Q3 Interim Report 2009

Major cash flow improvement as a result of strong execution of working capital management

October 23, 2009
Crafted from Experience – Positioned for Further Growth

1936
1945
1959
1962
1975
1989
1998
2005-
Q3 in Brief

- Positive signs in several countries and orders for lures clearly up: lure factories in Europe and China running at full capacity.
- Improvement of cash flow remains the top priority in the Group while strong emphasis is put also on innovation and development of new products.
- Net sales for 2009 expected to be somewhat below 2008. Due to prioritization of cash flow and reduction of inventory over profitability as well as weakening of several currencies the comparable operating margin for 2009 is expected to be at 10-12%.

<table>
<thead>
<tr>
<th>EUR million</th>
<th>III/09</th>
<th>III/08</th>
<th>I-III/09</th>
<th>I-III/08</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>50.2</td>
<td>52.7</td>
<td>183.1</td>
<td>192.1</td>
<td>243.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3.3</td>
<td>5.2</td>
<td>26.4</td>
<td>32.7</td>
<td>37.5</td>
</tr>
<tr>
<td>EBITDA, excl. one-offs</td>
<td>3.4</td>
<td>5.2</td>
<td>26.7</td>
<td>32.0</td>
<td>36.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1.9</td>
<td>3.6</td>
<td>21.4</td>
<td>28.1</td>
<td>31.3</td>
</tr>
<tr>
<td>Operating profit, excl. one-offs</td>
<td>2.0</td>
<td>3.6</td>
<td>22.4</td>
<td>27.4</td>
<td>30.5</td>
</tr>
<tr>
<td>EPS (basic), EUR</td>
<td>0.02</td>
<td>0.03</td>
<td>0.33</td>
<td>0.40</td>
<td>0.45</td>
</tr>
<tr>
<td>Equity-to-assets, %</td>
<td>41.4</td>
<td>39.4</td>
<td>41.4</td>
<td>39.4</td>
<td>38.0</td>
</tr>
<tr>
<td>Net Interest-bearing Debt</td>
<td>83.3</td>
<td>89.0</td>
<td>83.3</td>
<td>89.0</td>
<td>89.5</td>
</tr>
</tbody>
</table>
# Group Organization & Cornerstones of Strategy

## Supply

**Product**
- Hardbaits
  - Rapala
  - Storm
  - Spinners
  - Blue Fox
- Softbaits
  - Storm
  - Williamson
- Other Lures
  - Blue Fox
  - Luhr Jensen
- Terminal Tackle and Gift
- Knives
- XC-Skis

**Source**
- Rapala
  - Finland
  - Estonia
  - Russia
- Willtco
  - Hong Kong
  - China
- VMC, France
- Willtco, China
- Marttiini, Finland and Estonia
- Peltonen, Finland

## Brands

**Group Brands**
- Rapala
- VMC
- Storm
- Blue Fox
- Luhr Jensen
- Williamson
- Sufix
- Marttiini
- Triger X

**Distribution**

### Own Distribution
- USA
- Canada
- Japan
- Malaysia
- China
- Thailand
- South Korea
- Australia
- USA
- South Africa
- Brazil
- Finland
- Sweden
- Denmark
- Norway
- France
- Spain
- Switzerland
- Portugal
- Poland
- Estonia
- Lithuania
- Latvia

### Shimano Distribution
- Italy
- Germany
- Netherlands
- Belgium
- Great Britain

### Local Importers
- Rest of Europe
- Rest of World

### Third Party Products
- Shimano
- Other Fishing
- Hunting
- Winter Sports
- Outdoor
**Competition & Major Players in the Industry**

- No major changes in the competitive environment in Q3 2009.

