

RAPALA®



Q3 Interim Report 2007

October 25, 2007



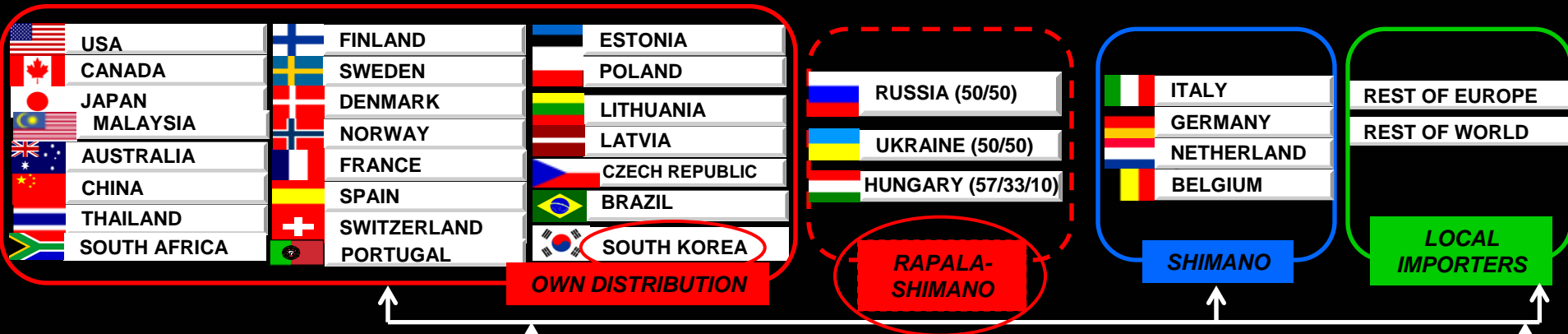
AGENDA

- Business Organisation – Latest Changes
- Q3 and 9-month 2007 in Brief
- Sales Analysis
- Profitability and Analysis
- Cashflow & Working Capital
- Strategy Implementation
- Outlook for 2007
- Rapala share performance and owner



