

INTERIM REPORT – JANUARY TO SEPTEMBER 2008**Improved profitability in a challenging market environment**

- Net sales for the third quarter reached a new record at 52.7 MEUR (III/07: 52.0 MEUR). Net sales for the first nine months increased 2% to 192.1 MEUR (I-III/07:188.8 MEUR). With comparable exchange rates, the nine-month net sales were up 7%.
- Operating profit for July to September improved 24% from last year mainly as a result of performance improvement initiatives and totaled 3.6 MEUR (2.9 MEUR). Operating profit for the first nine months was up 8% to 28.1 MEUR (25.9 MEUR). Comparable operating profit improved to 28.4 MEUR (25.1 MEUR) and operating margin to 14.1% (13.3%).
- Net profit for the third quarter increased to 2.0 MEUR (1.1 MEUR) and to 18.2 MEUR (15.5 MEUR) for the first nine months. Earnings per share was 0.03 EUR (0.03 EUR) for the quarter and 0.40 EUR (0.40 EUR) for the first nine months.
- Cash flow from operating activities was 14.0 MEUR (12.2 MEUR) for the third quarter and 3.8 MEUR (18.4 MEUR) for the first nine months.
- Net interest-bearing debt decreased clearly from June to 89.0 MEUR (Dec 2007: 80.2 MEUR). Equity-to-assets ratio increased from June to 39.4% (Dec 2007: 38.2%) and gearing decreased from June to 83.7% (Dec 2007: 82.8%) – both ratios improved also from September 2007.
- The Group continued to implement its strategy for profitable growth. The acquisition of fishing line brand Sufix and conclusion of an exclusive supply agreement were closed in July. Development of manufacturing operations in China started to materialize with clear efficiency improvements and the move of two business units in France was completed. A new sales office was opened in Khabarovsk, Russia, and the distribution of Shimano fishing products was started in Czech Republic and Slovak Republic.
- It is expected that the net sales for 2008 will increase 5-10% from last year assuming 2007 average exchange rates. With comparable exchange rates and excluding non-recurring items, full year operating margin is expected to improve from 2007.

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 4 pm Finnish time (3 pm CET). Please dial +44 (0)20 8602 0812 or +1 212 999 6646 (pin code: 114929#) five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 14 days following the teleconference. The number (pin code: 114929#) to dial is +44 (0)20 7806 1970. Financial information and a teleconference replay facility will also be available at www.rapala.com.

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Market Situation and Sales

Market situation remained quite good in Scandinavia and very good in East Europe, whereas some markets in West Europe, and especially North America, continued to suffer from the downturn in the general economy. In the USA, the high petrol prices have affected also the sales of fishing tackle but this effect is expected to soften with the decreasing fuel prices. The general market conditions in Asia and Australia have tightened in the past few months.

In Nordic countries, sales were up 10% for the third quarter and 16% for the first nine months. Boosted by the strong performance in East Europe, net sales in Rest of Europe were up 11% for the third quarter and 14% for the first nine months of the year despite the fact that almost one month sales were lost in France due to the move of the two business units. Net sales in Rest of the world were below last year mainly because of clearly weaker US dollar and South African rand. As a result of high fuel prices, weak general economics and weakening of the US dollar, net sales in North America decreased 15% for the third quarter and 20% for the first nine months. With comparable exchange rates, North American sales were down 8% for July to September and 11% for January to September.

The decrease of sales in North America affected strongly the net sales of Lures, which was down 16% for the quarter and 17% for this first nine months. Net sales of Fishing hooks was down 21% for July to September and 17% for January to September. Net sales of Fishing accessories grew 17% for the third quarter and 9% for the nine-month period. Net sales of Third party fishing products were up 16% for the quarter and 18% for the first nine months mainly due to increased sales of Shimano fishing tackle products. Net sales of Other products grew 2% for the third quarter and 11% for the first nine months of the year mainly as a result of increased sales of hunting products.

Net sales for July to September reached a third quarter record at 52.7 MEUR (52.0 MEUR). Net sales for the first nine months increased 2% to 192.1 MEUR (188.8 MEUR). Weakening of the US dollar, South African rand and some other currencies decreased the net sales for January to September by 9.4 MEUR. With comparable exchange rates, the nine-month net sales were up 7%.

