INTERIM REPORT – JANUARY TO SEPTEMBER 2007

Strong Sales and Improved Profits in the Seasonally Slow Third Quarter

- Net sales reached a record level for the seasonally slow third quarter and amounted to 52.0 MEUR (III/06: 49.8 MEUR). Net sales for the first nine months were up 6% to 188.8 MEUR (I-III/06: 177.4 MEUR). Comparable nine-month net sales increased 11%.
- Third quarter operating profit increased to 2.9 MEUR (2.8 MEUR). Operating profit for the first nine months was up 23% to 25.9 MEUR (21.0 MEUR). Comparable operating profit margin, excluding non-recurring expenses and using 2006 average exchange rates, improved clearly both for the third quarter and nine months as a result of increased sales and performance improvement initiatives.
- Net result for the third quarter was 1.1 MEUR (0.4 MEUR) and 15.5 MEUR (10.5 MEUR) for the first nine months. Earnings per share was 0.03 EUR (0.01 EUR) for the quarter and 0.40 EUR (0.27 EUR) for January to September.
- Cash flow from operating activities increased from the second quarter and amounted to 12.2 MEUR (10.2 MEUR). Net interest-bearing debt decreased clearly from June to 89.5 MEUR (Dec 2006: 99.3 MEUR). Equity-to-asset ratio increased from June to 36.2% (Dec 2006: 33.4%) and gearing decreased to 98.1% (Dec 2006: 122.2%).
- A major business combination, strengthening of the strategic distribution alliance with Shimano by establishing a joint venture company for Russia and Ukraine, was published in October and it will result in a capital gain of 4.8 MEUR. South East European distribution center established with Shimano earlier in 2007 in Hungary has already proven to be a success. Consolidation of the French operations, ramp-up of the Russian lure assembly factory and other performance improvement initiatives proceeded on plan.
- In October, 889 680 new shares were issued to Shimano for 5 MEUR (5.62 EUR per share) as part of the strengthening of the strategic alliance between the companies.
- It is expected that the Group's net sales for the financial year 2007 will increase 7-12% from last year assuming comparable exchange rates. With comparable exchange rates and excluding non-recurring items, operating profit margin for 2007 is expected to improve from 2006.

The attachment presents the interim review by the Board of Directors as well as the accounts.

A conference call on the interim report will be arranged today at 5 pm Finnish time (4 pm CET). Please dial +44(0)207 750 9950 or +1866 676 5870 five minutes before the beginning of the event and request to be connected to Rapala teleconference. A replay facility will be available for 5 working days following the teleconference. The number (pin code: 165985#) to dial is +44 207 750 99 28. Financial information is also available at www.rapala.com.

For further information, please contact:
Jorma Kasslin, President and Chief Executive Officer, +358 9 7562 540
Jouni Grönroos, Chief Financial Officer, +358 9 7562 540
Olli Aho, Investor Relations, +358 9 7562 540

Distribution: Helsinki Stock Exchange and Main Media

Market Situation and Sales

Market situation was quite good in many areas during the third quarter 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 the quarter. Growth continued also in Rest of Europe where sales were up 21% for the third quarter and 12% for the first nine months. In Nordic countries, sales were close to last year levels for the third quarter and 4% up for the first nine months. In North America, sales decreased 15% for the third quarter mainly because of weakening of US dollar, bad weather in September and timing of certain deliveries. For the first nine months, reported net sales for North America were down 4% while with comparable exchange rate the sales increased 4% from last year.

Third quarter net sales were up 4% from last year and amounted to 52.0 MEUR (III/06: 49.8 MEUR). Net sales for the first nine months were up 6% and amounted 188.8 MEUR (I-III/06: 177.4 MEUR). Weakening of the US dollar and some other currencies affected January to September net sales negatively (-8.0 MEUR). With comparable exchange rates, the nine month net sales were up 11%. Out of this, 1 percentage point came from the Terminator acquisition while the rest was organic growth. All product lines except Fishing Accessories increased their sales for both third quarter and nine months.

Third quarter is traditionally the slowest quarter in terms of sales due to the seasonality of the fishing tackle business. This seasonality has been mitigated by expanding the Group’s sales operations in southern hemisphere and closer to equator, including Australia and South Africa. Also new operations in Malaysia, Thailand, China and South-Korea balance the seasonality. The Group has increased the sales of fishing tackle products in the seasonally slow third quarter in these countries.

