

# Rapala®



## Q3 INTERIM REPORT 2010

October 21, 2010

RESPECTED RAPALA BRANDS



Martini

BLUE FOX



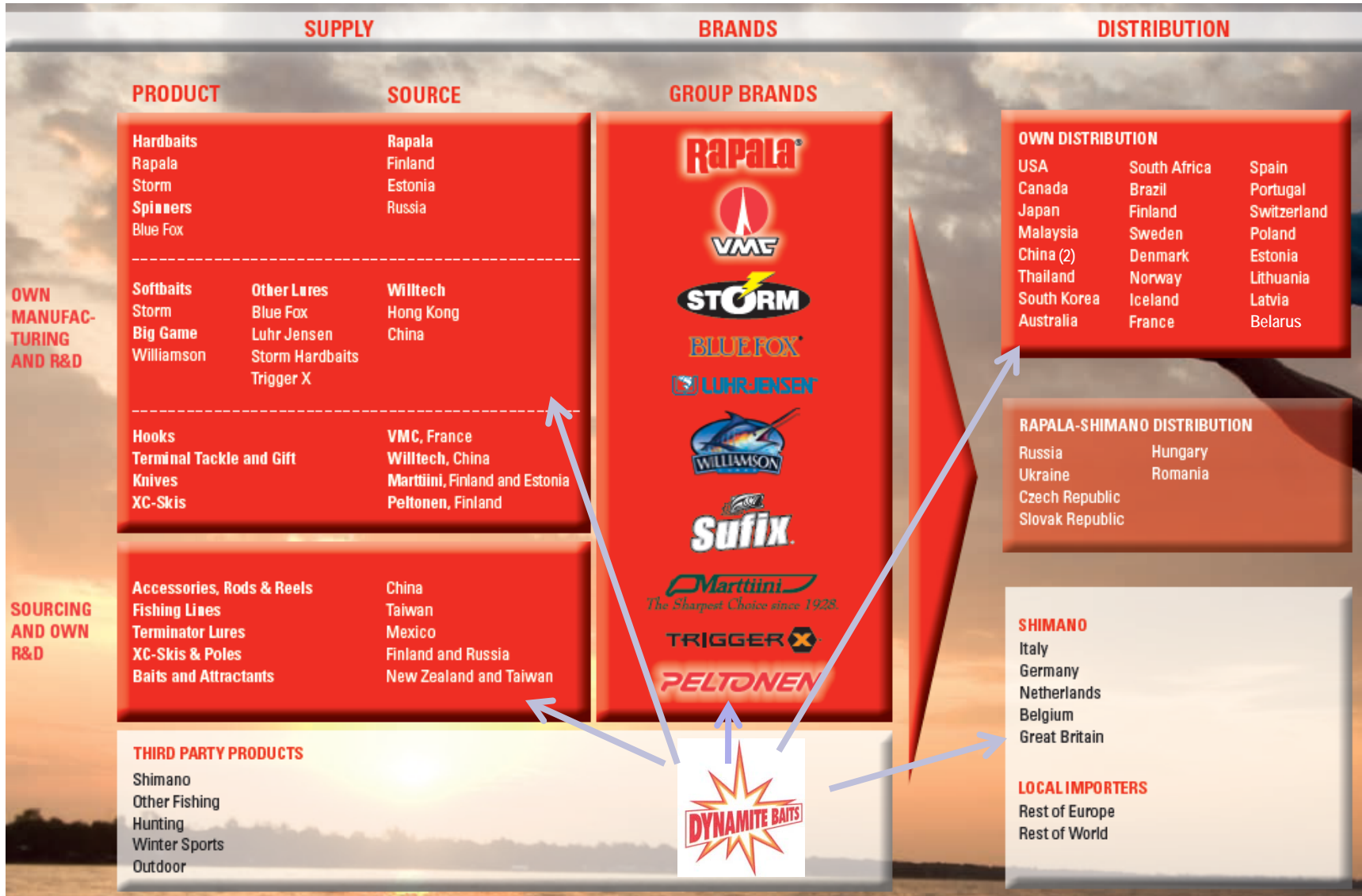
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## SUMMARY OF Q3 2010