Third quarter of the year is traditionally the slowest quarter in terms of sales due to seasonality of the fishing tackle business.

Financial Results

MEUR	III 2008	III 2007	I-III 2008	I-III 2007	I-IV 2007
Net sales	52.7	52.0	192.1	188.8	242.5
EBITDA	5.2	4.6	32.7	29.5	33.8
Operating profit (EBIT)	3.6	2.9	28.1	25.9	28.3
Profit before taxes	2.6	1.4	24.6	22.2	23.3
Net profit for the period	2.0	1.1	18.2	15.5	17.5

Operating profit for the third quarter increased to 3.6 MEUR (2.9 MEUR). Operating margin was up to 6.8% (5.6%) and return on capital employed reached 7.7% (6.4%). Operating profit

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was negatively affected mainly by declining sales in North America. This was more than compensated by the improved profitability in East and North Europe and the results from the performance improvement actions started in 2007. The result also included a capital gain of 0.2 MEUR from the sale of the second real estate in France and 0.2 MEUR of non-recurring costs related to the ongoing restructuring projects.

Operating profit for the first nine months of the year increased 8% and reached 28.1 MEUR (25.9 MEUR). Operating margin improved to 14.6% (13.7%) and return on capital employed to 20.1% (19.1%). This improvement came mainly from the gain from the sales of the French real estates in January and September (1.4 MEUR), results of performance improvement initiatives and decreased IFRS based option expenses. On the other hand, operating profit for January to September was negatively affected by the decreased sales in North America, one-time restructuring and other non-recurring costs (0.7 MEUR) and the weakening of especially US dollar and South African rand (1.0 MEUR). The result of currency hedging related to operating profit (+0.9 MEUR) is booked in financial items. Operating profit for January to September in 2007 included 0.8 MEUR (net) non-recurring gains. Comparable nine-month operating margin, excluding non-recurring items and foreign exchange effects, improved from 2007 and reached 14.1% (13.3%).

Management analysis MEUR	I-III/ 2008	I-III/ 2007		I-III/ 2008	I-III/ 2007
Net sales as reported	192.1	188.8	Operating profit as reported	28.1	25.9
Foreign exchange effects	9.4	-	Non-recurring items (net)	-0.7	-0.8
Comparable net sales	201.5	188.8	Foreign exchange effects	1.0	-
			Comparable operating profit	28.4	25.1
Operating margin as reported	14.6%	13.7%	Comparable operating margin	14.1%	13.3%

Nordic countries and Rest of Europe improved their operating profit both for the third quarter and the first nine months. Profitability of Nordic countries improved in line with improved sales and results of performance improvement actions. Improvement in operating profit of Rest of Europe was boosted by the good performance in East Europe and the French capital gains. Profitability of Rest of the world suffered mainly from the weakened US dollar and South African rand as well as decreased sales in few Asian countries. Operating profit of North America suffered from the reduced sales and increased purchase prices.

Financial income and expenses were below last year. Net interest expenses were 1.3 MEUR (1.3 MEUR) for the third quarter and 4.1 MEUR (4.2 MEUR) for the first nine months. Currency exchange gains were 0.3 MEUR (-0.2 MEUR) for the third quarter and 0.8 MEUR (0.7 MEUR) for the first nine months.

Net profit increased to 2.0 MEUR (1.1 MEUR) for the third quarter and to 18.2 MEUR (15.5 MEUR) for nine months. As a result of Shimano's minority share in the Eastern European distribution joint venture, the earnings per share was on last year levels at 0.03 EUR (0.03 EUR) for the quarter and 0.40 EUR (0.40 EUR) for the first nine months.

Cash Flow and Financial Position

Cash flow from operating activities increased in the third quarter from last year. Working capital increased from last year and December 2007 as new inventories for Shimano distribution in East Europe tied additional capital. Inventories increased also in the USA as a result of the decline in sales and the fishing line inventories bought in July from Sufix North America. Trade receivables increased less than sales.