<table>
<thead>
<tr>
<th>Company</th>
<th>Worldwide sales MUSD*</th>
<th>Major product categories</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daiwa</td>
<td>630</td>
<td>Rods, reels, lures &amp; sporting goods</td>
<td>Japan 79% of total sales</td>
</tr>
<tr>
<td>Shimano</td>
<td>570</td>
<td>Rods, reels, accessories, excl. bike</td>
<td>Japan ca. 50% of total sales</td>
</tr>
<tr>
<td>Jarden (Pure Fishing)</td>
<td>450-500</td>
<td>Rods, reels, combos, line, soft plastics</td>
<td>US sales ca. 50% of sales</td>
</tr>
<tr>
<td>Rapala</td>
<td>360</td>
<td>Lures, hooks, accessories</td>
<td>3rd party products 1/3 of sales</td>
</tr>
<tr>
<td>Zebco</td>
<td>100</td>
<td>Rods &amp; reels</td>
<td>USA</td>
</tr>
<tr>
<td>Gamakatsu</td>
<td>100</td>
<td>Hooks, rods, reels, accessories</td>
<td>Japan</td>
</tr>
<tr>
<td>Eagle Claw</td>
<td>60</td>
<td>Hooks, rods, reels, accessories</td>
<td>USA</td>
</tr>
<tr>
<td>Mustad</td>
<td>55</td>
<td>Hooks &amp; accessories</td>
<td>Norway</td>
</tr>
<tr>
<td>Pradco</td>
<td>40</td>
<td>Lures</td>
<td>USA</td>
</tr>
<tr>
<td>Okuma</td>
<td>40</td>
<td>Rods &amp; reels</td>
<td>Taiwan</td>
</tr>
</tbody>
</table>

* 2008 figures, partly estimated if published information not available
Net Sales Analysis

• Net sales for Q3 down on last year at 50.2 MEUR (52.7).
• YTD net sales at 183.1 (192.1).
• FX effect: -2.4 MEUR on Q3 and –3.6 on YTD.
• Low sales and NOK&SEK movements affected net sales negatively in Nordic countries.
• Increased business activity and strengthening of USD increased net sales in North America (+3% for Q3 and +12% for YTD). Record level of orders especially for lures!
• Rest of Europe’s net sales suffered from FX (-4% for Q3 and -13% for YTD). In local FX net sales were up in Q3.
• Rest of the World up 5% for YTD supported by new sales of Sufix products (Q3: -6%).
• Net sales of Group Fishing Products up 8% for Q3 and 7% for YTD
• Net sales of Other Group Products (Gifts & Subcontracting) down more than ½ for Q3 and more than 1/3 for YTD.
• Net sales of Third Party Products down 6% for Q3 and 12% for YTD (weak currencies & drop in sales of expensive items but increased sales of winter sports equipment).
Operating Profit Analysis

- Q3 comparable operating profit, excluding one-offs, was 2.0 MEUR (3.6) and comparable operating margin 4.0% (6.8).
- YTD comparable operating profit 22.4 MEUR (27.4) and comparable margin 12.2% (14.3).
- Q3 included 0.1 MEUR (0.0) one-off costs and YTD 1.0 MEUR (gain 0.7).
- Fixed costs for nine months down 5% as a result of performance improvement initiatives.
- Result was also negatively affected by decrease in net sales, FX & inventory sales.
- Reported operating profit was 1.9 MEUR (3.6) for Q3 and 21.4 MEUR (28.1) for YTD.
- YTD operating profit by segment: Group Fishing Products 14.3 MEUR (15.6), Other Group Products 0.0 MEUR (1.2) and Third Party Products 7.1 MEUR (11.2).
- Financial (net) income for Q3 was positive 0.1 MEUR (-1.0) and for YTD -1.0 MEUR (-3.4) including FX gains of 0.9 MEUR (0.3) for Q3 and 1.7 MEUR (0.8) for YTD.
- Net profit was 1.5 MEUR (2.0) for Q3 and 15.1 MEUR (18.2) for YTD.
- EPS was 0.02 EUR (0.03) for Q3 and 0.33 EUR (0.40) for YTD.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the period</td>
<td>1.5</td>
<td>2.0</td>
<td>15.1</td>
<td>18.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Adjustments</td>
<td>1.7</td>
<td>1.5</td>
<td>11.8</td>
<td>10.2</td>
<td>13.0</td>
</tr>
<tr>
<td>Financial items and taxes paid/rec</td>
<td>-2.3</td>
<td>-3.0</td>
<td>-5.8</td>
<td>-9.3</td>
<td>-14.0</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>19.7</td>
<td>13.5</td>
<td>-2.6</td>
<td>-15.2</td>
<td>-12.7</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td><strong>20.6</strong></td>
<td><strong>14.0</strong></td>
<td><strong>18.6</strong></td>
<td><strong>3.8</strong></td>
<td><strong>5.4</strong></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-1.3</td>
<td>-1.6</td>
<td>-3.7</td>
<td>-4.9</td>
<td>-6.8</td>
</tr>
<tr>
<td><strong>Cash flow before financing</strong></td>
<td><strong>19.3</strong></td>
<td><strong>12.4</strong></td>
<td><strong>14.9</strong></td>
<td><strong>-1.1</strong></td>
<td><strong>-1.4</strong></td>
</tr>
</tbody>
</table>