EUR million	III/2010	III/2009	I-III/2010	I-III/2009	I-IV/2009
Net Sales	60.6	50.2	209.0	183.1	234.6
Operating Profit - Reported	2.9	1.9	27.1	21.4	22.1
Operating Profit - Comparable	3.1	2.1	27.5	22.4	23.5
Net Profit for the Period	1.4	1.5	18.9	15.1	14.3
EPS (basic), EUR	0.01	0.02	0.42	0.33	0.31
Cash flow from Operations	7.0	20.6	15.2	18.6	24.6
Net Interest-bearing Debt	87.9	83.3	87.9	83.3	79.4

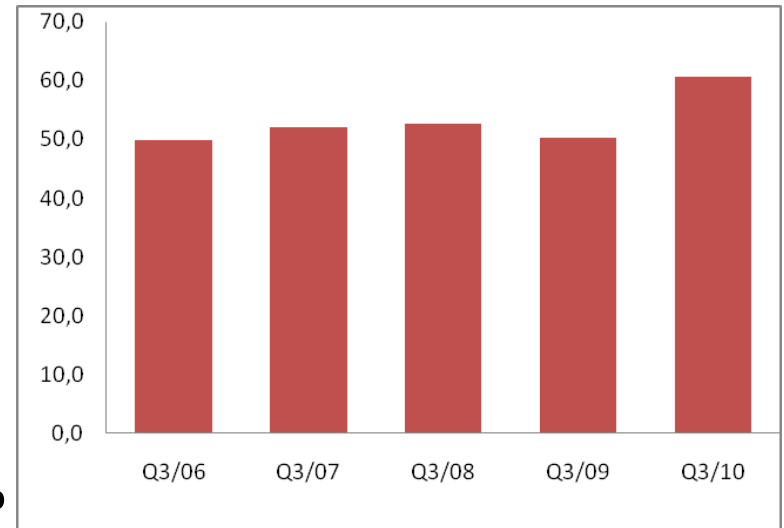
- **Net sales** for Q3 increased **21%** from last year and reached a quarterly record level at 60.6 MEUR. YTD net sales increased **14%** to 209.0 MEUR.
- **Comparable operating profit improved** from last year and reached 3.1 MEUR in Q3 and 27.5 MEUR YTD.
- **EPS** were 0.01 EUR for Q3 and 0.42 EUR YTD.
- **Cash flow from Operations** dropped from last year's highs to 7.0 MEUR (20.6)
- It is expected that for the full year 2010 the **net sales** will increase 10-15% and **comparable operating margin** will be in double digits.

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## ANALYSIS OF NET SALES

- **Net sales** for Q3 increased **21%** and **14%** YTD reaching **60.6 MEUR** & **209.0 MEUR**.
- **With comparable exchange rates**, net sales increased **11%** for Q3 and **7%** YTD.
- Net sales of **Group Fishing Products** +19%, & **10%**, **Other Group Products** +81% & **29%** and **3rd Party Products** +14% & **18%**.
- Net sales in **North America** +25% & +8%, **Nordics** + 30% & +8%, **Rest of Europe** +16% & 18%, **Rest of the World** +55% & 32%.
- The **healthy growth of sales continued** during Q3, despite continuing uncertainties in the development trend of the economies globally and some unfavorable fishing weathers in some regions.
- Growth was supported by the increased sales especially in **East Europe** and **Other Group Products**. YTD **strengthening of USD** further supported the sales growth in North America .
- The **newly acquired and established subsidiaries** contributed to the sales growth to some extent.

