

## RAPALA'S INTERIM REPORT FOR JANUARY TO SEPTEMBER 2012: SALES, OPERATING PROFIT AND GEARING REACH QUARTERLY RECORDS

- Net sales for the third quarter increased by 4% to 65.6 (63.0 MEUR) and was up by 2% at 222.8 MEUR (218.7 MEUR) for January to September, reaching all time record sales for the third quarter and nine months. Sales were supported by foreign exchange rates and growth in sales especially in North America and some European countries.
- Comparable operating profit, excluding non-recurring items, increased from last year and reached third quarter record of 3.9 MEUR (2.8 MEUR), supported by increased sales and gross margin, and was 25.9 MEUR (28.1 MEUR) for the nine months. Comparable operating margin for the quarter was higher than last year amounting to 5.9% (4.5%) and was 11.6 % (12.9%) for the nine months. Reported operating profit for the third quarter amounted to record of 3.7 MEUR (2.3 MEUR) and 25.7 MEUR (27.2 MEUR) for the nine months.
- Net profit for the quarter improved to 1.3 MEUR (0.2 MEUR) and was 16.0 MEUR (16.1 MEUR) for the nine months. Quarterly earnings per share were 0.00 EUR (-0.01 EUR) and 0.31 EUR (0.34 EUR) for the nine months impacted by increased share of non-controlling interest in net result.
- Cash flow from operating activities for the third quarter was 7.1 MEUR (15.3 MEUR) impacted by capital tied up into the new ice fishing business and receivables. For the nine months cash flow for operating activities was at historically high levels of 19.2 MEUR (16.8 MEUR), following the intense focus on cash flow and working capital management.
- Implementation of Rapala's strategy of profitable growth continued during the third quarter of the year by taking several actions relating to manufacturing and distribution activities. New ice fishing sales started in the latter part of third quarter while bulk of sales will take place during the last quarter.
- Outlook for the full year remains positive, while still cautious. The guidance is unchanged. It is expected that in 2012 the net sales will increase from 2011 and comparable operating profit is expected to remain close to last year's level.

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

A conference call on the third quarter result will be arranged today at 2.00 p.m. Finnish time (1.00 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 152778#) 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)20 7111 1244 (pin code: 152778#). Financial information and teleconference replay facility are available at [www.rapala.com](http://www.rapala.com).

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**Market Situation and Sales**

During the third quarter of the year Rapala's business continued to develop positively, again breaking the third quarter and year-to-date sales record despite the divestment of the gift business. Sales were especially good in North America, East Europe, France and Nordic countries. In general the US consumer and retail sentiment is showing positive signs. Third quarter weather conditions were unfavorable in parts of Europe and Nordic having some impact on customer demand in fishing tackle. Hunting sales were strong in Nordic countries.

Sales were also supported by good start of the new ice fishing business in Nordic countries, Russia and North America. Supply chain of the new ice fishing business is operating smoothly. Some negative impacts on the continuing financial uncertainties are seen in some European markets. A late and short winter 2011/2012 is still impacting the financial position of some retailers and tighter credit control and limited availability of financing have impacted customer behavior in some cases. Inventory cleaning campaigns accelerated as summer season approached its end.

Net sales for the third quarter increased by 4% from last year reaching all-time third quarter high at 65.6 (63.0 MEUR). Changes in currency exchange rates increased sales by 2.9 MEUR, while establishment of new units and new ice fishing business offset by divestment of the gift business, reduced the sales in net of 1.0 MEUR. The nine-month net sales were 222.8 MEUR (218.7 MEUR), 2% increase from last year, also reaching all time sales record for the nine months. With comparable exchange rates and organization structure, net sales increased by 1% in the third quarter and 1% during the nine months. New units and new ice business included, net sales increased by 4% in the quarter and 2% in nine-month period.

Compared to last year, net sales of Group Products decreased by 1% in the third quarter and 2% for the first nine months, negatively impacted by the divestment of the gift business and structural changes in the UK distribution. Excluding the impact of gift divestment, Group Product sales increased by 7% for the quarter and 5% for the nine months of the year supported by new ice fishing sales. Sales of Third Party Products grew by 12% during the quarter and 7% year-to-date, following good third quarter sales in hunting and fishing products, which also includes new third party ice fishing products.

In North America external sales were up by 24% for the third quarter and by 15% for the nine months. This was significantly impacted by the US dollar, which was 9% stronger year-to-date against euro compared to last year. In local currency, sales for the third quarter were 9% up and for the nine months 5% above last year's level, impacted by beginning of sales of the new ice fishing business and evidencing a clear improvement in the North American business environment.

In Nordic countries, sales were up by 7% for the quarter and down by 2% for the nine months. Quarterly sales were supported by new ice fishing business and good hunting season. Year-to-date sales were impacted by challenging 2011/2012 winter business conditions especially in Finland and by structural changes in Norway.

In Rest of Europe sales increased by 4% for the quarter and by 4% for the nine months, supported by good sales in Eastern Europe and France, while still negatively impacted by economical uncertainties especially in Spain, Hungary and Switzerland. Rest of Europe sales have also been impacted by the structural changes in UK distribution.