Financial Results and Profitability

MEUR	**III 2007**	III 2006	**I-III 2007**	I-III 2006	I-IV 2006
Net 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

Operating profit for July to September increased to 2.9 MEUR (2.8 MEUR). Even while the restructuring cost provision related to the consolidation of French operations cannot yet be booked, third quarter result includes 0.1 MEUR of expenses related to this action. The result also includes a 0.4 MEUR provision for down-sizing of lure manufacturing in Ireland. The impact of currency movements for the quarter was -0.6 MEUR. Operating profit margin for the quarter was 5.6% (5.7%) and return on capital employed 6.4% (6.4%).

Operating profit for the first nine months was up 23% from last year and amounted to 25.9 MEUR (21.0 MEUR). This improvement is mainly an outcome of increased sales of fishing tackle products, a negative goodwill from the acquisition of Terminator lure business (1.2

MEUR) and performance improvement initiatives. The result included the above mentioned non-recurring expenses (0.5 MEUR). In addition, operating profit was negatively affected by the weakening of US dollar and some other currencies (-1.2 MEUR). The result of currency hedging related to operating profit (+0.8 MEUR) is booked in financial expenses. Operating profit margin continued to increase, and was 13.7% (11.8%) for first nine months. Return on capital employed for nine months increased to 19.1% (15.9%).

Comparable operating profit and operating profit margin, excluding all non-recurring items and using comparable exchange rates, improved clearly for the third quarter and nine months as a result of increased sales and performance improvement initiatives. Comparable operating profit was 4.0 MEUR (2.9 MEUR) for the quarter and 26.3 MEUR (21.0 MEUR) for the nine months. The respective 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 the first nine months. Largest improvement in operating profit came from Rest of Europe while Rest of the world suffered from the increased raw material prices and personnel costs.

Financial expenses (net) decreased from last year as a result of decreased net debt and currency exchange gains. Interest expenses (net) were 1.3 MEUR (1.4 MEUR) for the quarter and 4.2 MEUR (4.0 MEUR) for the first nine months. Currency exchange loss for July to September was 0.2 MEUR (loss of 0.3 MEUR) and a gain of 0.7 MEUR (loss of 2.0 MEUR) for January to September.

Net result for the third quarter was 1.1 MEUR (0.4 MEUR) and 15.5 MEUR (10.5 MEUR) for the first nine months. Earnings per share (basic) was 0.03 EUR (0.01 EUR) for the quarter and 0.40 EUR (0.27 EUR) for the first nine months.

Cash Flow and Financial Position

Third quarter cash flow from operating activities increased from previous year to 12.2 MEUR (10.2 MEUR). For the first nine months, cash flow from operating activities improved clearly from last year to 18.4 MEUR (10.1 MEUR). Improvement in cash flow resulted from long-term working capital management. Working capital decreased clearly from June in line with strong decrease in trade receivables.

Capital expenditure for the third quarter amounted to 1.5 MEUR (3.0 MEUR). Capital expenditure of 6.5 MEUR (10.3 MEUR) for the nine-month period included the acquisition of the Terminator business in January, the final payment (0.2 MEUR) for the Guigo acquisition closed in 2004, and the first settlement (0.8 MEUR) of the final payment of acquisition of Australian Freetime closed in 2005.

Net interest-bearing debt decreased from June to 89.5 MEUR (Dec 2006: 99.3 MEUR). Equity-to-asset ratio increased to 36.2% (Dec 2006: 33.4%) and gearing decreased to 98.1% (Dec 2006: 122.2%).

Strategy Implementation – East European Distribution Alliance with Shimano

During the third quarter, management continued discussions and negotiations regarding acquisitions and business combinations to further implement the Group's strategy for profitable growth. These discussions resulted in a major business combination when Rapala and Shimano agreed to join forces in East European distribution.

The 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 in Hungary has already proven to be a success. The 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 of distribution alliance with Shimano, 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 addition to negotiations regarding acquisitions and business combinations, the focus on performance improvement initiatives continued with the target to turn around the declining trend in operating profit margin and to further improve the Group's profitability. 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.

The consolidation of Group's French operation into one location is proceeding on plan. The new leased premises in Morvillars have been prepared for the consolidated operations. The move of the distribution unit located in Bretagne has just started and the move of the second distribution unit located in Central France is planned to take place next summer. The third quarter included some costs related to this consolidation but the actual restructuring provision will be booked in the fourth quarter 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.