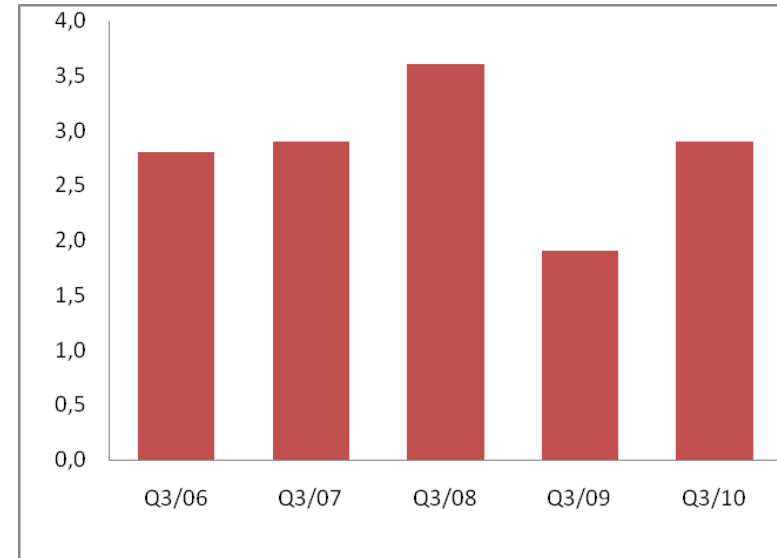


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- **Comparable operating profit**, excluding one-offs, was **3.1 MEUR (2.1)** for Q3 and **27.5 MEUR (22.4)** YTD.
- **Comparable operating margin increased to 5.1% (4.1%)** for Q3 and **13.2% (12.2%)** for YTD.
- **Non-recurring costs (0.2 & 0.4 MEUR)** relate to restructuring initiatives and business acquisition.
- Reported operating profit was up to 2.9 MEUR (1.9) for Q3 and 27.1 (21.4) YTD .
- Reported operating margin improved to 4.8% (3.8) for Q3 and 13.0% (11.7) YTD.
- **ROCE up to 5.7% (4.0) & 17.9% (14.7).**
- Profitability improvement came mainly from **increased sales**, improvement in **gross margin**, release of cost **provisions** and strengthening of several **currencies**.
- Clear improvement in operating profit for Q3 for **Group Fishing Products** to 0.7 MEUR (0.3), and **Other Group Products** to 1.1 MEUR (0.3). **3rd Party Products** slightly down to 1.1 MEUR (1.4). YTD all segments ahead of last year.



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## NET RESULT AND CASH FLOW

EUR million	III/ 2010	III/ 2009	I-III/ 2010	I-III/ 2009	I-IV/ 2009
Net profit for the period	1.4	1.5	18.9	15.1	14.3
Adjustments (reversal of non-cash items)	4.0	1.7	13.4	11.8	14.7
Financial items and taxes paid/rec	-3.4	-2.3	-9.4	-5.8	-7.4
Change in working capital	5.0	19.7	-7.8	-2.6	3.0
<b>Net cash from operating activities</b>	<b>7.0</b>	<b>20.6</b>	<b>15.2</b>	<b>18.6</b>	<b>24.6</b>

- **Q3 financial (net) expenses** 1.2 MEUR (gain 0.1) and YTD 1.1 MEUR (1.0).
- **EPS** at 0.01 EUR (0.02) for Q3 and 0.42 EUR (0.33) YTD.
- The focus on **working capital management** has gradually also turned into securing the service levels to customers and exploiting the sales opportunities.
- **Cash from operating activities** for Q3: 7.0 MEUR (20.6) and YTD 15.2 MEUR (18.6).
- Cash used in investing activities for Q3: 7.2 MEUR (1.3) and YTD 11.6 MEUR (3.7).
- **Acquisition of Dynamite** of 6.0 MEUR, incl. 1.3 M escrow account.
- **Net interest bearing debt** 87.9 MEUR (Q4/09: 79.4 & Q3/09: 83.3).
- Equity to assets ratio improved slightly from Sept. 09 to 41.9% (Q4/09: 42.8% & Q3/09: 41.4%), **gearing** improved to 70.4% (Q4/09: 71.1% & Q3/09: 75.2%).

- Group continued the implementation of its **strategy of profitable growth** by acquiring **Dynamite Baits Ltd**, a manufacturer of premium carp baits .
- Acquisition makes Rapala a strong player in the **European carp fishing market**, and contributes to the Group's **brand** strategy and portfolio and leverages Rapala's unique **sourcing and distribution platforms**.
- Following the acquisition the UK distribution of Rapala's other products can be combined into the Dynamite's efficient **UK distribution system**.
- Development of the **new distribution units** continued as well as investigations on new distribution possibilities. Also **performance improvement initiatives** continued.
- **Working capital and cash flow management** still top priorities, but the focus on inventory management has also turned into securing **the service levels to the customers** and exploiting the sales opportunities.
- **Work to develop the Group's supply chain** to shorten the lead-times, lower the inventories and further improve the service levels to customers, progressed and will continue throughout 2010 and further to 2011.
- Also **development of organic growth** in terms of extensions of current product categories as well as special marketing, sales and brand initiatives continued.
- Discussions and negotiations regarding **acquisitions and business combinations** continued in Q3.