Group Organization & Cornerstones of Our Strategy

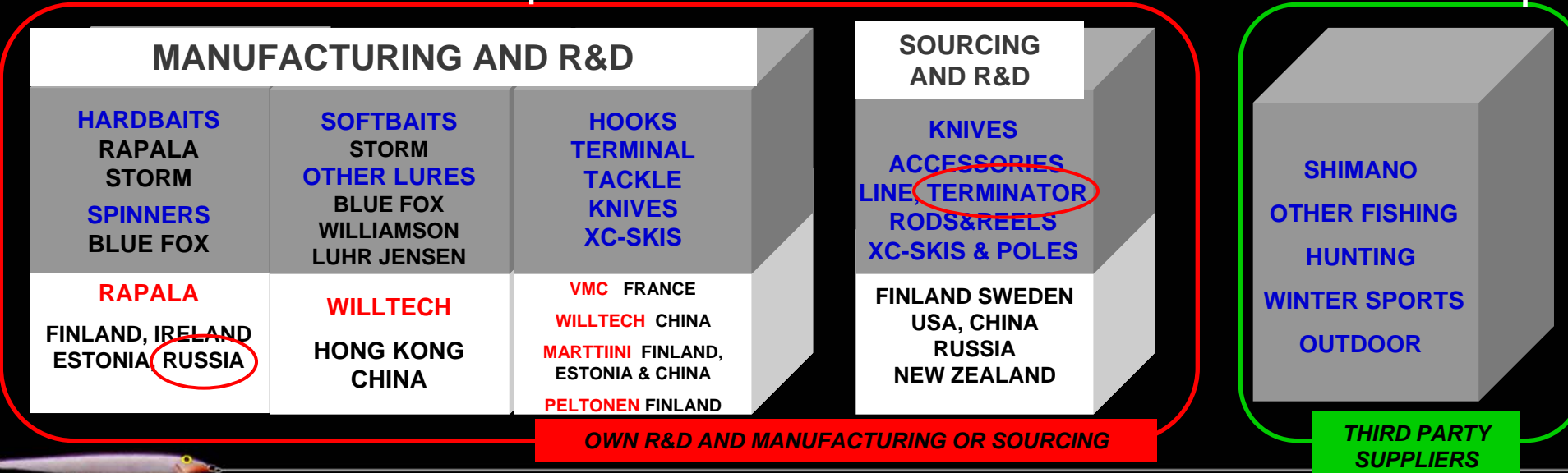
Distribution



Group Brands



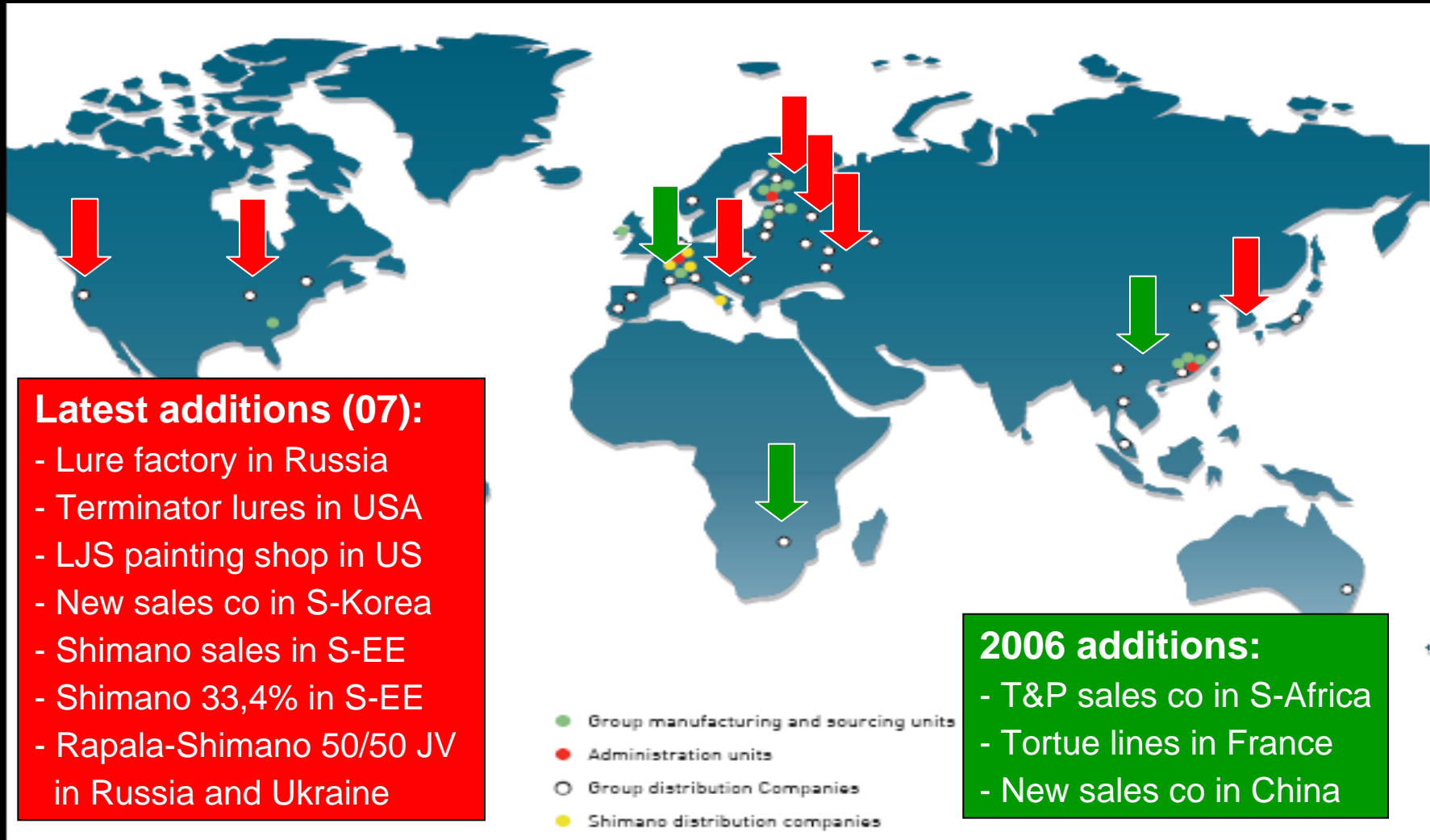
Supply SOURCE PRODUCT



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Location of Business Operations – Latest Updates