Cash used in investing activities amounted to 1.6 MEUR (1.5 MEUR) for the third quarter and 4.9 MEUR (6.5 MEUR) for the nine months including 1.4 MEUR as the first installment of the Sufix fishing line brand bought in July as well as proceeds from sale of assets.

Net interest-bearing debt decreased clearly from June to 89.0 MEUR (Dec 2007: 80.2 MEUR). The first repayments of the term-loans taken in 2006 were executed in the beginning of October. During 2008, the Group has improved its cash management by introducing international cash pooling, and the liquidity of the Group continues to be good despite of the strong weakening of the commercial paper market.

Equity-to-assets ratio increased from June to 39.4% (Dec 2007: 38.2%) and gearing decreased from June to 83.7% (Dec 2007: 82.8%) – both ratios improved also from September 2007.

Strategy Implementation - Growth

During the third quarter, management continued discussions and negotiations regarding acquisitions and business combinations to implement the Group's strategy for profitable growth. Development of organic growth also in terms of new product lines, extensions of current product categories as well as special marketing, sales and brand initiatives continued.

In July, Rapala and Yao I Co Ltd ("Yao I"), one of the leading manufacturers of fishing line in the world having its operations in Taiwan and China, concluded an exclusive supply agreement for the supply of fishing lines. In connection to this arrangement, Yao I sold its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related) to Rapala.

According to the terms of the exclusive supply agreement, after an interim period and under certain conditions, Rapala alone will be selling fishing lines manufactured by Yao I and Yao I will be manufacturing fishing lines for Rapala only, including subcontracted fishing lines for third party customers (OEM).

Sufix brand is very well known around the world already for more than 20 years. The largest market for Sufix is currently the USA but the brand is well represented also in Europe, Asia and Oceania. As part of the deal, Rapala acquired the Sufix branded fishing line inventory from Sufix North America. In the USA, Rapala has now distributed the Sufix fishing lines from the end of July. Transfer of Sufix business to Group companies around the world is

proceeding on plan and the shipments of 2009 products are about to start through the Group distribution network.

Rapala aims to expand its fishing line sales in the next few years to 25-40 MEUR and gain a significant market share of the global fishing line business. In 2007, the fishing line sales of Rapala were some 7 MEUR. This deal will have an immaterial effect on Rapala's 2008 net sales and profitability but it is expected to increase Rapala's fishing line sales close to 10 MEUR in 2009 compared to 2007.

The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line businesses, is 10 MUSD and will be paid over the next seven years.

Strategic distribution alliance with Shimano continued to strengthen the Group's position in the fastest growing fishing tackle markets in Eastern Europe. As the latest addition to this distribution alliance, Rapala has started to distribute Shimano fishing tackle through its joint venture distribution company in Czech Republic in September, as well as through its sales office in Slovakia. Another new step in this cooperation took also place in September when Shimano started to distribute Rapala's products in the UK.

During the third quarter, the Group opened a new sales office in Khabarovsk, Russia, to reach new customers in this area and to accelerate the growth in the market. After this addition, the Group has now eight regional sales offices in Russia. In Thailand, the Group increased its shareholding in its local distribution company from 80% to 100%.

Strategy Implementation - Profitability

Strong emphasis on performance improvement initiatives continued during the quarter.

After closing the lure manufacturing operations in Ireland in April and ramping up the lure assembly in Sortavala, Russia, the Group's European lure manufacturing restructuring project is now completed and has started to contribute to the financial performance of the Group. The next step is to increase volumes in the Russian factory in line with the market demand.

The consolidation of France operations proceeded and the moves of distribution unit Waterqueen and fishing line supplier Tortue to Morvillars were completed during the quarter. The consolidation will be finalized when the hook distributor VMC Europe completes its move into joint premises latest next summer. After all relocations have been made and the new organisation is fully operational, the annual savings in France are expected to be 1-2 MEUR.

Also the performance improvement initiatives at the Group's manufacturing facilities in China proceeded on plan. The physical separation of fishing tackle and gift businesses into separate premises and organizations has made it possible to strongly and quickly develop processes separately for these two business lines. As a result of streamlining the operations, increasing the use of subcontracted parts and cutting the capacity to more quickly adjust to and more accurately meet the market requirements, the Group has been able to reduce the headcount in China by some 1000 persons since June. Improvements in production planning system and

related new processes are expected to be implemented by the end of the year to reach the full benefits of the ongoing development initiative.

