



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



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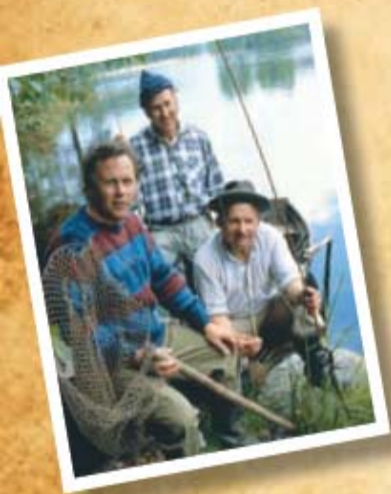
1945



1959



1962



1975



1989



1998



2005-

Q3 in Brief

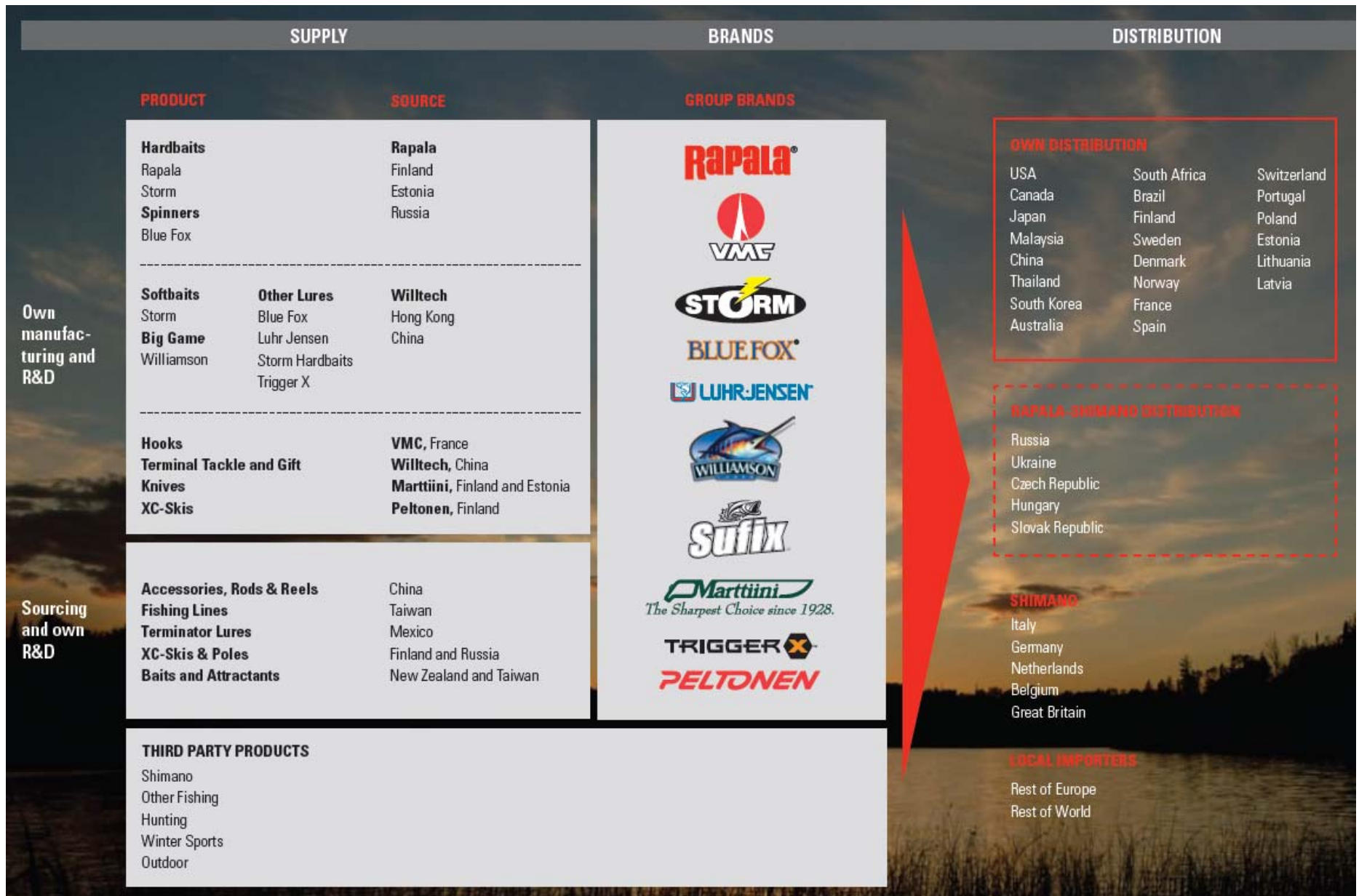


EUR million	III/09	III/08	I-III/09	I-III/08	2008
Net sales	50.2	52.7	183.1	192.1	243.0
EBITDA	3.3	5.2	26.4	32.7	37.5
EBITDA ,excl. one-offs	3.4	5.2	26.7	32.0	36.7
Operating profit	1.9	3.6	21.4	28.1	31.3
Operating profit, excl. one-offs	2.0	3.6	22.4	27.4	30.5
EPS (basic), EUR	0.02	0.03	0.33	0.40	0.45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