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Rapala

Restructuring of European Operations

- **Consolidation of French operations**
 - Move from Bretagne in progress
 - Move from Central France next summer
 - New leased premises ready in Morvillars
- **Development of lure manufacturing**
 - Sortavala ramp-up continues on plan
 - Inverin down-sizing continues
 - Production transfers between factories

Inverin

- Focus on final assembly of Rapala lures for US market
- 30 employees

Morvillars

- Manufacture of treble hooks
- 150->250 employees
- Location for consolidated operations

Inverin
(Ireland)

Morvillars
(France)

Rovaniemi
Finland

Vääksy

Sortavala
(Russia)

Pärnu
(Estonia)

Marttiini

- Knife manufacturing
- 80 employees in Rovaniemi & Pärnu

Vääksy

- Focus on skilled and technical tasks in lures manufacturing process
- 200 employees

Sortavala

- Lure assembly
- Start-up 2007
- 40 employees

Pärnu

- Focus on assembly with high manual labor content
- 270 employees

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Rapala

Enhancement of Chinese Manufacturing Operations

- Major operational changes and improvements to enhance production efficiencies and shorten lead times
- International task force established to support the development of manufacturing and supply chain management in China

Guangzhou

- Rapala sourcing office
- 15 employees
- Local sourcing, design/development, quality control etc.

Hong Kong

- Head office of Willtech
- Sales, R&D and administration
- 40 employees



Shenzhen

- Willtech manufacturing facility
- 3,500 employees
- Lures
- Gift products
- Hook manufacturing
- Knife manufacturing
- Consolidated shipments



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Rapala

Competition and Major Players in the Industry

Company	Worldwide sales MUSD*	Major product categories	Comments
Jarden Pure Fishing + Shakespeare	450	Rods, reels, combos, line, soft plastics	US sales ca. 60% of sales
Daiwa	450	Rods, reels, lures	Japan ca. 80% of total sales
Shimano	380	Rods, reels, accessories	Japan almost 50% of sales
Rapala VMC	300	Lures, hooks, accessories	3rd party products 1/3 of sales
Zebco	90	Rods & reels	USA
Gamakatsu	80	Hooks, rods, reels, accessories	Japan
Eagle Claw	60	Hooks, rods, reels, accessories	USA
Mustad	55	Hooks & accessories	Norway
Pradco	50	Lures	USA
Okuma	40	Rods & reels	Taiwan