Smaller performance improvement initiatives implemented since 2007 have already started to improve the Group's financial performance.

Short-term Outlook

Market outlook for the rest of 2008 continues to look challenging. The slowdown and uncertainty in the US economy is expected to affect the sales in North America in the coming months too. European fishing tackle markets will move again into more active period of trade towards the end of the fourth quarter when shipments of products for the 2009 season starts. The peak trade season has started in Australia and South Africa. The shipments of winter fishing and winter sports products in Finland and Norway started in September and will continue in the fourth quarter. Due to the past two weak winter seasons in Nordic countries, the retailers of winter sports equipments are expected to be cautious in their orders before the weather conditions are known.

Despite the challenging market conditions, the profitability of the Group's ongoing operations continues to be good. Special initiatives have been and will be implemented to further improve the profitability.

It is expected that the Group's net sales for the financial year 2008 will increase 5-10% from 2007 assuming comparable exchange rates. With comparable exchange rates and excluding non-recurring items, the operating margin for 2008 is expected to improve from 2007. If the US dollar stays at current levels or strengthens, it will affect positively the reported net sales and operating profit for the fourth quarter.

Group management continues planning and negotiations regarding further acquisitions and business combinations to implement the Group's strategy. Also work to manage working capital continues, while new inventories are built for the new Sufix fishing lines.

Price increases for 2009 season have mostly been agreed already but due to the increased uncertainties in the world economy, it is too early to give an accurate guidance for next year. It is though expected, as previously in history, that the fishermen and fisherwomen will continue their activity even in uncertain economic times and, therefore, the healthy demand for the Group products is expected to continue also in 2009. More accurate guidance for 2009 will be given in February, when the full year and fourth quarter interim report for 2008 is published.

More detailed schedule for financial reporting in 2009 will be published in November.

Helsinki, October 22, 2008

Board of Directors of Rapala VMC Corporation



STOCK EXCHANGE RELEASE
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INTERIM CONDENCED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	III	III	I-III	I-III	I-IV
MEUR	2008	2007	2008	2007	2007
Net sales	52.7	52.0	192.1	188.8	242.5
Other operating income	0.5	0.3	2.3	1.2	6.7
Cost of sales	31.0	30.1	105.7	104.6	135.8
Other costs and expenses	17.0	17.7	56.0	55.9	79.6
EBITDA	5.2	4.6	32.7	29.5	33.8
Depreciation	1.6	1.7	4.7	3.6	5.4
Operating profit (EBIT)	3.6	2.9	28.1	25.9	28.3
Financial income and expenses	1.0	1.5	3.4	3.7	5.0
Share of results in associated companies	0.0	0.0	0.0	0.0	0.0
Profit before taxes	2.6	1.4	24.6	22.2	23.3
Income taxes	0.6	0.3	6.4	6.7	5.8
Net profit for the period	2.0	1.1	18.2	15.5	17.5
Attributable to:					
Equity holders of the Company	1.2	1.0	15.8	15.3	17.3
Minority interest	0.7	0.1	2.4	0.2	0.3
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR (diluted = non-diluted)	0.03	0.03	0.40	0.40	0.45
CONSOLIDATED CASH FLOW STATEMENT	III	III	I-III	I-III	I-IV
MEUR	2008	2007	2008	2007	2007
Net profit for the period	2.0	1.1	18.2	15.5	17.5
Adjustments to net profit for the period *	1.5	3.6	10.2	14.1	14.8
Financial items and taxes paid and received	-3.0	-3.7	-9.3	-8.0	-11.1
Change in working capital	13.5	11.2	-15.2	-3.2	-3.1
Net cash generated from operating activities	14.0	12.2	3.8	18.4	18.2
Investments	-1.6	-1.6	-4.8	-4.8	-7.2
Proceeds from sales of assets	1.6	0.1	1.6	0.4	0.4
Suffix brand acquisition	-1.4	-	-1.4	-	-
Acquisition of subsidiaries, net of cash	0.0	-	-0.4	-2.7	-2.7
Proceeds from disposal of subsidiaries, net of cash	-	-	-	0.5	5.9
Change in interest-bearing receivables	-0.1	0.0	0.0	0.0	-0.1
Net cash used in investing activities	-1.6	-1.5	-4.9	-6.5	-3.7
Dividends paid	-	-	-6.9	-4.6	-4.6
Net funding	-10.5	-15.8	7.8	-6.1	-11.5
Purchase of own shares	-0.3	-	-0.5	-	-
Proceeds from share subscriptions	-	-	-	0.0	5.0
Net cash generated from financing activities	-10.7	-15.8	0.3	-10.7	-11.1
Adjustments	0.9	-0.2	0.3	0.0	0.4
Change in cash and cash equivalents	2.6	-5.3	-0.4	1.3	3.8
Cash & cash equivalents at the beginning of the period	23.8	30.9	27.3	24.4	24.4
Foreign exchange rate effect	0.6	-0.2	0.1	-0.4	-0.9
Cash and cash equivalents at the end of the period	27.0	25.3	27.0	25.3	27.3