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- In general, the **short-term outlook is optimistic, while still cautious.**
- In **East Europe**, the market has continued to grow strongly. In most **West European markets** the situation has stabilized, whereas in **Asia** there is more uncertainty. In **Nordic markets**, the beginning of coming winter season is supported with good preorders, while the success will partly depend on the weathers. In **North America**, the retail business is generally slow, but Group's business is growing modestly.
- Customers continue to be cautious of the market development and their inventories and, accordingly, there is some uncertainties concerning the **timing of the year-end shipments.**
- At the end of Q3, Group **order backlog** was up 50% from last Sept. at 40.9 MEUR.
- It is expected that for the full year 2010 the **net sales** will increase 10-15% and **comparable operating margin** will be in double digits.
- Group emphasizes on sales, delivery and supply chain performance, innovations and development of new products, while simultaneously firmly driving down the working capital and rigorously managing the cash flow and profitability.
- Q4 published on February 10, 2011.

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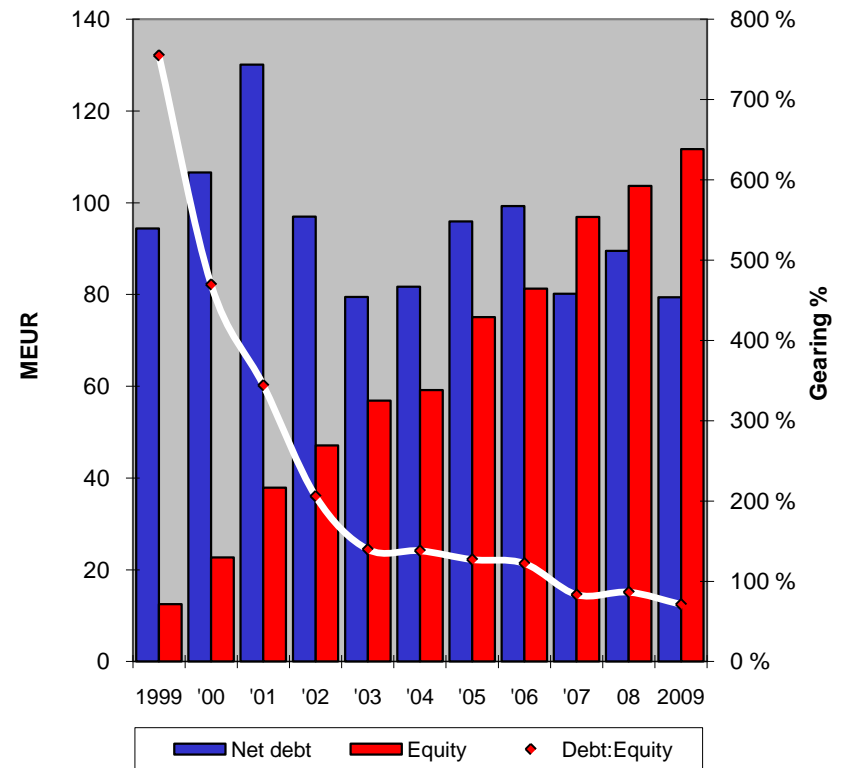
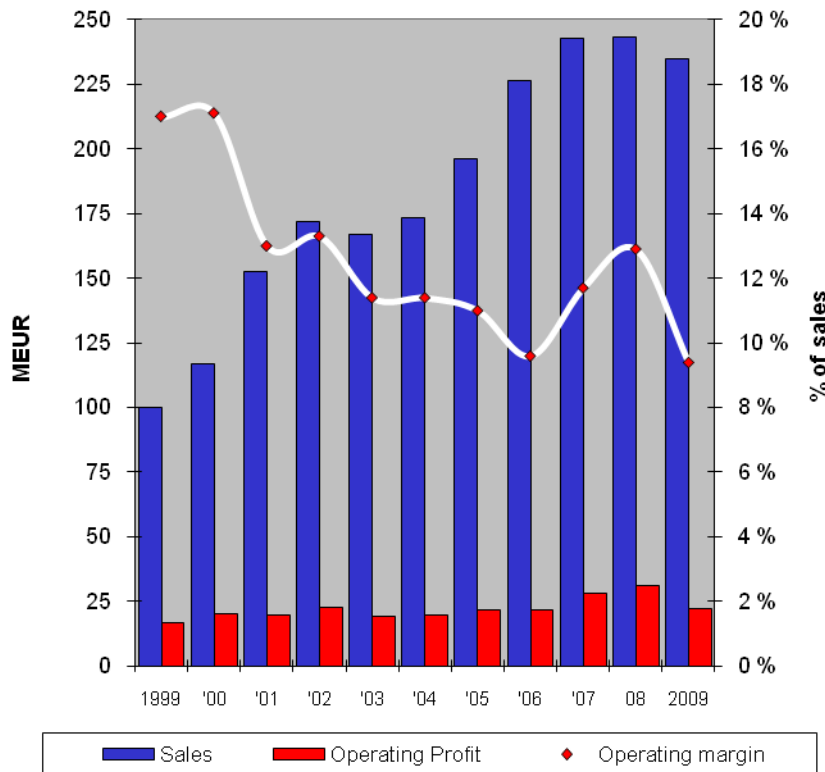
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## FINANCIAL TRENDS IN RAPALA