- **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%.**



Group Organization & Cornerstones of Strategy



Own manufacturing and R&D

Sourcing and own R&D

Competition & Major Players in the Industry



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

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

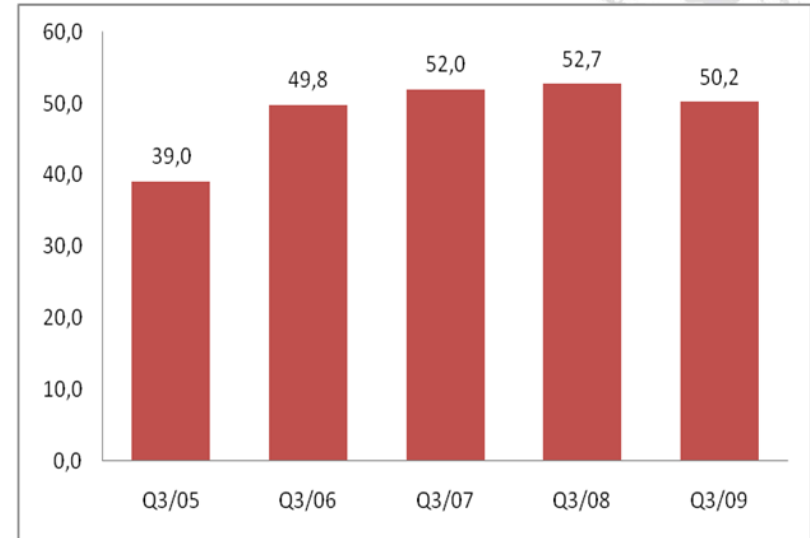
* 2008 figures, partly estimated if published information not available



Net Sales Analysis



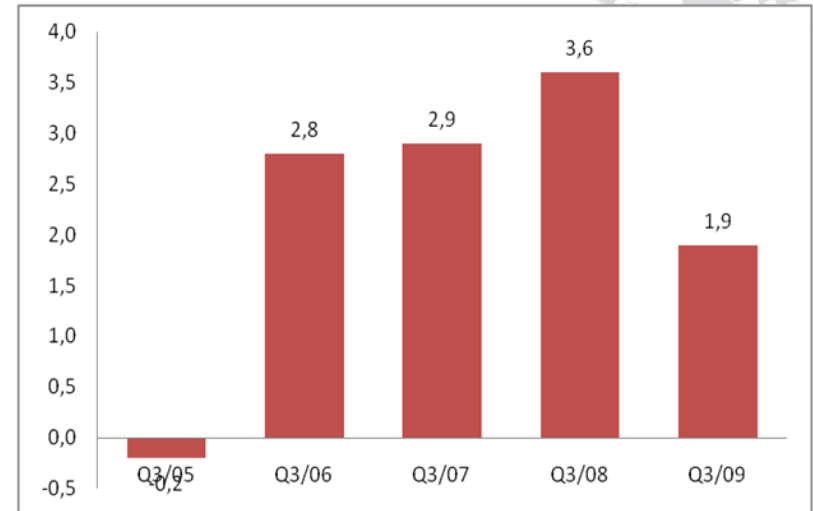
- Net sales for Q3 down on last year at 50.2 MEUR (52.7).
- YTD net sales at 183.1 (192.1).
- FX effect: -2.4 MEUR on Q3 and -3.6 on YTD.
- Low sales and NOK&SEK movements affected net sales negatively in **Nordic countries**.
- Increased business activity and strengthening of USD increased net sales 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 1/2 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.



Cash Flow and Working Capital



EUR million	III/2009	III/2008	I-III/2009	I-III/2008	I-IV/2008
Net profit for the period	1.5	2.0	15.1	18.2	19.2
Adjustments	1.7	1.5	11.8	10.2	13.0
Financial items and taxes paid/rec	-2.3	-3.0	-5.8	-9.3	-14.0
Change in working capital	19.7	13.5	-2.6	-15.2	-12.7
Net cash from operating activities	20.6	14.0	18.6	3.8	5.4
Net cash used in investing activities	-1.3	-1.6	-3.7	-4.9	-6.8
Cash flow before financing	19.3	12.4	14.9	-1.1	-1.4

- **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.



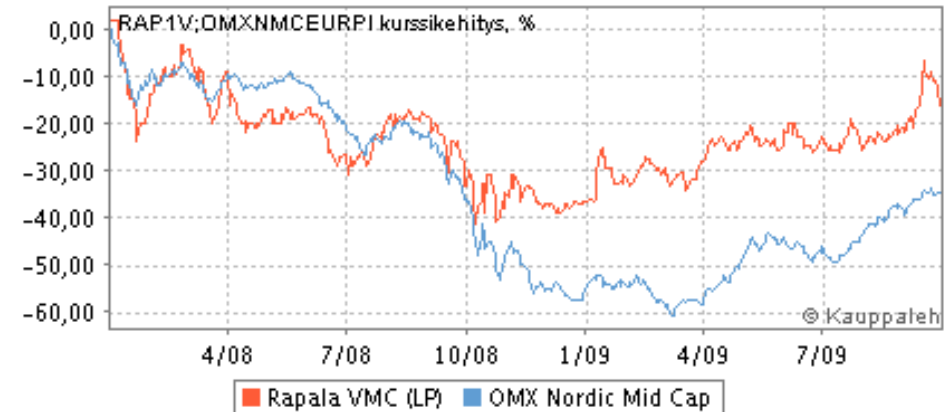
Share Price Performance & Shareholders



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)

Share price performance in 1/2008 – 9/2009



Major Shareholders

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

Share price performance 1/2004 - 9/2009