* 2006 figures, partly estimated if published information not available

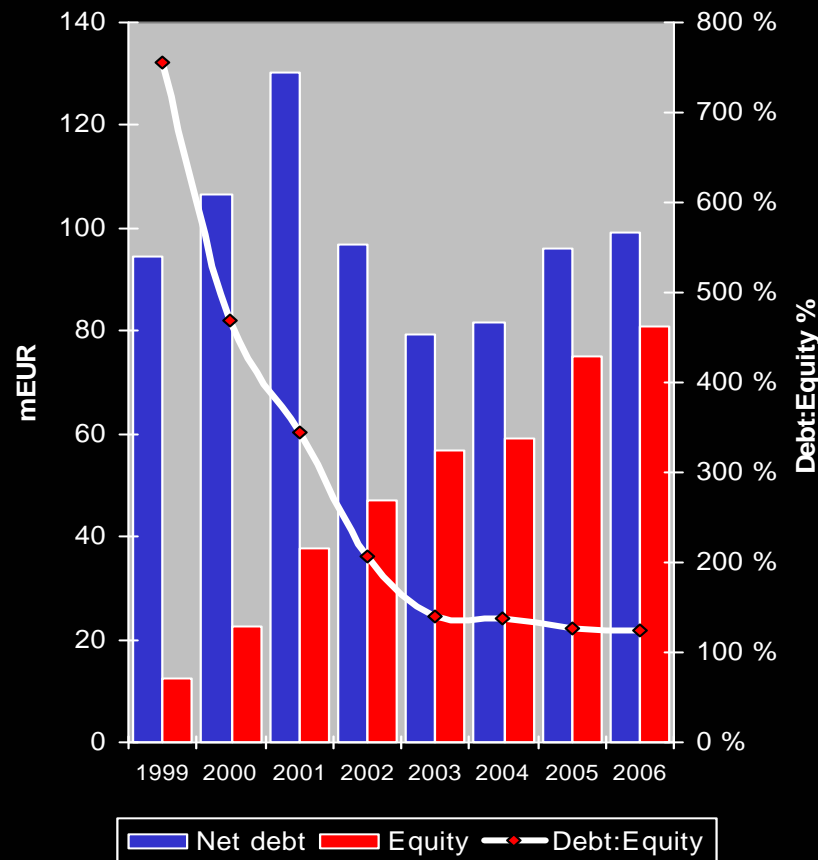
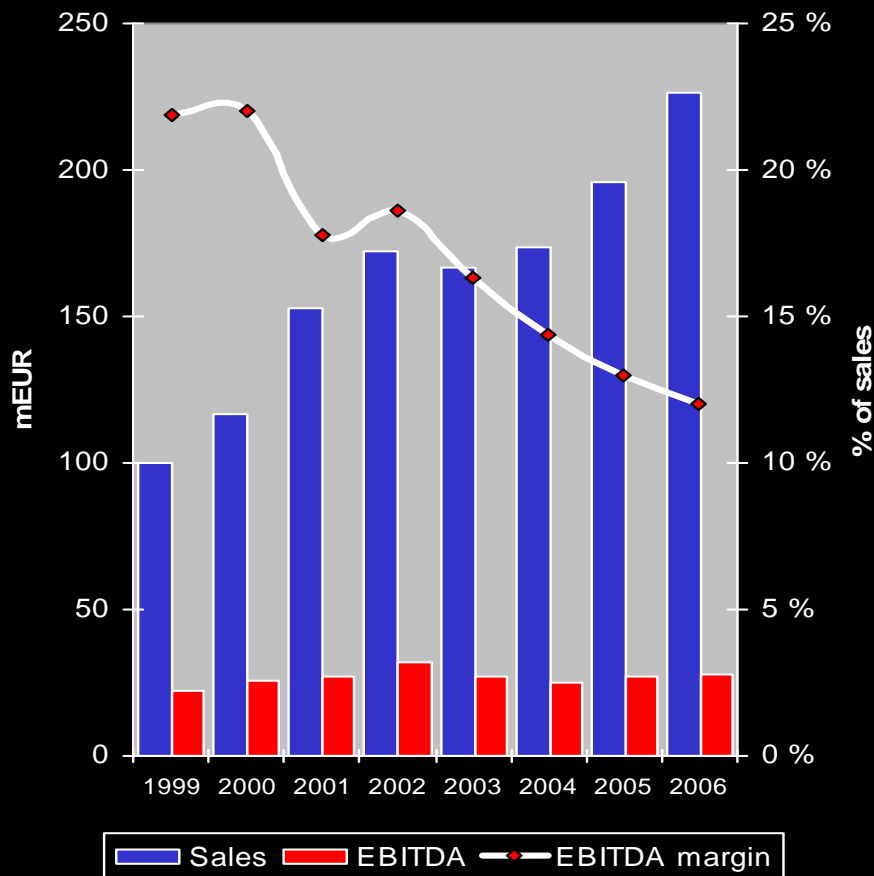


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Rapala

Financial Position Healthy – Fuelled for Growth

- Rapid growth in last few years from €100m to ca. € 230m
- Healthy profitability together with strong balance sheet and cash flow
- Management promised to **turnaround the declining trend in margins** in 2007



