

RAPALA®

Q3 INTERIM REPORT 2012

October 23, 2012

CORNERSTONES OF STRATEGY IMPLEMENTATION

STRATEGIC OBJECTIVE: PROFITABLE GROWTH

DISTRIBUTION COMPANY NETWORK

- Own distribution unit in 35 countries.
- Widest within the industry.
- Platform for future growth.

MANUFACTURING, SOURCING AND R&D

- Specialized and effective own manufacturing units and sourcing organization producing and supplying premium products for mass markets.

BRAND PORTFOLIO

- Rapala ® world's most recognized fishing tackle brand.
- Respected portfolio of global consumer brands.
- World class sales and marketing.

CORPORATE CULTURE

- Decentralized and flat corporate structure.
- Local decision making.
- Entrepreneurial spirit and profit responsibility.



RAPALA'S UNIQUE DISTRIBUTION POWER

Group's own
Manufacturing,
Sourcing and R&D
platform serving
Group's own Brands

RAPALA



Respected 3rd Party
Suppliers and with
World-Class Brands

*Shimano, Plano, Minn Kota,
Humminbird, Okuma, Bushnell,
Magellan, Remington, Beretta,
Alpina etc.*

Group's own
expanding
distribution
company
network in 35
countries all
over the world

Australia, Belarus*, Brazil,
Canada, Chile, China, Czech*,
Denmark, Estonia, Finland,
France, Hungary*, Iceland,
Indonesia, Japan, Kazakstan*,
Latvia, Lithuania, Malaysia,
Mexico, Norway, Poland,
Portugal, Romania*, Russia*,
Slovakia*, South Africa, South
Korea, Spain, Sweden,
Switzerland, Thailand, UK*,
Ukraine*, USA

** Co-owned with Shimano*

Retail
Customers
Globally
ranging from
world's largest
retailers to
smallest specialist
shops



SUMMARY OF Q3 2012

EUR million	III/2012	III/2011	I-III/2012	I-III/2011	I-IV/2011
Net Sales	65.6	63.0	222.8	218.7	279.5
Operating Profit - Reported	3.7	2.3	25.7	27.2	30.7
Operating Profit - Comparable	3.9	2.8	25.9	28.1	30.5
Net Profit for the Period	1.3	0.2	16.0	16.1	17.2
EPS (basic), EUR	0.00	-0.01	0.31	0.34	0.36
Cash flow from Operations	7.1	15.3	19.2	16.8	15.2
Net Interest-bearing Debt	94.9	93.9	94.9	93.9	91.2

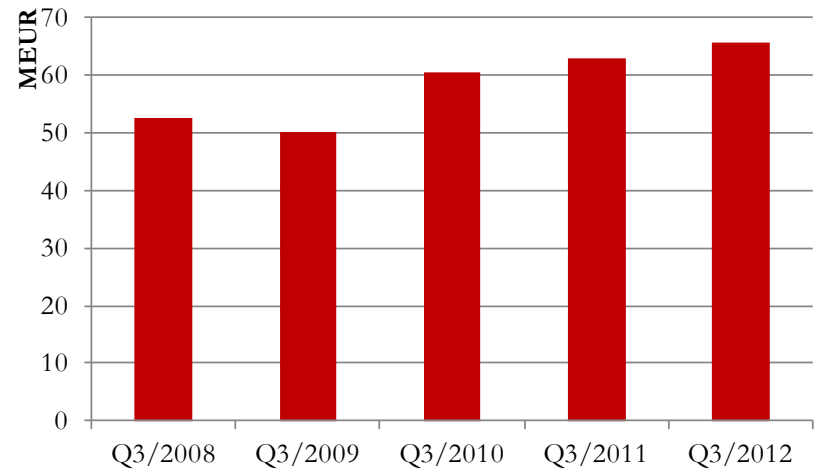
SALES, OPERATING PROFIT AND GEARING REACH QUARTERLY RECORDS

- **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) YTD. Sales were supported by foreign exchange rates and growth in sales especially in North America and some European countries.
- **Comparable operating profit** 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.
- **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 **EPS** 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.
- **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.