In Rest of the World sales decreased by 19% for the third quarter and by 18% for the nine months primarily as a result of the gift business divestment. Excluding the gift business divestment, net sales of Rest of the World were up by 5% in the third quarter and 11% during the nine months. Nine-month sales increased in all markets.

## Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, increased from last year and reached third quarter record of 3.9 MEUR (2.8 MEUR). For the nine months comparable operating profit was 25.9 MEUR (28.1 MEUR). Comparable operating margin for the quarter was higher than last year amounting to 5.9% (4.5%), but was down to 11.6 % (12.9%) for the nine months. During the third quarter, operating profit was positively impacted by the increased sales and gross margin, while it was negatively impacted by the divestment of the gift business, establishment of new units and net impact of currency exchange rate changes. The profitability of third and fourth quarter sales is traditionally lower than first half of the year due to different sales mix and season-end stock clearance campaigns, which were increasingly initiated this year. The incremental margins generated by the new ice fishing business had already some positive impact on third quarter profitability through better fixed costs coverage.

Reported operating profit for the third quarter amounted to a record of 3.7 MEUR (2.3 MEUR) and 25.7 MEUR (27.2 MEUR) for the nine months. Reported operating margin was 5.6% (3.6%) and 11.5% (12.4%) respectively. Reported operating profit for the quarter included 0.2 MEUR non-recurring costs (0.5 MEUR) consisting of costs related to gift divestment and acquisitions. For nine months non-recurring costs amounted to 0.2 MEUR (0.9 MEUR). Return on capital employed increased to 6.3% (4.1%) for third quarter and was 14.8% (16.3%) for the nine months.

<b>Key figures</b>	<b>III</b>	<b>III</b>	<b>I-III</b>	<b>I-III</b>	<b>I-IV</b>
MEUR	<b>2012</b>	2011	<b>2012</b>	2011	2011
Net sales	<b>65.6</b>	63.0	<b>222.8</b>	218.7	279.5
EBITDA as reported	<b>5.4</b>	4.1	<b>30.7</b>	32.3	37.7
EBITDA excl. one-off items	<b>5.6</b>	4.5	<b>31.0</b>	33.0	37.1
Operating profit (EBIT)	<b>3.7</b>	2.3	<b>25.7</b>	27.2	30.7
EBIT excl. one-off items	<b>3.9</b>	2.8	<b>25.9</b>	28.1	30.5

Operating profit for Group Products increased from last year in the third quarter amounting to 2.1 MEUR (1.4 MEUR), but was down to 16.8 MEUR (18.7 MEUR) for the nine-month period. Nine-month profitability was impacted by the divestment of the gift business and establishment of new manufacturing units. Quarterly profit margin reduced in fishing lines, while margin on lures, fishing accessories and hunting improved. Driven by better profitability of third party fishing and hunting products, operating profit for Third Party Products was higher than last year at 1.5 MEUR (0.9 MEUR) for the third quarter and 8.8 MEUR (8.5 MEUR).

Total financial (net) expenses were 1.7 MEUR (1.9 MEUR) for the quarter and 2.9 MEUR (4.5 MEUR) for the nine months. Net interest and other financing expenses were 1.1 MEUR (0.9 MEUR) for the quarter and 2.2 MEUR (2.9 MEUR) for the nine months. Financial items were positively impacted by the change in (net) currency exchange expenses of 0.6 MEUR (1.0 MEUR) for the quarter and 0.7 MEUR (1.6 MEUR) for the nine months.

Net profit for the quarter was increased to 1.3 MEUR (0.2 MEUR) and was 16.0 MEUR (16.1 MEUR) for the nine months. Earnings per share for the third quarter were 0.00 EUR (-0.01 EUR) and were 0.31 EUR (0.34 EUR) for the nine-month period impacted by increased share of non-controlling interest in net result.

### **Cash Flow and Financial Position**

Cash flow from operating activities was 7.1 (15.3 MEUR) for the third quarter and 19.2 MEUR (16.8 MEUR) for the nine months. Third quarter cash flow was impacted by the record high second quarter, while the cumulative cash flow was still at high levels historically. Third quarter cash flow was affected by increase in receivables and cash tied into building up the new ice fishing business, where the sales is mostly concentrated on the fourth quarter. Positive cash flow impact for the nine months came from the net change in working capital, mainly inventories and payables, being -1.5 MEUR (-5.7 MEUR).

Group's inventories increased 5.4 MEUR from last September to 120.6 MEUR (115.2 MEUR), of which 4.3 MEUR increase came from net impact of currency movements, having no cash flow impact, and 3.7 MEUR from net increase from divested gift business offset by the new ice fishing business. Excluding the currency impact and the structural changes, comparable inventories decreased 2.6 MEUR from last September and on comparable basis inventory-to-sales ratio dropped two percentage points for the nine-month period.