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Rapala

Q3 AND 9-MONTH 2007 IN BRIEF

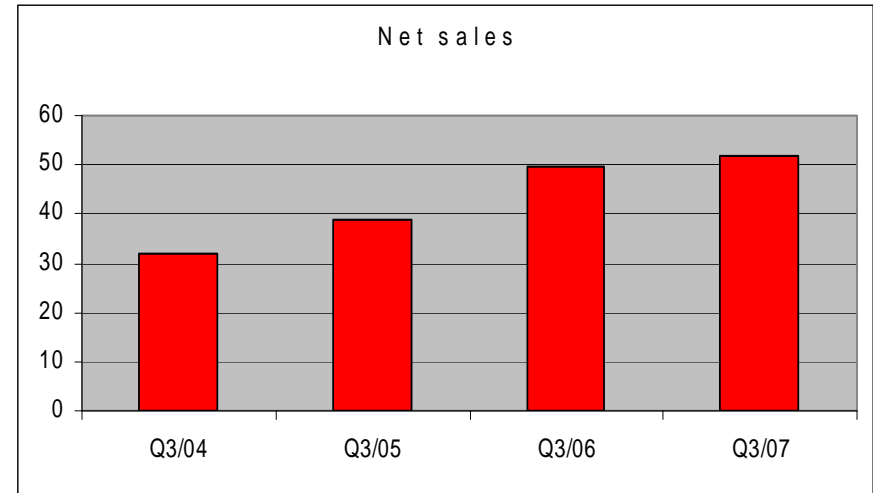
EUR million	III/07	III/06	I-III/07	I-III/06	2006
Sales	52.0	49.8	188.8	177.4	226.6
EBITDA	4.6	4.4	29.5	25.6	28.0
Operating Profit (EBIT)	2.9	2.8	25.9	21.0	21.7
Profit Before Taxes	1.4	1.0	22.2	14.9	14.6
Net Profit for the Period	1.1	0.4	15.5	10.5	11.0
EPS (basic), EUR	0.03	0.01	0.40	0.27	0.28
Equity-to-assets, %	36.2	34.4	36.2	34.4	33.4
Net Interest-bearing Debt	89.5	98.4	89.5	98.4	99.3

- **New record for Q3 sales**, comparable 9-month sales up 11% from last year
- **Markedly improved profitability**, comparable operating margin from 11.8% to 13.4%
- **Strategy implementation proceeded with a big step**: Rapala-Shimano joint venture to Russia & Ukraina creates above 10 MEUR more sales in 2008, 4.8 MEUR non-recurring gain, 5 MEUR capital injection in Rapala, increased opportunities in East Europe, ...



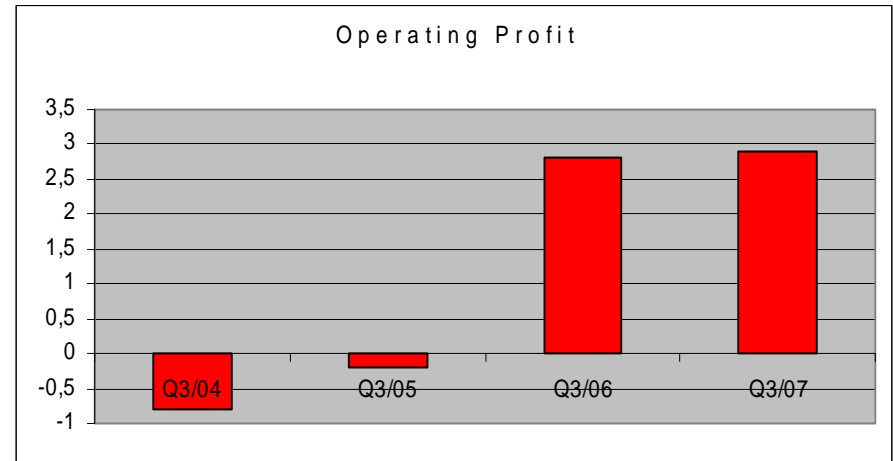
SALES ANALYSIS

- **Q3 sales** increased to 52.0 MEUR (49.8).
- Net sales for **9 months** were up 6% to 188.8 MEUR (177.4).
- **Weakening of USD** & other currencies decreased 9-month net sales 8.0 MEUR. With comparable exchange rates, 9-month net sales were up 11%.
- 1 %-point from Terminator acquisition, the rest was organic growth.
- All **product lines** except Fishing Accessories increased their sales for Q3 & 9-month
- Market situation was quite good in many areas during Q3 despite of the fact that **summer season did not last as long as in 2006**.
- Sales in the seasonally important markets like Australia and South Africa continued to grow during Q3. Growth continued also in Rest of Europe. In Nordic countries, sales were close to last year levels for Q3 and 4% up for 9 months.
- In North America, sales decreased 15% for Q3 due to weakening of USD, bad weather in September and timing of certain deliveries. For 9 months, reported net sales were down 4% while with comparable FX rate the sales increased 4%.
- Q3 traditionally **the slowest quarter** due to the seasonality of fishing tackle business.