ANALYSIS OF NET SALES

Net Sales Development	Q-on-Q	Y-on-Y
Group Total	4 %	2 %
Group Products	-1 %	-2 %
Third Party Products	12 %	7 %
North America	24 %	15 %
Nordics	7 %	-2 %
Rest of Europe	4 %	4 %
Rest of the World	-19 %	-17 %



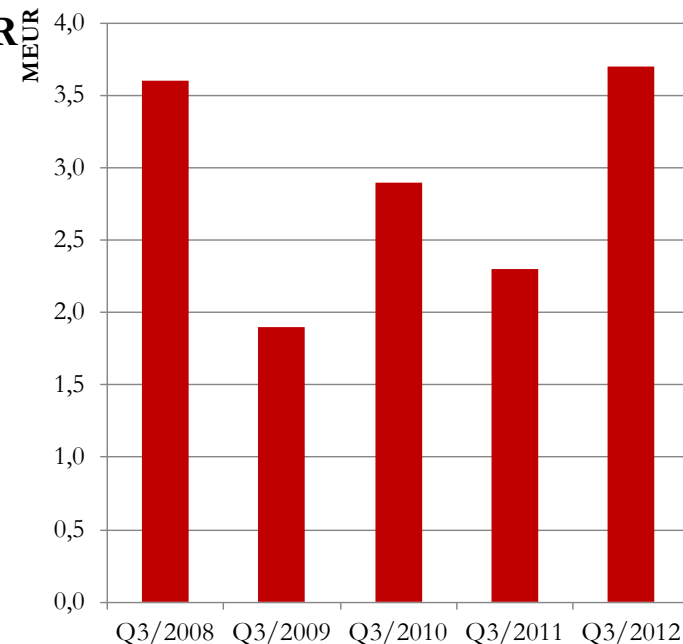
- **Q3 sales** +4% from last year reaching all-time high at 65.6 MEUR (63.0 MEUR). **The nine-month net sales** were 222.8 MEUR (218.7 MEUR), 2% increase from last year.
- With **comparable exchange rates and organization structure**, net sales increased by 1% in Q3 and 1% YTD. New units and new ice business included, net sales increased 4% and 2% respectively.
- **Group Products** affected by the impact from gift business divestment and structural changes in UK distribution. Excluding gift divestment Q3 sales were up by 7% and YTD sales up by 5% supported by new ice fishing sales. **Third Party Products** sales grew following good Q3 sales in fishing and hunting products.
- External net sales in **North America** were up impacted by strengthening US dollar, beginning of sales of the new ice fishing business, and by improvement in the North American business environment. In **Nordics** Q3 sales were supported by new ice fishing business and good hunting season. YTD sales impacted by winter 2012/2012 and structural changes in the Norwegian retail market. **Rest of Europe** sales supported by Eastern Europe and France, while negatively impacted by Spain, Hungary and Switzerland, and structural changes in UK distribution. In **Rest of the World** sales decreased primarily as a result of the divestment of the gift business. Excluding gift business divestment, YTD sales were up in all Asian markets.



ANALYSIS OF OPERATING PROFIT

Operating profit (MEUR)	Q3/2012		Q3/2011		Q3/2012 YTD		Q3/2011 YTD	
	M€	%	M€	%	M€	%	M€	%
Group Total (comparable)	3.9	5.9%	2.8	4.5%	25.9	11.6%	28.1	12.9%
Group Products	2.1	5.6%	1.4	3.7%	16.8	12.7%	18.7	13.9%
Third Party Products	1.5	5.5%	0.9	3.5%	8.8	9.8%	8.5	10.1%
Group Total (as reported)	3.7	5.6%	2.3	3.6%	25.7	11.5%	27.2	12.4%