The project to further develop the Group's European lure manufacturing operations proceeded on plan. The ramp-up of the lure assembly factory in Russia is proceeding, and both the number of personnel and assembling volumes are increasing each quarter. While assembling work from Estonia is allocated more to Russia, Estonian factory receives more work in finalizing, testing and packaging the products as a result of the down-sizing of operations in the Irish lure factory. This will strengthen 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 the Group manufacturing facility in China proceed on plan. The target is to enhance the production efficiencies and shorten the lead time to restore the profitability of the operations that has been burdened by the increased raw material prices and personnel costs.

Most of the other performance improvement and cost cutting initiatives have been completed. The 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 for Shimano

As part of the strengthening of the long-term distribution alliance, Rapala issued 889 680 new shares to Shimano in October for the subscription price of 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 and they have a lock-up period of 12 months. 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.

Short-term Outlook

Shipments of the new fishing tackle products for 2008 season are about to start. Based on orders and other market indications, the fishing tackle market in 2008 is expected to remain quite stable in North America and Western Europe compared to 2007 while the markets continue to grow in East Europe, Asia and Africa. The 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.

Fourth quarter interim report and annual accounts for 2007 will be published on February 5, 2008.

Helsinki, October 25, 2007

Board of Directors of Rapala VMC Corporation

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CONSOLIDATED INCOME STATEMENT	III	III	I-III	I-III	I-IV
MEUR	2007	2006	2007	2006	2006
Net sales	**52.0**	49.8	**188.8**	177.4	226.6
Other operating income	**0.3**	0.2	**1.2**	0.5	1.5
Cost of sales	**30.1**	29.0	**104.6**	98.6	128.3
Other costs and expenses	**17.7**	16.6	**55.9**	53.6	71.9
EBITDA	**4.6**	4.4	**29.5**	25.6	28.0
Depreciation	**1.7**	1.5	**3.6**	4.7	6.3
Operating profit (EBIT)	**2.9**	2.8	**25.9**	21.0	21.7
Financial income and expenses	**1.5**	1.8	**3.7**	6.0	7.1
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0	0.0
Profit before taxes	**1.4**	1.0	**22.2**	14.9	14.6
Income taxes	**0.3**	0.6	**6.7**	4.4	3.6
Net profit for the period	**1.1**	0.4	**15.5**	10.5	11.0
Attributable to:					
Equity holders of the Company	**1.0**	0.3	**15.3**	10.4	10.8
Minority interest	**0.1**	0.1	**0.2**	0.2	0.2
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR (diluted = non-diluted)	**0.03**	0.01	**0.40**	0.27	0.28

CONSOLIDATED STATEMENT OF CASH FLOWS	III	III	I-III	I-III	I-IV
MEUR	2007	2006	2007	2006	2006
Net profit for the period	**1.1**	0.4	**15.5**	10.5	11.0
Adjustments to net profit for the period *	**3.6**	3.1	**14.1**	16.4	19.2
Financial items and taxes paid and received	**-3.7**	-3.5	**-8.0**	-8.6	-12.1
Change in working capital	**11.2**	10.2	**-3.2**	-8.3	-8.1
Net cash generated from operating activities	**12.2**	10.2	**18.4**	10.1	10.0
Investments	**-1.6**	-2.1	**-4.8**	-4.5	-7.2
Proceeds from sales of assets	**0.1**	0.0	**0.4**	0.5	0.6
Acquisition of subsidiaries, net of cash	**0.0**	-0.9	**-2.7**	-6.2	-8.3
Proceeds from disposal of subsidiaries, net of cash	**0.0**	0.0	**0.5**	0.0	0.0
Change in loans receivable	**0.0**	0.0	**0.0**	0.0	0.2
Net cash used in investing activities	**-1.5**	-3.0	**-6.5**	-10.3	-14.7
Dividends paid	**0.0**	0.0	**-4.6**	-4.2	-4.2
Net funding	**-15.8**	-8.1	**-6.1**	8.1	14.7
Proceeds from share subscriptions	**0.0**	0.0	**0.0**	0.4	0.4
Net cash generated from financing activities	**-15.8**	-8.1	**-10.7**	4.2	10.9
Adjustments	**-0.2**	0.0	**0.0**	0.0	0.0
Change in cash and cash equivalents	**-5.3**	-0.9	**1.3**	4.0	6.2
Cash & cash equivalents at the beginning of the period	**30.9**	23.3	**24.4**	19.2	19.2
Foreign exchange rate effect	**-0.2**	0.3	**-0.4**	-0.6	-1.0
Cash and cash equivalents at the end of the period	**25.3**	22.7	**25.3**	22.7	24.4