PROFITABILITY ANALYSIS (1)

- Q3 operating profit up to 2.9 MEUR (2.8).
- Restructuring provision related to French consolidation cannot yet be booked but Q3 includes 0.1 MEUR related costs.
- Q3 includes 0.4 MEUR provision for downsizing of lure manufacturing in Ireland.
- FX-impact for Q3 was -0.6 MEUR.
- Operating profit margin for Q3 was 5.6% (5.7) and ROCE 6.4% (6.4).
- Operating profit for 9 months was up 23% and amounted to 25.9 MEUR (21.0).
- Improvement mainly from increased sales of fishing tackle, Terminator neg. goodwill (1.2 MEUR) and performance improvement initiatives
- 9-month operating profit was negatively affected by the weakening of US dollar and some other currencies (-1.2 MEUR).
- Result of currency hedging of operating profit (+0.8 MEUR) booked in financial items.



PROFITABILITY ANALYSIS (2)

- 9-month **operating margin increased** to 13.7% (11.8) and ROCE to 19.1% (15.9).
- Comparable operating profit & operating margin, **excluding non-recurring items and using comparable FX rates**, improved clearly
- **Comparable operating profit** was 4.0 MEUR (2.9) for Q3 & 26.3 MEUR (21.0) for 9-month
- Comparable **operating profit margins** were 7.5% (5.8) and 13.4% (11.8).
- All **geographical segments** but Rest of the world improved their operating profit for 9 months. Largest improvement came from Rest of Europe while Rest of the world suffered from the increased raw material prices and personnel costs.
- **Financial expenses** were down as a result of decreased net debt and FX gains. Interest expenses were 1.3 MEUR (1.4) for Q3 and 4.2 MEUR (4.0) for 9 months. Currency exchange loss for Q3 was 0.2 MEUR (loss of 0.3) and a gain of 0.7 MEUR (loss of 2.0) for 9 months.
- **Net result** for Q3 was 1.1 MEUR (0.4) and 15.5 MEUR (10.5) for 9 months. **EPS** was 0.03 EUR (0.01) for Q3 and 0.40 EUR (0.27) for 9 months.

	III	III	I-III	I-III
MEUR	2007	2006	2007	2006
Operating profit - reported	2.9	2.8	25.9	21.0
Terminator acquisition	0.0	0.0	1.2	0.0
Other non-recurring items, net	-0.5	0.0	-0.4	0.0
Effect of currencies vs. 2006	-0.6	0.0	-1.2	0.0
Operating profit – comparable	4.0	2.9	26.3	21.0
Operating margin – comparable	7.5%	5.8%	13.4%	11.8%



CASHFLOW AND WORKING CAPITAL

STATEMENT OF CASH FLOWS	III	III	I-III	I-III	I-IV
EUR million	2007	2006	2007	2006	2006
Net profit for the period	1.1	0.4	15.5	10.5	11.0
Adjustments	-0.1	-0.4	6.1	7.8	7.1
Change in working capital	11.2	10.2	-3.2	-8.3	-8.1
Net cash from operating activities	12.2	10.2	18.4	10.1	10.0
Net cash used in investing activities	-1.5	-3.0	-6.5	-10.3	-14.7
Cash flow before financing activities	10.7	7.2	11.9	-0.2	-4.6

- **Cash flow from operating activities improved** in Q3 from last year and 9-month cash flow increased markedly from 2006
- **Working capital** decreased clearly from June (trade receivables down).
- Q3 **capex** was 1.5 MEUR (3.0) & 9-month capex 6.5 MEUR (10.3) including **Terminator** deal (January), **Hungarian distribution** centers ownership restructuring (May), first settlement of the final payment of **Freetime** acquisition (2005) and final payment of **Guigo** acquisition (2004).
- **Net interest-bearing debt decreased** from June to 89.5 MEUR (Dec: 99.3).
- From June, **equity-to-asset up** to 36.2% (Dec: 33.4%) & **gearing down** to 98.1% (Dec: 122.2%).