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



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CONSOLIDATED BALANCE SHEET	Sept 30	Sept 30	Dec 31		
MEUR	2008	2007	2007		
ASSETS					
Non-current assets					
Intangible assets	57.5	52.1	51.1		
Property, plant and equipment	28.8	29.0	28.4		
Non-current financial assets					
Interest-bearing	0.6	0.6	0.6		
Non-interest-bearing	7.7	7.2	8.0		
	94.6	88.9	88.1		
Current assets					
Inventories	93.3	80.7	84.3		
Current financial assets					
Interest-bearing	0.4	0.0	0.1		
Non-interest-bearing	55.2	57.4	52.8		
Cash and cash equivalents	27.0	25.3	27.3		
	175.9	163.4	164.6		
Assets classified as held-for-sale	-	-	0.9		
Total assets	270.5	252.2	253.7		
EQUITY AND LIABILITIES					
Equity					
Equity attributable to the equity holders of the Company	103.3	90.5	96.0		
Minority interest	3.1	0.7	0.9		
	106.3	91.2	96.9		
Non-current liabilities					
Interest-bearing	48.8	60.3	49.8		
Non-interest-bearing	9.8	5.7	6.4		
	58.7	66.0	56.3		
Current liabilities					
Interest-bearing	68.1	55.2	58.4		
Non-interest-bearing	37.4	39.9	42.0		
	105.5	95.1	100.5		
Total equity and liabilities	270.5	252.2	253.7		
KEY FIGURES					
	III	III	I-III	I-III	I-IV
	2008	2007	2008	2007	2007
EBITDA margin, %	9.8%	8.8%	17.0%	15.6%	13.9%
Operating profit margin, %	6.8%	5.6%	14.6%	13.7%	11.7%
Return on capital employed, %	7.7%	6.4%	20.1%	19.1%	15.9%
Capital employed at end of period, MEUR	195.3	180.7	195.3	180.7	177.1
Net interest-bearing debt at end of period, MEUR	89.0	89.5	89.0	89.5	80.2
Equity-to-assets ratio at end of period, %	39.4%	36.2%	39.4%	36.2%	38.2%
Debt-to-equity ratio at end of period, %	83.7%	98.1%	83.7%	98.1%	82.8%
Earnings per share, EUR	0.03	0.03	0.40	0.40	0.45
Fully diluted earnings per share, EUR	0.03	0.03	0.40	0.40	0.45
Equity per share at end of period, EUR	2.62	2.34	2.62	2.34	2.43
Average personnel for the period	4 477	4 510	4 374	4 574	4 577