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

CONSOLIDATED BALANCE SHEET MEUR	**Sept 30 2007**	Sept 30 2006	Dec 31 2006
ASSETS			
Non-current assets			
Intangible assets	**52.1**	54.7	53.3
Property, plant and equipment	**29.0**	29.8	29.4
Non-current financial assets			
Interest-bearing	**0.6**	0.6	0.6
Non-interest-bearing	**7.2**	5.8	6.3
	88.9	91.0	89.6
Current assets			
Inventories	**80.7**	75.3	73.0
Current financial assets			
Interest-bearing	**0.0**	0.0	0.2
Non-interest-bearing	**57.4**	51.5	56.5
Cash and cash equivalents	**25.3**	22.7	24.4
	163.4	149.5	154.0
Total assets	**252.2**	240.5	243.6
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**90.5**	82.3	80.7
Minority interest	**0.7**	0.5	0.6
	91.2	82.7	81.3
Non-current liabilities			
Interest-bearing	**60.3**	49.1	64.6
Non-interest-bearing	**5.7**	4.7	6.6
	66.0	53.8	71.1
Current liabilities			
Interest-bearing	**55.2**	72.6	59.9
Non-interest-bearing	**39.9**	31.3	31.3
	95.1	103.9	91.2
Total equity and liabilities	**252.2**	240.5	243.6

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Share premium fund	Fair value reserve	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to equity holders of the Company						
Equity on Jan 1, 2006 *	**3.5**	**16.3**	**-**	**-4.5**	**60.0**	**0.2**	**75.4**
Change in translation differences	-	-	-	-0.2	-	-	**-0.2**
Net income recognized directly in equity	-	-	-	-0.2	-	-	**-0.2**
Net profit for the period	-	-	-	-	10.4	0.2	**10.5**
Total recognized income and expenses	-	-	-	-0.2	10.4	0.2	**10.3**
Dividends paid	-	-	-	-	-4.2	-	**-4.2**
Shares subscribed with options	0.0	0.4	-	-	-	-	**0.4**
Stock option program	-	-	-	-	0.6	-	**0.6**
Other changes	-	-	-	-	0.1	0.1	**0.3**
Equity on Sept 30, 2006 *	**3.5**	**16.7**	**-**	**-4.8**	**66.9**	**0.5**	**82.7**
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**
Net investments in a foreign subsidiaries	-	-	-	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**
Stock 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**

* Note: Jan 1, 2006 and Sept 30, 2006 comparables have been changed. See notes to the income statement and balance sheet for more details.

KEY FIGURES BY QUARTERS MEUR	I 2006	II 2006	III 2006	IV 2006	I-IV 2006	I 2007	II 2007	**III 2007**
Net sales	63.4	64.2	49.8	49.2	226.6	63.4	73.4	**52.0**
EBITDA	11.6	9.7	4.4	2.4	28.0	12.3	12.6	**4.6**
Operating profit (EBIT)	10.0	8.1	2.8	0.7	21.7	12.0	11.0	**2.9**
Profit before taxes	7.8	6.1	1.0	-0.3	14.6	11.0	9.8	**1.4**
Net profit for the period	5.7	4.5	0.4	0.5	11.0	7.7	6.7	**1.1**