STRATEGY IMPLEMENTATION – Partnership with Shimano

- Rapala's **strategic objective is profitable growth.**
- During Q3, management continued **discussions and negotiations regarding acquisitions and business combinations** to further implement the strategy for profitable growth.
- These discussions resulted in a major business combination when **Rapala and Shimano agreed to join forces in East European distribution.**
- Group has consistently aimed at developing and deepening its fishing tackle distribution alliance with Shimano. **South East European distribution center established with Shimano earlier in 2007 has already proven to be a success.**
- Latest addition to this cooperation between Rapala and Shimano was announced in October, when the companies decided to establish a joint venture company to manage and develop their distribution in the fastest growing market area in the fishing tackle business including **Russia and Ukraine.** The joint venture company, **Rapala Shimano East Europe Oy**, will be owned **50/50** by the parties and **controlled by Rapala.**
- This transaction is **expected to be completed by year-end** and it will create a capital **gain of some 4.8 MEUR** for Rapala. In 2008, this joint venture is expected to increase Rapala's **net sales more than 10 MEUR.**
- After this expansion, Rapala distributes Shimano rods and reels in South Africa and in 22 countries in Europe. In Russia, the new joint venture will also distribute bicycle parts.



STRATEGY IMPLEMENTATION – Other Initiatives

- In Q3, focus on performance improvement initiatives continued with the **target to turn around the declining trend in operating profit margin**.
- **Consolidation of French operation** into one location is proceeding on plan. New premises have been prepared and move of the distribution unit in Bretagne has just started. Move of the distribution unit located in Central France is planned for next summer. Q3 included some costs related to this consolidation but the actual restructuring provision will be booked in Q4 when discussions with personnel and trade unions have been completed. Full effect of the changes will be seen from the latter half of 2008 onwards.
- **Development of the European lure manufacturing** proceeded on plan. In Russia, the number of personnel and assembling volumes increase each quarter. While assembling work from Estonia is allocated to Russia, Estonian factory receives more work in finalizing, testing and packaging the products as a result of the down-sizing of operations in Ireland. This strengthens the Group's position as the world's leading manufacturer of hard-bodied lures and increase production efficiencies and capacity.
- **Major operational changes and improvements in China** proceed on plan. Target is to enhance production efficiencies and shorten lead times to restore the profitability of the operations burdened by the increased raw material prices and personnel costs.
- Most of the **other performance improvement and cost cutting initiatives** have been completed. Results of these initiatives have started to materialize gradually but the full impact of these will be seen from the beginning of 2008 onwards.



SHARE ISSUE TO SHIMANO

- As part of the strengthening of the long-term distribution alliance, Rapala issued **889 680 new shares to Shimano in October.**
- **Subscription price was 5.62 EUR per share**, which represents a three-month weighted average trading price for the share.
- These new shares will **not give right to dividend paid from financial year 2007.**
- These shares have a **lock-up period of 12 months.**
- For Rapala this means a **capital injection of 5 MEUR.**
- The funds generated through the share issue are intended to be used to strengthen the sales and marketing of Rapala's and Shimano's products in Europe.
- **Shimano now owns 2.3% of Rapala's shares.**



OUTLOOK FOR 2007

- Shipments of the new fishing tackle products for 2008 season are about to start. **Fishing tackle market in 2008** is expected to remain quite stable in North America and Western Europe while the markets continue to grow in East Europe, Asia and Africa. Distribution of winter sports equipment to retail stores has just started in Scandinavia while Australia and South Africa are in the middle of their high season for fishing tackle sales.
- It is expected that the **Group's net sales for 2007 will increase 7-12%** assuming comparable exchange rates.
- **Performance improvement and cost cutting initiatives** are being implemented to further improve the Group profitability. Business development and integration expenses and start-up costs, excluding non-recurring costs for the consolidation of operations in France, are not expected to exceed the comparable costs in 2006.
- With comparable exchange rates and excluding non-recurring items, **full year operating profit margin is expected to improve from 2006**.
- Investments and development initiatives implemented since 2005 will continue to capitalize during the coming months and full effect will be seen from the latter half of 2008 onwards.
- Group management continues planning and **negotiations regarding further acquisitions and business combinations** to implement the Group's strategy.
- The project to manage working capital will also continue.
- **Q4 interim report and Annual Accounts for 2007** will be published on February 5, 2008.