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Minority interest	Total equity
Equity on Jan 1, 2007	3.5	16.7	0.1	-7.1	-	-	67.6	0.6	81.3
Change in translation differences	-	-	-	-1.7	-	-	-	-	-1.7
Gains and losses on hedges of net investments	-	-	-	0.4	-	-	-	-	0.4
Fair value gains on available-for-sale investments, net of tax	-	-	0.0	-	-	-	-	-	0.0
Net income recognized directly in equity	-	-	0.0	-1.3	-	-	-	-	-1.3
Net profit for the period	-	-	-	-	-	-	15.3	0.2	15.5
Total recognized income and expenses	-	-	0.0	-1.3	-	-	15.3	0.2	14.3
Dividends paid	-	-	-	-	-	-	-4.6	-	-4.6
Shares subscribed with options	0.0	0.0	-	-	-	-	-	-	0.0
Share option program	-	-	-	-	-	-	0.3	-	0.3
Other changes	-	-	-	-	-	-	0.0	0.0	0.0
Equity on Sept 30, 2007	3.5	16.7	0.1	-8.4	-	-	78.6	0.7	91.2
Equity on Jan 1, 2008	3.6	16.7	0.0	-9.8	4.9	-	80.6	0.9	96.9
Change in translation differences	-	-	-	0.3	-	-	-	-	0.3
Gains and losses on cash flow hedges	-	-	-0.1	-	-	-	-	-	-0.1
Gains and losses on hedges of net investments	-	-	-	-1.4	-	-	-	-	-1.4
Net income recognized directly in equity	-	-	-0.1	-1.1	-	-	-	-	-1.2
Net profit for the period	-	-	-	-	-	-	15.8	2.4	18.2
Total recognized income and expenses	-	-	-0.1	-1.1	-	-	15.8	2.4	17.1
Purchase of own shares	-	-	-	-	-	-0.5	-	-	-0.5
Dividends paid	-	-	-	-	-	-	-6.9	-	-6.9
Share option program	-	-	-	-	-	-	0.1	-	0.1
Other changes	-	-	-	-	-	-	0.0	-0.2	-0.3
Equity on Sept 30, 2008	3.6	16.7	-0.1	-10.9	4.9	-0.5	89.6	3.1	106.3

SEGMENT INFORMATION**	III	III	I-III	I-III	I-IV
MEUR	2008	2007	2008	2007	2007
Net Sales by Area**					
North America	9.9	11.6	42.7	53.3	66.7
Nordic	21.6	19.6	87.4	75.1	96.0
Rest of Europe	21.7	19.6	83.3	72.8	92.1
Rest of the world	13.3	16.0	39.7	46.6	62.9
Intra-Group	-13.8	-14.7	-60.9	-59.0	-75.2
Total	52.7	52.0	192.1	188.8	242.5
Operating Profit by Area**					
North America	-0.1	0.5	2.7	6.5	7.5
Nordic	1.3	-0.4	8.8	7.2	12.5
Rest of Europe	1.3	1.1	14.1	8.7	3.4
Rest of the world	0.9	1.2	2.5	2.7	5.4
Intra-Group	0.2	0.5	0.0	0.8	-0.3
Total	3.6	2.9	28.1	25.9	28.3
Net Sales by Product Line***					
Lures	12.1	14.4	52.1	62.9	73.9
Fishing Hooks	3.1	3.9	10.9	13.2	16.9
Fishing Accessories	8.4	7.2	32.3	29.7	43.5
Third Party Fishing Products	16.4	14.1	61.5	52.1	63.4
Other Products	13.4	13.2	37.4	33.6	47.8
Intra-Group	-0.6	-0.8	-2.2	-2.7	-3.2
Total	52.7	52.0	192.1	188.8	242.5

** Note: This primary segment information is by geographical areas and it has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales/profit generated in that area excluding intra-Group transaction within that area, which have been eliminated. Intra-Group line includes the eliminations of intra-Group transactions between geographical areas.

