

RAPALA VMC



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TRADING REPORT Q3/2017
OCTOBER 27, 2017

RAPALA VMC CORPORATION'S TRADING REPORT JANUARY TO SEPTEMBER 2017: SALES AROUND LAST YEAR'S LEVEL, STRONG THIRD QUARTER IN NORTH AMERICA

January-September in brief:

- Net sales were 201.4 MEUR, down 1% from previous year (202.5). With comparable exchange rates sales were 2% lower than last year.
- Full year (FY) guidance unchanged from H1/2017: Full year net sales expected to be around last year's level and comparable operating profit to be clearly below last year's level.
- The Group's strategy execution proceeding well with various initiatives ongoing

President and CEO Jussi Ristimäki: "The sales for the first nine months were 1% down from last year, but despite challenging market conditions we managed to increase our sales in the third quarter compared to last year. January–September sales of Group products were slightly ahead of last year, while Third Party Products contributed negatively to overall sales development.

The positive highlight of the third quarter was the improved sales in our biggest market in the North America where retail landscape has been under strong turbulence. Nevertheless, we have been able to grow our sales from last year in the region. Trading conditions remained challenging in other main markets, especially in France and Russia.

Execution of our strategy of improving profitability, lightening balance sheet and improving operational performance is proceeding well. Changes made in third quarter to our management organization are aiming to further boost the strategy execution. Our investments to supply chain management are yielding results and making our supply chain more agile and flexible. Consequently, our inventories continued to decrease in the third quarter. Improving manufacturing efficiencies is also high on our agenda. We will elaborate more on our updated strategy and its execution in a capital markets day organized in the first half of 2018."

Helsinki, October 26, 2017

Board of Directors of Rapala VMC Corporation

For further information, please contact:

Jussi Ristimäki, President and Chief Executive Officer, +358 9 7562 540

Jan-Elof Cavander, Chief Financial Officer, +358 9 7562 540

Olli Aho, Investor Relations, +358 9 7562 540

Market environment

Trading conditions remain challenging. Especially in the US consumers are increasingly shifting into digital channels, which affects the retail business structures and some of the Group's biggest customers are in financial distress. The changes have a negative effect on sales in the marketplace, but the Group has eventually been able to recover the lost sales from other channels in the US. In Europe, cold and late start of the summer coupled with tightened market conditions in certain product categories has impacted sales.

Business Review January-September 2017

The Group's net sales for the first nine months of the year were slightly below last year. Changes in currency exchange rates increased sales by approximately 2.2 MEUR. With comparable currency exchange rates, net sales were down 2% from last year for the nine months.

North America

With comparable exchange rates, sales in North America were above last year. The retail landscape in the US is going through a structural change as traditional retail business is giving way to e-commerce, which has caused turmoil in the markets. Despite the challenges, third quarter sales increased from last year's level partly supported by earlier deliveries of winter fishing products. The sales in Canada were above last year's level following successful sales efforts. The region's sales were negatively impacted by some supply problems. Weakening of the US dollar had a slight negative impact on the region's sales.

Nordic

In the Nordic countries, the sales were below last year's level, affected by lower hunting sales in Denmark and a cold spring and late start of the summer in Finland. The Group's knife factory Marttiini showed strong growth supported by the Finland 100 Anniversary Knife sales. Sales in Sweden grew from last year, despite some supply problems and late deliveries.

Rest of Europe

Sales were below last year's level, hurt by the continuing challenges in the region's biggest markets, Russia and France. While the Russian ruble has strengthened, having a positive impact on the regions EUR-nominated sales, it has not materialized into higher consumer demand. In France, the sales were below last year's level, impacted by tightening competition and general consumer uncertainties. Following product portfolio changes, the sales in Poland were below last year. Business grew in the UK following the change in business model. Portugal and the Baltic countries also showed positive growth trends.

Rest of the World

With comparable exchange rates, the sales for the region were below last year's level, mainly affected by a decrease in sales in Thailand and Australia, where markets are suffering. In Australia outsourcing of the warehouse operations furthermore affected sales negatively. The sales in South Africa were above last year's level, supported by new hunting and outdoor business and sales to

Middle East and North Africa. Sales in Latin America grew strongly from last year, especially in Mexico. Currency exchange rate changes, notably South African rand, had a positive impact on the regions sales.

External Net Sales by Area

	Q1-Q3	Q1-Q3	change	comparable	FY
MEUR	2017	2016	%	change %	2016
North America	70.8	67.7	+5%	+5%	91.3
Nordic	42.6	44.2	-4%	-3%	55.3
Rest of Europe	64.0	66.8	-4%	-6%	81.3
Rest of the World	24.0	23.8	+1%	-2%	32.7
Total	201.4	202.5	-1%	-2%	260.6

	Q3	Q3	change	comparable	FY
MEUR	2017	2016	%	change %	2016
North America	23.2	21.3	+9%	+15%	91.3
Nordic	10.8	10.9	-1%	-1%	55.3
Rest of Europe	18.2	18.7	-3%	-4%	81.3
Rest of the World	8.3	8.5	-2%	-1%	32.7
Total	60.5	59.4	+2%	+4%	260.6

Segment Review

Group Products

With comparable exchange rates, sales of Group Products were slightly above last year's level.

Group fishing product sales were below last year's level mainly driven by decreased lure sales in North America. Additionally, fishing accessories sales decreased especially in Europe. Carp business in Europe grew after increased strategic focus in the product group. The sales of fishing knives and tools also increased especially in North America.

Sales of other group products were up from last year. The sales of hunting products were supported by increased Marttiini knife sales. Winter sport products' sales were also up from last year.

Third Party Products

The sales of Third Party Products were below last year's level.

Third party fishing product sales were behind last year, reduced by the loss of a product category in Poland as well as the challenging market situation affecting sales especially in Russia and France. Tightened market conditions as well as poor spring and early summer weathers in Russia and northern Europe further decreased the sales of third party fishing products. Winter fishing business grew from last year driven by earlier deliveries in North America.

Net Sales by Segment

	Q1-Q3	Q1-Q3	change	comparable	FY
MEUR	2017	2016	%	change %	2016
Group Products	133.5	132.9	+0 %	+0%	172.1
Third Party Products	67.8	69.6	-3 %	-5%	88.5
Total	201.4	202.5	-1 %	-2%	260.6

	Q3	Q3	change	comparable	FY
MEUR	2017	2016	%	change %	2016
Group Products	38.6	37.9	+2%	+5%	172.1
Third Party Products	21.9	21.5	+2%	+1%	88.5
Total	60.5	59.4	+2%	+4%	260.6

Second Dividend Installment

The Annual General Meeting (AGM) held on March 30, 2017 approved the Board of Director's proposal that a dividend of EUR 0.10 per share is paid. The dividend will be paid in two installments, EUR 0.05 each. First dividend installment of 1.8 MEUR was paid on April 10, 2017. The Board of Directors decided in its meeting on October 26, 2017 that the dividend record date for the second installment of EUR 0.05 shall be October 30, 2017 and the dividend payment date November 6, 2017. A separate stock exchange release on the second dividend installment has been given.