Net cash used in investing activities was 1.6 MEUR (4.2 MEUR, including acquisition of UK joint venture) for the quarter and 12.3 MEUR (8.2 MEUR) for the nine-month period. Operative capital expenditure was 1.3 MEUR (2.2 MEUR) for the quarter and 5.5 MEUR (5.7 MEUR) for the nine months. Nine-month investing activities also include the acquisition of the assets of Strike Master Corporation and Mora ICE brand with total of 6.7 MEUR, including consideration paid at the closing of the accounts in third quarter, and proceeds from the sale of a real estate in Finland of 0.3 MEUR.

Net interest bearing debt increased to 94.9 MEUR (93.9 MEUR) in the end of September. Following the increase in equity, gearing decreased to 66.7% (71.8%) reaching an all time record low level. Equity-to-assets ratio increased to 43.0% (42.2%) compared to last year.

### **Strategy Implementation**

Implementation of Rapala's strategy of profitable growth continued during the third quarter of the year by taking several actions relating to manufacturing and distribution activities.

In February Rapala entered seriously into ice drill business and closed the deals to acquire assets of Strike Master Corporation as well as the brand and intellectual property rights relating to Mora ICE products. These deals together with the US distribution agreements

concluded for MarCum underwater cameras and sonars and Otter Outdoors sleds and shelters will give Rapala the global leadership position in the ice fishing category. Strong expansion into ice fishing business will increase the sales in the seasonally slower second half of the year in all main northern markets. Deliveries of the new ice fishing products have started as planned during the third quarter. Rapala's existing and new ice fishing products, as well as the various related third party products, have been gathered under a special ICEFORCE –marketing concept, which has been launched for this winter season. Product development for the 2013/2014 winter season is also at full speed and new products will be introduced to customers in early 2013.

Group's new lure and hook manufacturing units on Batam Island in Indonesia started their operations during the first quarter. Production volumes of lure production have been ramped up during the second and third quarter as production has been gradually transferred from China to Batam. Operational efficiencies are in line with expectations. The first phase of lure production transfer is targeted to be finalized by the end of the year. Also the hook production is expected to be fully ramped up by the end of the year. Construction and installation work for tripling the size of the lure manufacturing operations are proceeding and first output of this second phase is expected during first quarter next year.

Group's new distribution company in Chile has been established during third quarter and sales have started in October. In September Group acquired the 20% share in the Indonesian distribution company from its minority shareholder, increasing Group's ownership to 100%.

A special initiative to improve the performance of the distribution company in Switzerland continued during the third quarter.

Working capital and cash flow management was still one of the top priorities of the Group, and the Group continues to work to reduce the inventory levels and develop the Group's internal supply chain as well as its purchasing processes.

Production and shipments of the new products for season 2013, including the EFTTEX award winning Rapala BX Minnow lures, have started during third quarter.

Discussions and negotiations regarding acquisitions and business combinations continued during the third quarter.

## **Short-term Outlook**

Outlook for the full year remains positive, while still cautious. During the first three quarters Group's sales have developed generally well, with no major negative surprises. Fourth quarter will be characterized by the new ice fishing business, which will generate bulk of its annual sales by the end of the year. In the USA alone, the category is expected to generate some 10 to 15 MUSD additional sales for the last quarter, of which a significant proportion is based on fixed customer orders. The supply chain of the new ice fishing business is operating smoothly.

Presales of winter sports equipment have been relatively good, considering the challenging weather conditions last winter. Last winter may still have some knock-on effect on coming winter season's ice fishing and winter sports equipment sales as retailers have



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October 23, 2012 at 9:30 a.m.

some existing inventories causing them cash flow challenges and cautiousness. Sales and deliveries of the fourth quarter winter business are always subject to uncertainties relating to weathers and timing.

Group has put more emphasis on cash flow and working capital management, which together with foreign exchange rate changes, establishment of new manufacturing units and performance improvement initiatives will pressure the profitability this year.

The guidance is unchanged. It is expected that in 2012 the net sales will increase from 2011 and the comparable operating profit is expected to remain close to last year's level.

Fourth quarter interim report and annual accounts 2012 will be published on February 6, 2013.

Helsinki, October 23, 2012

Board of Directors of Rapala VMC Corporation



STOCK EXCHANGE RELEASE 7 (15)  
October 23, 2012 at 9:30 a.m.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