- **Top line growth expected to continue** after the fall-back (world recession in 2009).
- **Also positive development in profitability** expected to continue after 2009.
- **Financial position getting even stronger** allowing headroom for new acquisitions.



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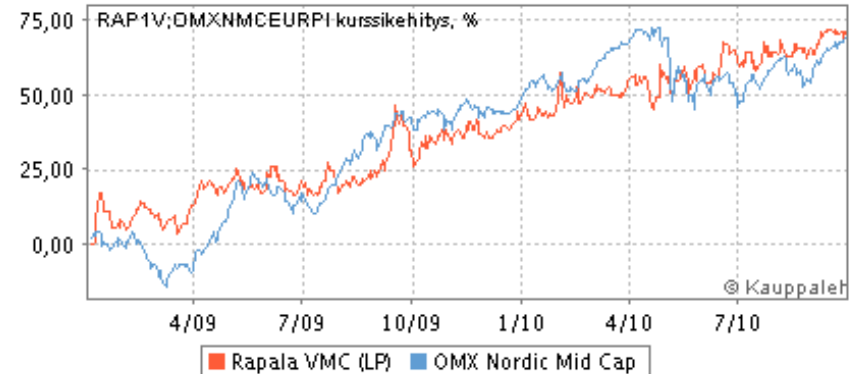
### SHARE RELATED DATA (09/2010)

- Market capitalization **233.8 MEUR**
- **12-month high/low 6.04/4.42 EUR**
- **All-time high/low 8.40/2.50 EUR**

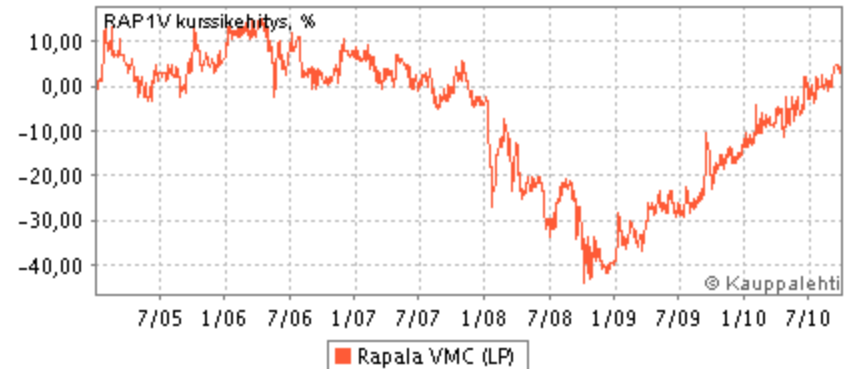
### MAJOR SHAREHOLDERS

- VMC Holdings **29 %**
- Sofina **19 %**
- Odin Funds **8 %**
- William Ng **4 %**
- Utavia **4 %**
- State Pension fund **3 %**
- Ilmarinen **2 %**
- Shimano **2 %**

Share price index performance in 2009 & 01-09/2010



Share price performance in Jan. 2005 – Sept. 2010



-> During the first nine months of 2010, 2 542 189 shares (1 556 882) were traded.

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## End of Presentation

### Tight Lines!

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