*** Note: This secondary segment information is by product lines. Lures, Fishing Hooks and Fishing Accessories include Group branded fishing tackle products. Third Party Fishing Products include non-Group branded fishing products, mostly rods and reels. Other Products include non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

KEY FIGURES BY								
QUARTERS	I	II	III	IV	I-IV	I	II	III
MEUR	2007	2007	2007	2007	2007	2008	2008	2008
Net sales	63.4	73.4	52.0	53.7	242.5	65.1	74.2	52.7
EBITDA	12.3	12.6	4.6	4.3	33.8	12.2	15.4	5.2
Operating profit (EBIT)	12.0	11.0	2.9	2.4	28.3	10.6	13.8	3.6
Profit before taxes	11.0	9.8	1.4	1.1	23.3	9.3	12.8	2.6
Net profit for the period	7.7	6.7	1.1	2.0	17.5	6.8	9.4	2.0

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

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 2007, except for the adoption of new interpretations: IFRIC 11, IFRIC 12 and IFRIC 14. Adoption of these interpretations did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Definition of key figures

Definitions of key figures used in the interim report are consistent with those used in the Annual Report 2007.

Use of estimates

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.

Rounding of figures

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 2008. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

At September 30, 2008, the book value of inventories differed from its net realizable value by 2.0 MEUR (0.7 MEUR at September 30, 2007 and 2.4 MEUR at December 31, 2007).

Assets held-for-sale and sale of assets

As part of the consolidation of French operations, Rapala signed a sale agreement for the warehouse and office building in Saint Marcel in January 2008. This resulted in a capital gain of 1.2 MEUR. In September 2008, Rapala also signed a sale agreement for the building in Loudeac. This resulted in a capital gain of 0.2 MEUR.

Acquisition of Sufix brand

On July 10, 2008, Rapala and Yao I Co Ltd ("Yao I"), one of the leading manufacturers of fishing line in the world having its offices in Changhua, Taiwan, and fishing line factories in Taiwan and China, concluded an exclusive supply agreement for the supply of fishing lines. In connection with this arrangement, Yao I sold its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), to Rapala. The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business, is 10 MUSD and will be paid over the next seven years. In addition, Rapala paid 1.7 MUSD for Sufix fishing line inventories in the USA.

Impact of acquisitions on the consolidated financial statements

Rapala increased its ownership in the Finnish cross country ski manufacturer Peltonen Ski Oy from 80% to 90% in January 2008, ownership in the Lithuanian distribution company from 82% to 100% in March 2008 and ownership in the distribution company in Thailand from 80% to 100% in September 2008. These acquisitions do not have a material impact on the Group's financial statements for January-September 2008. Also in February, Rapala made the final payment of the Terminator acquisition (0.2 MEUR) closed in 2007, the final payment of the Freetime acquisition (0.1 MEUR) closed in 2005 and a payment of the minority acquisition of Normark Innovation Inc. (0.1 MEUR) closed last year.

Commitments MEUR	Sept 30 2008	Sept 30	Dec 31
		2007	2007
On own behalf			
Business mortgage	16.1	16.2	16.1
Guarantees	2.6	2.1	3.1
On behalf of other parties			
Guarantees	4.1	0.8	0.6
Minimum future lease payments on operating leases	9.9	11.2	9.5



STOCK EXCHANGE RELEASE
October 22, 2008 at 10.00 am

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Related party transactions		Rents	Other		
MEUR	Purchases	paid	expenses	Receivables	Payables
I-III 2008					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.0	0.0	-
Management	-	0.1	0.0	-	0.0
I-III 2007					
Associated company Lanimo Oü	0.1	-	-	-	0.1
Entity with significant influence over the Group	-	0.0	0.0	0.0	-
I-IV 2007					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.1	0.0	-

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

Open derivatives		Positive	Negative	Net
MEUR	Nominal amount	fair values	fair values	fair values
September 30, 2008				
Foreign currency forwards	7.9	0.4	-	0.4
Interest rate swaps	13.8	0.0	0.2	-0.2
Total	21.7	0.4	0.2	0.2
September 30, 2007				
Foreign currency forwards	2.0	-	0.1	-0.1
Total	2.0	-	0.1	-0.1
Dec 31, 2007				
Foreign currency forwards	7.9	-	0.1	-0.1
Interest rate swaps	12.9	-	0.0	0.0
Total	20.8	-	0.2	-0.2

Group's financial risks and hedging principles are described in detail in the Annual Report 2007.