- **Comparable operating profit** increased from last year and reached third quarter record of 3.9 MEUR (2.8 MEUR) and was 25.9 MEUR (28.1 MEUR) for the nine months. **Comparable operating margin** was 5.9% (4.5%) for Q3 and 11.6% (12.9%) YTD.
- Reported operating profit included **non-recurring net costs** of 0.2 MEUR (0.5 MEUR) in Q3 and 0.2 MEUR (0.9 MEUR) YTD.
- **Reported operating profit** amounted to 3.7 MEUR (2.3 MEUR) for Q3 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.
- Q3 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 rates.
- **ROCE** increased to 6.3% (4.1%) for Q3 and 14.8% (16.3%) for YTD.



NET RESULT AND CASH FLOW

EUR million	III/2012	III/2011	I-III/2012	I-III/2011	I-IV/2011
Net profit for the period	1.3	0.2	16.0	16.1	17.2
Adjustments (reversal of non-cash items)	4.6	3.6	15.4	15.4	17.6
Financial items and taxes paid/rec	-4.2	-2.9	-10.6	-9.0	-12.3
Change in working capital	5.3	14.4	-1.5	-5.7	-7.3
Net cash from operating activities	7.1	15.3	19.2	16.8	15.2

- **Financial (net) expenses** were 1.7 MEUR (1.9 MEUR) for the quarter and 2.9 MEUR (4.5 MEUR) for the first 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.
- **EPS** at 0.00 EUR (-0.01 EUR) for Q3 and 0.31 EUR (0.34 EUR) YTD impacted by increased share of non-controlling interest in net result.
- **Cash flow from operating activities** was 7.1 MEUR (15.3 MEUR) for Q3 and 19.2 MEUR (16.8 MEUR) YTD. Q3 cash flow was impacted by the record high Q2, and cash tied into receivables and building up the new ice fishing business. YTD cash flow positively impacted by net change in working capital, being -1.5 MEUR (-5.7 MEUR).
- Net cash used in **investing activities** was 1.6 MEUR (4.2 MEUR) for Q3 and 12.3 MEUR (8.2 MEUR) YTD. Operative capital expenditure was 1.3 MEUR (2.2 MEUR) for Q3 and 5.5 MEUR (5.7 MEUR) YTD.
- **Net interest bearing debt** increased to 94.9 MEUR (93.9 MEUR) in the end of September.
- **Equity-to-assets** ratio increased to 43.0% (42.2%).
- Following the increase equity, **gearing** decreased to 66.7% (71.8%), reaching record low level.



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.
- Acquisition of Strike Master and Mora ICE brand for ice drills, and US distribution agreement for MarCum underwater cameras and sonars, and Otter Outdoors sleds and shelters, will give Rapala the **global leadership position in the ice fishing category** and 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.
- Ramp up of **Batam lure and hook factories** proceeding and production has been gradually transferred from China. 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 expected during first quarter next year.
- Sales started in new distribution company in Chile strengthening **presence in Latin America**.
- 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 work continues to **reduce the inventory levels** and develop the **internal supply chain as well as 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.