Share Price Performance

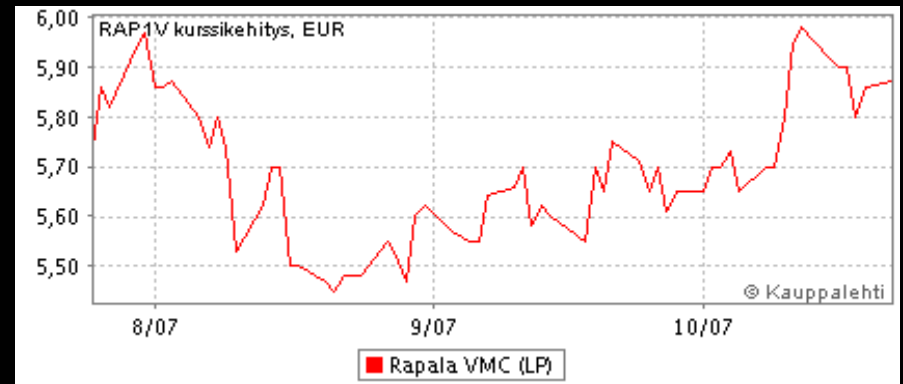
Share Related Data (October 2007)

- Market Cap 225 MEUR
- 12-month high 6.39 EUR
- 12-month low 5.40 EUR
- All-time high 8.40 (2/99)
- All-time low 2.50 (11/01)

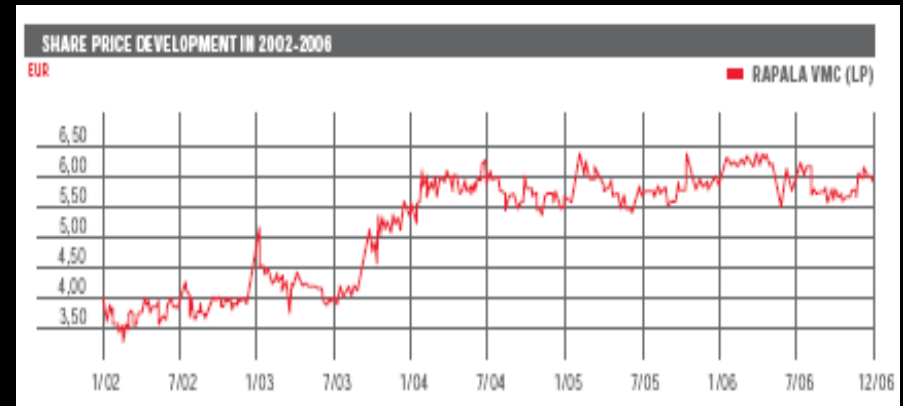
Major Shareholders

- VMC 27 %
- Sofina 19 %
- Odin Funds 9 %
- Utavia 4 %
- William Ng 2 %
- Shimano 2 %

Share price performance for last 3 months

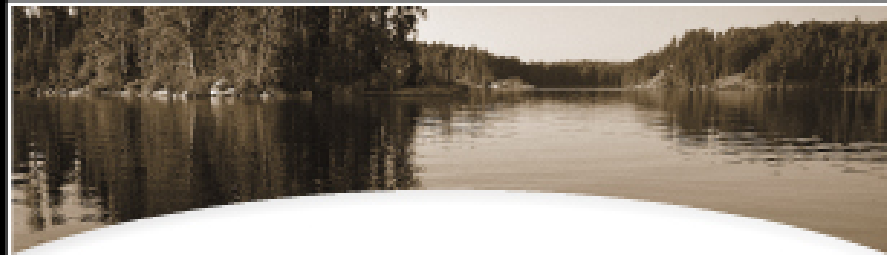


Share price performance for 2002-2006 (5 years)



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