research centres, universities and industry. Cefas works to play a vital role in securing healthy marine and freshwater environments.