STATEMENT OF INCOME	III	III	I-III	I-III	I-IV
MEUR	2012	2011	2012	2011	2011
<b>Net sales</b>	<b>65.6</b>	63.0	<b>222.8</b>	218.7	279.5
Other operating income	<b>0.2</b>	0.3	<b>0.7</b>	0.6	2.9
Materials and services	<b>32.3</b>	32.1	<b>104.9</b>	100.4	129.0
Personnel expenses	<b>15.1</b>	14.5	<b>46.8</b>	46.1	62.4
Other costs and expenses	<b>13.0</b>	12.6	<b>41.0</b>	40.5	53.3
Share of results in associates and joint ventures	<b>0.0</b>	0.0	<b>-0.1</b>	0.0	-0.1
<b>EBITDA</b>	<b>5.4</b>	4.1	<b>30.7</b>	32.3	37.7
Depreciation, amortization and impairments	<b>1.7</b>	1.8	<b>5.1</b>	5.0	7.0
<b>Operating profit (EBIT)</b>	<b>3.7</b>	2.3	<b>25.7</b>	27.2	30.7
Financial income and expenses	<b>1.7</b>	1.9	<b>2.9</b>	4.5	5.5
<b>Profit before taxes</b>	<b>1.9</b>	0.3	<b>22.8</b>	22.7	25.2
Income taxes	<b>0.6</b>	0.1	<b>6.7</b>	6.6	8.0
<b>Net profit for the period</b>	<b>1.3</b>	0.2	<b>16.0</b>	16.1	17.2
<b>Attributable to:</b>					
Equity holders of the Company	<b>0.0</b>	-0.5	<b>12.2</b>	13.1	14.0
Non-controlling interests	<b>1.3</b>	0.7	<b>3.8</b>	3.0	3.2
<b>Earnings per share for profit attributable</b>					
Earnings per share, EUR (diluted = non-diluted)	<b>0.00</b>	-0.01	<b>0.31</b>	0.34	0.36

STATEMENT OF COMPREHENSIVE INCOME	III	III	I-III	I-III	I-IV
MEUR	2012	2011	2012	2011	2011
<b>Net profit for the period</b>	<b>1.3</b>	0.2	<b>16.0</b>	16.1	17.2
<b>Other comprehensive income, net of tax</b>					
Change in translation differences	<b>-0.5</b>	2.4	<b>1.6</b>	-2.9	2.0
Gains and losses on cash flow hedges	<b>-0.1</b>	-0.5	<b>-0.7</b>	-0.1	-0.1
Gains and losses on hedges of net investments	<b>0.2</b>	-0.8	<b>0.1</b>	0.0	-0.4
<b>Total other comprehensive income, net of tax</b>	<b>-0.4</b>	1.1	<b>1.0</b>	-3.0	1.5
<b>Total comprehensive income for the period</b>	<b>0.9</b>	1.4	<b>17.0</b>	13.1	18.7
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company	<b>-0.5</b>	1.0	<b>13.2</b>	10.6	15.8
Non-controlling interests	<b>1.4</b>	0.4	<b>3.8</b>	2.5	2.9

STATEMENT OF FINANCIAL POSITION MEUR	Sept 30 2012	Sept 30 2011	Dec 31 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	73.2	67.2	68.0
Property, plant and equipment	28.9	28.9	28.5
Non-current financial assets			
Interest-bearing	7.7	3.2	7.6
Non-interest-bearing	9.9	9.3	9.1
	<b>119.7</b>	108.5	113.2
<b>Current assets</b>			
Inventories	120.6	115.2	115.5
Current financial assets			
Interest-bearing	1.7	0.1	1.6
Non-interest-bearing	56.8	54.7	55.0
Cash and cash equivalents	32.0	31.5	28.9
	<b>211.1</b>	201.4	201.0
Assets classified as held-for-sale	0.3	-	0.3
<b>Total assets</b>	<b>331.1</b>	310.0	314.5
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the Company	132.8	123.4	128.6
Non-controlling interests	9.4	7.2	7.2
	<b>142.3</b>	130.7	135.8
<b>Non-current liabilities</b>			
Interest-bearing*	62.6	24.0	12.7
Non-interest-bearing	14.3	13.4	13.5
	<b>76.8</b>	37.4	26.2
<b>Current liabilities</b>			
Interest-bearing*	73.7	104.6	116.6
Non-interest-bearing	38.3	37.3	35.9
	<b>112.1</b>	141.9	152.5
<b>Total equity and liabilities</b>	<b>331.1</b>	310.0	314.5

\* As of April 2012 the revolving credit facilities of the new bank loan agreements were classified as non-current liabilities to the extent banks' commitment is valid for longer than 12 months.

KEY FIGURES	III	III	I-III	I-III	I-IV
	2012	2011	2012	2011	2011
EBITDA margin, %	8.2%	6.5%	13.8%	14.7%	13.5%
Operating profit margin, %	5.6%	3.6%	11.5%	12.4%	11.0%
Return on capital employed, %	6.3%	4.1%	14.8%	16.3%	13.7%
Capital employed at end of period, MEUR	237.1	224.5	237.1	224.5	227.0
Net interest-bearing debt at end of period, MEUR	94.9	93.9	94.9	93.9	91.2
Equity-to-assets ratio at end of period, %	43.0%	42.2%	43.0%	42.2%	43.2%
Debt-to-equity ratio at end of period, %	66.7%	71.8%	66.7%	71.8%	67.2%
Earnings per share, EUR (diluted = non-diluted)	0.00	-0.01	0.31	0.34	0.36
Equity per share at end of period, EUR	3.42	3.17	3.42	3.17	3.30
Average personnel for the period	2 025	2 271	1 991	2 238	2 208

Definitions of key figures in the interim report are consistent with those in the Annual Report 2011.