Non-recurring income and expenses in operating profit

MEUR	III 2008	III 2007	I-III 2008	I-III 2007	I-IV 2007
Sale of 50% of Rapala Shimano East Europe Oy	-	-	-	-	4.9
Consolidation of French operations	-0.1	-0.1	-0.2	-0.1	-2.8
Closure of Irish lure factory	-	-	0.0	-	-1.1
Sale of French warehouse and office building	0.2	-	1.4	-	-
Other disposals of assets	0.0	0.0	0.0	0.4	0.4
Excess of Group's interest in the net fair values of acquired net assets over costs (negative goodwill)	-	-	0.0	1.2	1.0
Other restructuring costs	0.0	-0.4	-0.2	-0.8	-1.0
Other non-recurring items	-	0.0	-0.2	0.1	0.1
Total	0.0	-0.5	0.7	0.8	1.6

Share-based payments

The Group had two separate share-based payment programs in place on September 30, 2008: one stock option program and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Report 2007. The options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. The total estimated value of the programs in place is 2.4 MEUR. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share options were granted on June 8, 2004, 92 500 share options on February 14, 2006 and 978 500 synthetic options on December 14, 2006. On March 31, 2008, the exercise period for the 2003B stock option program expired. The 2004A stock option program is exercisable between March 31, 2007 to March 31, 2009 at an exercise price of 5.96 EUR per share, the 2004B stock option program is exercisable between March 31, 2008 and March 31, 2010 at an exercise price of 6.09 EUR, the 2006A synthetic option program is exercisable between March 31, 2009 and March 31, 2011 at an exercise price of 6.14 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.14 EUR. The exercise prices have been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period. Applying of IFRS 2 reduced operating profit with 0.8 MEUR in January-December 2007 and 0.7 MEUR in Jan-September 2007, and increased operating profit with 0.2 in Jan-September 2008 mainly due to change in fair value of synthetic option program.

Shares and share capital

Based on authorization given by the Annual General Meeting in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the Annual General Meeting. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next Annual General Meeting.

On September 30, 2008, 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 2008 was 39 468 449. On April 23, 2008 the Board decided to start buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. The repurchasing of shares ended on September 30, 2008. At September 30, 2008 Rapala held 123 200 of its own shares, representing 0.3% of the total number of Rapala shares and the total voting rights.

As a result of the share subscriptions with the 2004 stock option programs, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 80 955 EUR and the number of shares by a maximum of 899 500 shares. The shares that can be subscribed with these stock options correspond to 2.3% of the Company's shares and voting rights.

During the first nine months 2 860 408 shares (6 658 155 shares) were traded. The shares traded at a high of 5.65 EUR and a low of 3.60 EUR during the period. The closing share price at the end of the period was 3.66 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 when Rapala has continued to expand its operations fast. Accordingly, Group management allocated more resources to risk management and developed risk management practices during 2007 and this work has continued in 2008. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2007, see www.rapala.com.

Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's deliveries and sales as well as operating profit have traditionally been seasonally stronger in the first half of the financial year compared to the second half. In first half of 2008, deliveries to customers have realized according to plan, without any material operative problems in the supply chain. Group's sales are also to some extent affected by the weather. Second mild winter in a row affected negatively the winter sports equipment sales and this will probably have some knock-on impacts on the sales in the coming winter season.

Even if the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle if retailers reduce their inventory levels. While continuing, these uncertainties may also affect the amount retailers invest in advertising and promotions, which may affect consumer spending at least temporarily. Also quick and strong increases in living expenses, like interest rates on mortgages and price of fuels, may temporarily affect consumer spending also in fishing tackle. During 2008, the increased fuel prices have affected fishermen's spending to some extent especially in North America.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US Dollar. Group is actively monitoring the currency position and risks and using e.g. foreign currency nominated loans to manage the natural hedging. In order to fix the exchange rate of future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance to IAS 39, also the change in fair value of these unrealized currency hedging agreements have an impact on the Group's operating profit. Due to uncertainties in the general economic climate, Group is actively monitoring the collection of its accounts receivable.

Increase of prices of certain raw materials and salaries, especially in China, have impacted Group's profitability. Group has successfully introduced price increases targeted to offset at least part of these effects.

Group progresses in taking over the Sufix-fishing line distribution to its 28 distribution companies, which requires special attention of the management.

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