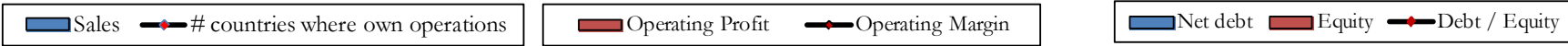
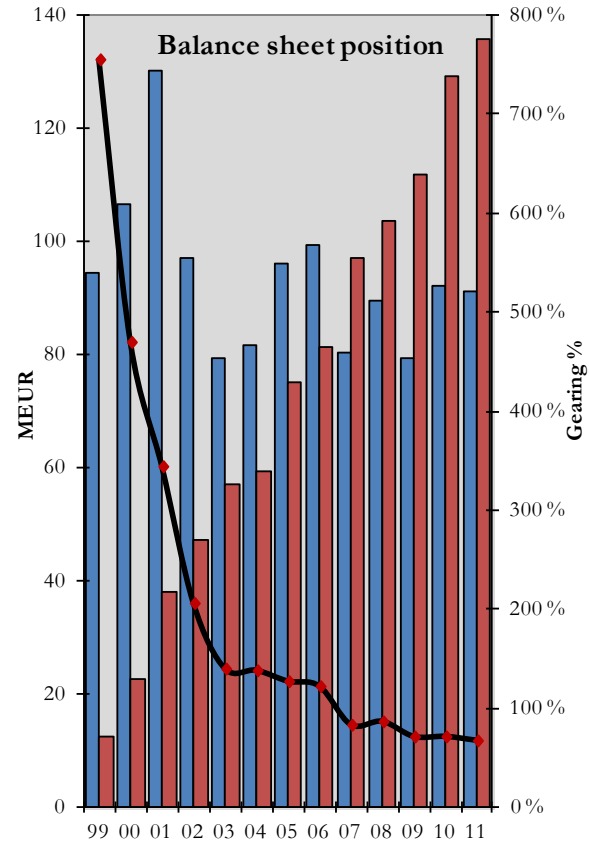
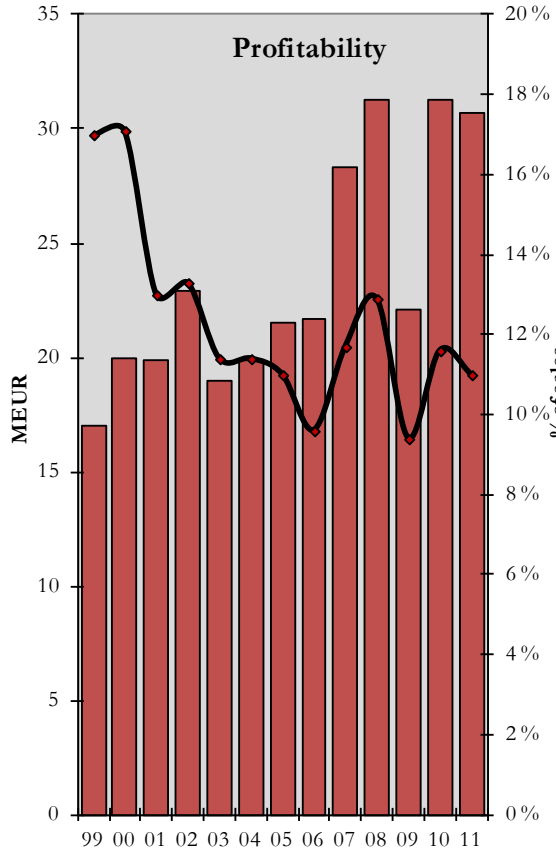
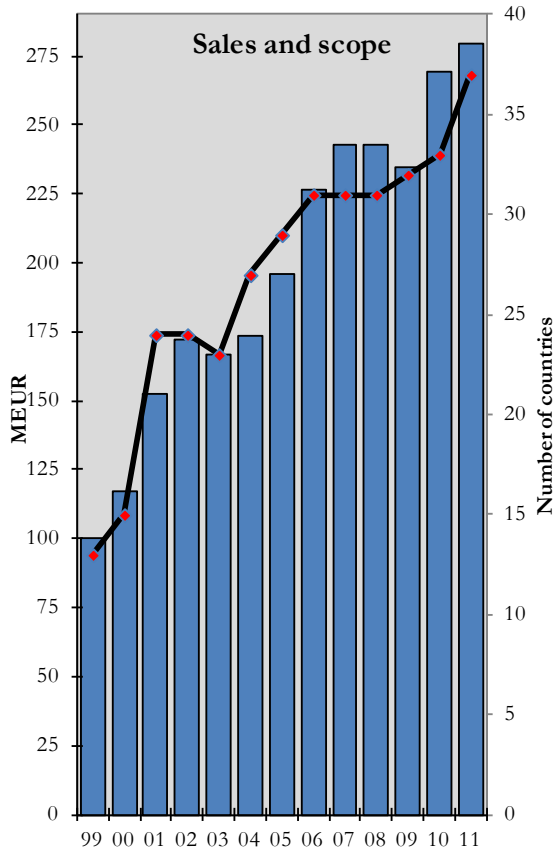


SHORT-TERM OUTLOOK

- 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 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.
- **Guidance in 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.
- Q4/2012 published on February 6, 2013.