**STOCK EXCHANGE RELEASE 9 (15)**  
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<b>STATEMENT OF CASH FLOWS</b>	<b>III</b>	<b>III</b>	<b>I-III</b>	<b>I-III</b>	<b>I-IV</b>
MEUR	<b>2012</b>	2011	<b>2012</b>	2011	2011
Net profit for the period	<b>1.3</b>	0.2	<b>16.0</b>	16.1	17.2
Adjustments to net profit for the period *	<b>4.6</b>	3.6	<b>15.4</b>	15.4	17.6
Financial items and taxes paid and received	<b>-4.2</b>	-2.9	<b>-10.6</b>	-9.0	-12.3
Change in working capital	<b>5.3</b>	14.4	<b>-1.5</b>	-5.7	-7.3
<b>Net cash generated from operating activities</b>	<b>7.1</b>	15.3	<b>19.2</b>	16.8	15.2
Investments	<b>-1.3</b>	-2.2	<b>-5.5</b>	-5.7	-8.4
Proceeds from sales of assets	<b>0.1</b>	0.1	<b>0.7</b>	0.3	0.7
Acquisition of joint venture Shimano Normark UK	-	-2.1	-	-2.1	-1.5
Dynamite Baits acquisition, net of cash	-	-	-	-	-0.1
Sufix brand acquisition	-	-	<b>-0.8</b>	-0.7	-0.7
Strikemaster and Mora ICE acquisitions	<b>-0.3</b>	-	<b>-6.7</b>	-	-
Acquisition of other subsidiaries, net of cash	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
Proceeds from disposal of subsidiaries, net of cash	-	-	-	-	0.6
Change in interest-bearing receivables	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
<b>Net cash used in investing activities</b>	<b>-1.6</b>	-4.2	<b>-12.3</b>	-8.2	-9.6
Dividends paid to parent company's shareholders	-	-	<b>-8.9</b>	-9.0	-9.0
Dividends paid to non-controlling interest	-	-	<b>-1.5</b>	-2.7	-2.9
Net funding	<b>-17.8</b>	-12.2	<b>7.1</b>	7.5	6.7
Purchase of own shares	<b>-0.2</b>	-	<b>-0.3</b>	0.0	-0.1
<b>Net cash generated from financing activities</b>	<b>-18.0</b>	-12.2	<b>-3.6</b>	-4.2	-5.2
Adjustments	<b>-0.2</b>	-0.8	<b>0.0</b>	-0.8	0.4
Change in cash and cash equivalents	<b>-12.7</b>	-1.8	<b>3.4</b>	3.7	0.8
Cash & cash equivalents at the beginning of the period	<b>45.0</b>	32.3	<b>28.9</b>	27.9	27.9
Foreign exchange rate effect	<b>-0.3</b>	1.0	<b>-0.3</b>	-0.1	0.2
<b>Cash and cash equivalents at the end of the period</b>	<b>32.0</b>	31.5	<b>32.0</b>	31.5	28.9

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

MEUR	Attributable to equity holders of the Company								Total equity
	Share capital	Share premium fund	Fair value reserve	Cumul. trans- lation diffe- rences	Fund for invested non-rest- ricted equity	Own sha- res	Re- tained earn- ings	Non- contr- olling inte- rests	
<b>Equity on Jan 1, 2011</b>	<b>3.6</b>	<b>16.7</b>	<b>-1.5</b>	<b>-6.0</b>	<b>4.9</b>	<b>-2.5</b>	<b>106.7</b>	<b>7.4</b>	<b>129.2</b>
Comprehensive income *	-	-	-0.1	-2.4	-	-	13.1	2.5	<b>13.1</b>
Purchase of own shares	-	-	-	-	-	0.0	-	-	<b>0.0</b>
Dividends paid	-	-	-	-	-	-	-9.0	-2.7	<b>-11.7</b>
Other changes	-	-	-	-	-	-	-	0.0	<b>0.0</b>
<b>Equity on Sept 30, 2011</b>	<b>3.6</b>	<b>16.7</b>	<b>-1.6</b>	<b>-8.4</b>	<b>4.9</b>	<b>-2.5</b>	<b>110.9</b>	<b>7.2</b>	<b>130.7</b>
<b>Equity on Jan 1, 2012</b>	<b>3.6</b>	<b>16.7</b>	<b>-1.6</b>	<b>-4.1</b>	<b>4.9</b>	<b>-2.6</b>	<b>111.8</b>	<b>7.2</b>	<b>135.8</b>
Comprehensive income *	-	-	-0.7	1.7	-	-	12.2	3.8	<b>17.0</b>
Purchase of own shares	-	-	-	-	-	-0.3	-	-	<b>-0.3</b>
Dividends paid	-	-	-	-	-	-	-8.9	-1.5	<b>-10.4</b>
Share based payments	-	-	-	-	-	-	0.1	-	<b>0.1</b>
Other changes	-	-	-	-	-	-	-	0.0	<b>0.0</b>
<b>Equity on Sept 30, 2012</b>	<b>3.6</b>	<b>16.7</b>	<b>-2.3</b>	<b>-2.3</b>	<b>4.9</b>	<b>-2.9</b>	<b>115.2</b>	<b>9.4</b>	<b>142.3</b>