- Net cash flow from operating activities improved clearly from Q3 and YTD 2008.
- Inventories decreased 6.8 MEUR (increased 1.5 MEUR) during Q3 as the results from the major working capital project started in Q4 2008 continued gradually to materialize.
- Positive development also in the form of reduction of accounts receivables.
- Net cash used in investing activities incl. acquisitions & disposals was 3.7 MEUR (4.9)
- Net interest-bearing debt was down to 83.3 MEUR (Dec 2008: 89.5, III/2008: 89.0).
- Equity-to-asset ratio at 41.4% (Dec 08: 38.0, III/2008: 39.4) and gearing 75.2% (Dec 08: 86.4, III/2008: 83.7).
Strategy Implementation

➢ Rapala continued to implement its strategy for profitable growth in Q3

Growth

➢ Discussions on acquisitions & business combinations continued.
➢ New distribution company in Romania registered in October, fully operational by the end of the year.
➢ Process to establish a distribution company in Belarus and a distribution company for Group’s gift products for Chinese markets started, operational in the beginning of 2010
➢ Integration of Sufix progress on plan and will be completed by the end of the year.

Profitability

➢ Strong emphasis on performance improvement initiatives continued, special focus on Hungarian and South East European distribution operations.
➢ Fine tuning of the new operational model in China continued.
➢ A major supply chain and logistics initiative from pilot stage to global implementation.
➢ The sale of Group’s premises in Hong Kong will result in a one-off gain of 0.5 MEUR in Q4.
Outlook for 2009

- General market situation has not changed a lot during 2009, but new positive signs have recently been witnessed in several countries.
- In addition to increased business activity, American Sportfishing Association just announced that the sales of US fishing licenses were up 8% for the first half of 2009.
- General uncertainty in the world economy will most likely continue to affect the ordering behavior of customers and maintain the need for quick deliveries and short lead-times.
- Affected by the weakening of many currencies, it is expected that the net sales for 2009 will be somewhat below 2008 level.
- Due to the prioritization of cash flow & reduction of inventory over profitability and weakening of several currencies, 2009 comparable operating margin is expected to be in the range of 10-12%.
- Group continues to implement its strategy for profitable growth but the top priority remains in reducing working capital and increasing cash flow.
- Q3 order backlog was down 1% from last Q3 to 26.8 MEUR (Dec. 2008: 34.5 MEUR).
- Orders for Group branded lures have though increased clearly and the Group lure manufacturing facilities in Europe and China are currently running at full capacity.
- Q4 interim report and annual accounts 2009 will be published on February 4.
Share Price Performance & Shareholders

Share Related Data (9/2009)

- Market Cap 180,8 MEUR
- 12-month high 5.16 EUR
- 12-month low 2.95 EUR
- All-time high 8.40 (2/99)
- All-time low 2.50 (11/01)

Major Shareholders

- VMC 28 %
- Sofina 19 %
- Odin Funds 9 %
- William Ng 4 %
- Utavia 4 %
- State Pension Fund 3%
- Shimano 2 %