FINANCIAL TRENDS IN RAPALA



- 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.
- Financial position getting even stronger allowing headroom for new acquisitions.



SHARES AND SHAREHOLDERS

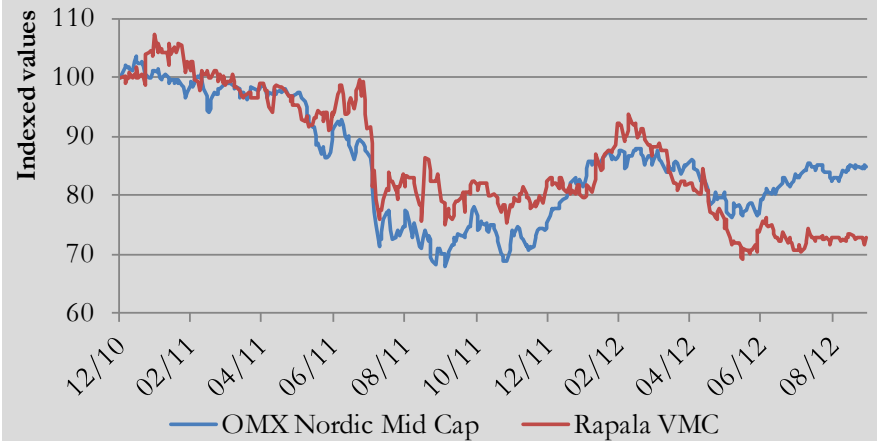
SHARE RELATED DATA (09/2012)

- Market capitalization 194.3 MEUR
- 12-month high/low 6.50/4.75 EUR
- All-time high/low 8.40/2.50 EUR

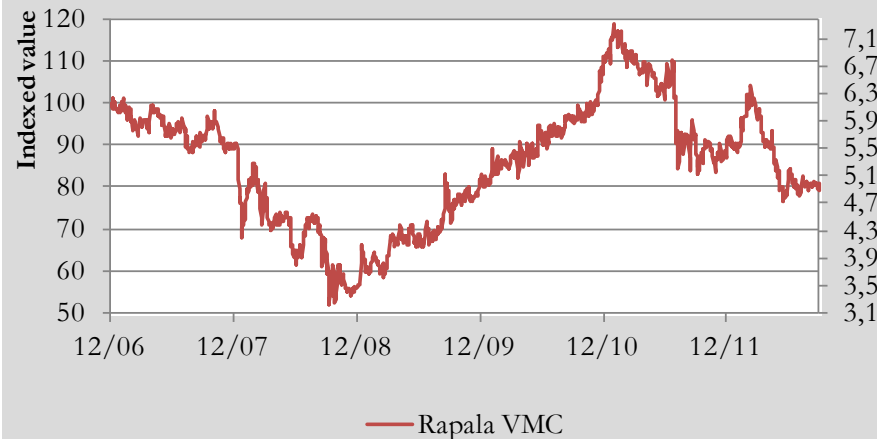
MAJOR SHAREHOLDERS (09/2012)

- VMC Holdings 31 %
- Sofina 19 %
- Nordea Funds 8 %
- Odin Funds 7 %
- Ilmarinen 3 %
- State Pension fund 3 %
- Shimano 2 %
- OP Funds 2 %
- Pension Fennia 2 %

Share price index performance in Jan 2011 – Sept 2012



Share price performance in Jan 2007 – Sept 2012



RAPALA®

END OF PRESENTATION

Tight lines!