\* For the period, (net of tax)



**STOCK EXCHANGE RELEASE 10 (15)**  
October 23, 2012 at 9:30 a.m.

**SEGMENT INFORMATION\***

MEUR	III	III	I-III	I-III	I-IV
<b>Net Sales by Operating Segment</b>	<b>2012</b>	2011	<b>2012</b>	2011	2011
Group Products	<b>37.5</b>	37.9	<b>132.2</b>	134.3	174.5
Third Party Products	<b>28.1</b>	25.1	<b>90.6</b>	84.4	105.0
<b>Total</b>	<b>65.6</b>	63.0	<b>222.8</b>	218.7	279.5

**Operating Profit by Operating Segment**

Group Products	<b>2.1</b>	1.4	<b>16.8</b>	18.7	22.4
Third Party Products	<b>1.5</b>	0.9	<b>8.8</b>	8.5	8.4
<b>Total</b>	<b>3.7</b>	2.3	<b>25.7</b>	27.2	30.7

<b>Assets by Operating Segment</b>	Sept 30	Sept 30	Dec 31
	2012	2011	2011
Group Products	<b>218.2</b>	208.2	207.7
Third Party Products	<b>71.5</b>	67.1	68.8
Non-interest bearing assets total	<b>289.7</b>	275.2	276.5
Unallocated interest-bearing assets	<b>41.4</b>	34.7	38.1
<b>Total assets</b>	<b>331.1</b>	310.0	314.5

**Liabilities by Operating Segment**

Group Products	<b>39.5</b>	37.6	35.0
Third Party Products	<b>13.1</b>	13.0	14.5
Non-interest bearing liabilities total	<b>52.6</b>	50.7	49.5
Unallocated interest-bearing liabilities	<b>136.3</b>	128.6	129.3
<b>Total liabilities</b>	<b>188.9</b>	179.3	178.8

**Net Sales by Area\*\***

MEUR	III	III	I-III	I-III	I-IV
	<b>2012</b>	2011	<b>2012</b>	2011	2011
North America	<b>16.1</b>	13.0	<b>58.0</b>	50.3	69.1
Nordic	<b>13.4</b>	12.5	<b>49.3</b>	50.2	65.3
Rest of Europe	<b>26.0</b>	25.0	<b>89.1</b>	86.0	102.7
Rest of the world	<b>10.1</b>	12.5	<b>26.5</b>	32.1	42.4
<b>Total</b>	<b>65.6</b>	63.0	<b>222.8</b>	218.7	279.5

\* As of January 1, 2012 the reportable operating segments include the following product lines: Group Products include Group Fishing Products, such as Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, as well as Other Group Products, mainly Winter Sports and some other non-fishing related business manufactured and/or sourced by the Group and sold under the Group's brands. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports distributed by the Group.

\*\* Geographical information has been prepared on source basis i.e. based on the location of the business unit. As of January 1, 2012 the net sales is presented excluding intra-Group transactions, i.e. including only Group's external sales

<b>KEY FIGURES BY QUARTERS</b>	I	II	III	IV	I-IV	I	II	III
MEUR	2011	2011	2011	2011	2011	2012	2012	2012
Net sales	74.7	80.9	63.0	60.8	279.5	<b>73.5</b>	<b>83.7</b>	<b>65.6</b>
EBITDA	13.7	14.4	4.1	5.5	37.7	<b>12.0</b>	<b>13.3</b>	<b>5.4</b>
Operating profit	12.1	12.8	2.3	3.5	30.7	<b>10.4</b>	<b>11.6</b>	<b>3.7</b>
Profit before taxes	11.1	11.3	0.3	2.5	25.2	<b>10.4</b>	<b>10.5</b>	<b>1.9</b>
Net profit for the period	7.9	8.0	0.2	1.1	17.2	<b>7.5</b>	<b>7.2</b>	<b>1.3</b>

## NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

This report has been prepared in accordance with IAS 34. Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the Annual Report 2011, except for the adoption of the new or amended standards and interpretations. Adoption of amendment of IFRS 7 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Rapala changed its reportable operating segments from January 1, 2012. Rapala's reportable operating segments are Group Products consisting of Group Fishing Products and Other Group Products, and Third Party Products.

### 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 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-September 2012. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

### Inventories

On September 30, 2012, the book value of inventories included a provision for net realizable value of 3.6 MEUR (2.9 MEUR at September 30, 2011 and 3.2 MEUR at December 31, 2011).

### Assets held for sale

As part of the relocation of Finnish distribution operations, an office and warehouse building in Korpilahti, Finland, was classified as held for sale during the fourth quarter in 2011.

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

In September 2012, Rapala purchased a 20% share of the Group's Indonesian distribution company. This acquisition raised Rapala's ownership to 100%. Acquisition has no significant impact on the Group's consolidated financial statements.



**STOCK EXCHANGE RELEASE 12 (15)**  
October 23, 2012 at 9:30 a.m.

During the first quarter Rapala acquired the assets, including Mora trademark in North America, of Minnesota based Strike Master Corporation ("Strike Master"), the leading supplier of ice augers in the US. Rapala also acquired 100% of the share capital of Swedish Mora Ice Ab including the Mora ICE brand, together with all intellectual property rights relating to the Mora ICE products. Mora ICE is Europe's leading and premium brand of ice augers and auger cutting blades. Both of the acquisitions were completed in February. The closing accounts were finalized during the third quarter and the final payment of 0.4 MEUR was made to the sellers in August. Total considerations for the acquisitions during 2012 amounted to 6.8 MEUR.

These strategic initiatives will give Rapala the global leadership position in the ice fishing category. Rapala is well equipped to exploit this position as it is having strong distribution companies in all main arctic markets: US, Canada, Russia, East European and Nordic countries, Japan and China.

Net sales after the acquisitions, 1.5 MEUR, are included in the consolidated income statement. The acquisitions did not have material impact on the profit of the Group. Due to the structure of the acquisitions it is not possible to reliably determine pre-transaction sales and profit prior in 2012.

The transaction costs of 0.0 MEUR have been expensed and are included in the other operating expenses in the income statement and treated as a non-recurring item.

The goodwill of 0.7 MEUR is justified by expansion of product assortment and market coverage as well as utilization of economies of scale in sourcing and distribution. None of the goodwill is expected to be deductible for income tax purposes. The goodwill will be tested for impairment.

The business combinations are accounted for by applying the acquisition method. The fair value of intellectual property rights is established using the relief from royalty method. The fair value of customer relationships is established with the income approach based on the future economic returns from the customers over their useful lives.

MEUR	2012
Inventories	1.8
Trade and other non-interest-bearing receivables	0.3
Intangible assets	4.4
Tangible assets	0.1
Trade and other non-interest-bearing payables	0.0
Deferred tax liability (net)	-0.6
Non-controlling interests	0.0
<b>Fair value of acquired net assets</b>	<b>6.0</b>

MEUR	2012
Cash paid upon closing	6.4
Cash paid later	0.4
<b>Total purchase consideration</b>	<b>6.8</b>

<b>Goodwill</b>	<b>0.7</b>
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Cash paid for the acquisitions	6.8
Cash and cash equivalents acquired	-
<b>Net cash flow</b>	<b>6.8</b>

Non-recurring income and expenses included in operating profit MEUR	III 2012	III 2011	I-III 2012	I-III 2011	I-IV 2011
Costs related to business acquisitions	0.0	0.0	0.0	-0.1	-0.3
Restructuring of Hungarian operations	-	-	-	-	0.1
Relocation of Finnish operations	-	-0.2	-	-0.3	-0.3
Net gain from sale of gift manufacturing unit in China*	-0.2	-0.1	-0.3	-0.2	1.5
Other restructuring costs	-	-0.1	-	-0.2	-0.4
Gain on disposal of real estate in Finland	-	-	0.1	-	-
Other non-recurring items	0.0	-	0.0	-	-
<b>Total included in EBITDA</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.7</b>	<b>0.6</b>
Impairment of non-current assets relating to relocation of Finnish	-	-	-	-	-0.4
Other non-recurring impairments	-	-0.2	-	-0.2	0.0
<b>Total included in operating profit</b>	<b>-0.2</b>	<b>-0.5</b>	<b>-0.2</b>	<b>-0.9</b>	<b>0.2</b>

\* I-IV 2011: Including a gain of 1.9 MEUR and costs related to divestment.

Commitments MEUR	Sept 30 2012	Sept 30 2011	Dec 31 2011
<b>On own behalf</b>			
Business mortgage*	-	16.1	16.1
Guarantees	0.1	0.1	0.1
<b>Minimum future lease payments on operating leases</b>	<b>15.8</b>	<b>16.8</b>	<b>15.2</b>

\* The Group refinanced its loan facilities in April 2012, and the business mortgage related to the previous facility was released. The new loan facilities are unsecured and include normal financial covenants.

Related party transactions MEUR	Sales and other income	Pur- chases	Rents paid	Other expen- ses	Recei- vables	Paya- bles
<b>I-III 2012</b>						
Joint venture Shimano Normark UK Ltd	3.4	-	-	-	0.5	0.0
Associated company Lanimo Oü	-	0.0	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.1	0.1	0.0	-
Management	-	-	0.3	-	0.0	0.0
<b>I-III 2011</b>						
Joint venture Shimano Normark UK Ltd	0.8	-	-	-	1.0	-
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.1	0.1	0.0	0.0
Management	-	-	0.3	-	0.1	0.0
<b>I-IV 2011</b>						
Joint venture Shimano Normark UK Ltd	1.6	-	-	-	0.1	-
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	0.0
Management	-	-	0.3	-	0.0	0.0

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

Open derivatives MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
<b>Sept 30, 2012</b>				
Foreign currency options and forwards	52.0	0.4	0.3	0.0
Interest rate swaps	90.2	-	2.0	-2.0
<b>Total</b>	<b>142.2</b>	<b>0.4</b>	<b>2.3</b>	<b>-2.0</b>
Sept 30, 2011				
Foreign currency options	3.9	0.1	0.0	0.1
Interest rate swaps	86.1	-	2.2	-2.2
<b>Total</b>	<b>90.0</b>	<b>0.1</b>	<b>2.2</b>	<b>-2.1</b>
Dec 31, 2011				
Foreign currency options	3.4	0.2	-	0.2
Interest rate swaps	67.9	-	2.1	-2.1
<b>Total</b>	<b>71.3</b>	<b>0.2</b>	<b>2.1</b>	<b>-1.9</b>

The Group's financial risks and hedging principles are described in detail in the Annual Report 2011.

## Share based incentive plan

In June 2012, the Board approved a new share based incentive plan for the Group's key personnel. The plan includes one earning period which commenced on April 1, 2012 and will end on June 30, 2013. The potential reward from the plan will be based on development of Rapala Group's inventory levels and EBITDA. The potential reward will be paid primarily as Rapala's shares in August 2013. The target group of the plan consists of 20 key employees. The gross rewards to be paid on the basis of the plan will correspond to the value maximum total of 235 000 Rapala shares.

## Shares and share capital

On April 11, 2012 The Annual General Meeting updated Board's authorization on issuance and repurchase of shares.

On September 30, 2012, the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 468 449. The average number of shares in January-September 2012 was 39 468 449. During the first nine months, Rapala bought back total 49 343 of own shares. On September 30, 2012 Rapala held 601 400 own shares, representing 1.5% of the total number of Rapala shares and the total voting rights. The average share price of all repurchased own shares held by Rapala was EUR 4.77.

During the first nine months, 2 823 789 shares (5 667 519) were traded at a high of 6.50 EUR and a low of 4.75 EUR. 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 as Rapala has continued to expand its operations. Accordingly, Group management continues to develop risk management practices and internal controls during 2012. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Annual Report 2011.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half. The summer fishing season is approaching its end in the northern hemisphere and the success of the coming season for winter sports and ice fishing equipment is partly dependent on the timing and length of winter weathers. The new ice fishing business will to some extent offset this seasonality during the rest of 2012, while introduction of such new business will be subject to increased uncertainties and risks related to ice conditions in North America, northern Europe and Russia.



**STOCK EXCHANGE RELEASE 15 (15)**  
October 23, 2012 at 9:30 a.m.

The biggest deliveries for both summer and winter seasons are concentrated into relatively short time periods, and hence a well functioning supply chain is required. The Group's sales are to some extent affected by weather as it impacts consumer demand and the timing and length of the seasons. The 2011/2012 winter season was challenging in some markets and consequently retailers were left with excess inventories. This together with general cautiousness may affect winter business in the next winter season. Difficult winter season may also increase some retailers' credit risk and thereby decrease the Group's sales.

A major supply chain and logistics initiative to improve the Group's inventory turnovers and shorten the factory lead-times continues in 2012, including planning of new initiatives. Before fully implemented, these initiatives may temporarily have negative impact on the Group's inventory levels. The possible product life-cycle initiatives as well as inventory clearance sales supporting the inventory reduction targets may have some short-term negative impacts on sales and profitability of some product groups. The ramp-up phase of the new production facilities in Batam, Indonesia, may increase certain production and supply chain risks temporarily.

The Group successfully refinanced its credit facilities in April, 2012. This has decreased the Group's liquidity and refinancing risks. The new credit facilities include some financial covenants, which are actively monitored.

The fishing tackle business has not traditionally been strongly influenced by the increased uncertainties and downturns in the general economic climate. They may, however, influence, at least for a short while, the sales of fishing tackle, when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses, such as gasoline price, uncertainties concerning employment and governmental austerity measures may temporarily affect consumer spending also in the fishing tackle business. However, the underlying consumer demand has historically proven to be fairly solid.

The truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. The Group is cautiously monitoring the development both in the global macro economy as well as in the various local markets it operates in. The uncertainties in future demand as well as the length of the Group's supply chain increases the importance of supply chain management. Strong and rapid increases in consumer demand may put challenges on Group's supply chain to meet the demand. Management balances between risk of shortages and risk of excess production and purchasing, which would lead to excess inventories in the Group. 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 monitored closely and write-downs are initiated if needed.

The Group's sales and profitability are impacted by the changes in foreign exchange rates. The disturbances in global economy may cause heavy and unexpected fluctuations in foreign exchange rates. The Group monitors actively its currency position and risks and hedges risks in several currencies by following the risk policy set by the Board of Directors. To fix the exchange rates of future foreign exchange denominated sales and purchases, the Group has entered into several currency hedging agreements. As the Group is not applying hedge accounting in accordance to IAS 39, the unrealized mark-to-market valuations of currency hedging agreements has an impact on the Group's operating profit. Following implementation of updated risk policy in the third quarter of 2012 the nominal value of hedging instruments will increase thereby potentially increasing the quarterly volatility of unrealized items in operating profit. The continuing strengthening of the Chinese yuan coupled with the possible strengthening of the US dollar increases cost pressures. Additionally, certain inflationary trends increase this pressure. The Group is closely monitoring market development and cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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