KEY FIGURES	**III 2007**	III 2006	**I-III 2007**	I-III 2006	I-IV 2006
EBITDA margin, %	**8.8%**	8.8%	**15.6%**	14.5%	12.4%
Operating profit margin, %	**5.6%**	5.7%	**13.7%**	11.8%	9.6%
Return on capital employed, %	**6.4%**	6.4%	**19.1%**	15.9%	12.3%
Capital employed at end of period, MEUR	**180.7**	181.2	**180.7**	181.2	180.6
Net interest-bearing debt at end of period, MEUR	**89.5**	98.4	**89.5**	98.4	99.3
Equity-to-assets ratio at end of period, %	**36.2%**	34.4%	**36.2%**	34.4%	33.4%
Debt-to-equity ratio at end of period, %	**98.1%**	118.9%	**98.1%**	118.9%	122.2%
Earnings per share, EUR	**0.03**	0.01	**0.40**	0.27	0.28
Average number of shares outstanding (1000)	**38 579**	38 576	**38 578**	38 562	38 565
Fully diluted earnings per share, EUR	**0.03**	0.01	**0.40**	0.27	0.28
Fully diluted average number of shares (1000)	**38 579**	38 625	**38 578**	38 611	38 609
Equity per share at end of period, EUR	**2.34**	2.13	**2.34**	2.13	2.09
Number of shares outstanding at end of period (1000)	**38 579**	38 576	**38 579**	38 576	38 576
Average personnel for the period	**4 510**	3 907	**4 574**	3 942	3 987

SEGMENT INFORMATION** MEUR	**III 2007**	III 2006	**I-III 2007**	I-III 2006	I-IV 2006
Net Sales by Area**					
North America	**11.6**	13.6	**53.3**	55.3	69.7
Nordic	**19.6**	19.9	**75.1**	72.2	94.2
Rest of Europe	**19.6**	16.2	**72.8**	65.0	83.0
Rest of the world	**16.0**	12.0	**46.6**	32.0	43.7
Intra-Group	**-14.7**	-12.0	**-59.0**	-47.1	-64.0
Total	**52.0**	49.8	**188.8**	177.4	226.6
Operating Profit by Area**					
North America	**0.5**	0.7	**6.5**	5.2	6.4
Nordic	**-0.4**	0.6	**7.2**	6.4	6.9
Rest of Europe	**1.1**	-0.1	**8.7**	6.2	7.0
Rest of the world	**1.2**	1.2	**2.7**	3.7	2.8
Intra-Group	**0.5**	0.4	**0.8**	-0.5	-1.4
Total	**2.9**	2.8	**25.9**	21.0	21.7
Net Sales by Product line***					
Lures	**14.4**	12.4	**62.9**	56.9	73.0
Fishing Hooks	**3.9**	3.0	**13.2**	11.4	14.8
Fishing Accessories	**7.2**	9.3	**29.7**	31.9	45.8
Third Party Fishing Products	**14.1**	13.5	**52.1**	49.6	53.5
Other	**13.2**	12.3	**33.6**	29.8	42.4
Intra-Group	**-0.8**	-0.6	**-2.7**	-2.2	-2.9
Total	**52.0**	49.8	**188.8**	177.4	226.6

** 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 consist of Group branded fishing tackle products. Third Party Fishing Products consist of non-Group branded fishing products, mostly rods and reels. Other Products consist of non-Group branded (third party) products for hunting, outdoor and winter sports and Group branded products for winter sports and some other businesses.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting principles adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's Annual Financial Statements 2006, except for the adoption of new interpretations: IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). Adoption of these interpretations did not result in any changes in the accounting principles that would have affected the information presented in this report.

Use of estimates

Complying with the IFRS standards 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.

Definition of key figures

The definitions of key figures used in the interim report are consistent with those used in the Group's Annual Financial Statements 2006.

Changes in comparable figures

Comparable figures were changed at year end 2006. For more information on the changes and effects see Annual Report 2006.

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 2007. 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, 2007, the book value of inventories differed from its net realizable value by 0.7 MEUR (0.2 MEUR at September 30, 2006 and 1.0 MEUR at December 31, 2006).

Hedging of net investments in foreign subsidiaries

During the first quarter of 2007, the Group started to partially hedge its net investments in USD, AUD, JPY and NOK currency denominated foreign subsidiaries using equivalent currency loans. The Group plans to start to partially hedge its net investment in SEK currency denominated foreign subsidiaries during the next nine months. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity.

Open currency derivatives

MEUR	**Sept 30 2007**	Sept 30 2006	Dec 31 2006
Net fair values	**-0.1**	0.0	0.0
Contract amount	**2.0**	1.0	1.0

Commitments

MEUR	**Sept 30 2007**	Sept 30 2006	Dec 31 2006
Mortgages and pledges			
On own behalf	**16.2**	44.0	17.6
Guarantees			
On own behalf	**2.1**	0.8	1.1
On behalf of other parties	**0.8**	0.7	0.6
Minimum future lease payments on operating leases	**11.2**	9.3	12.6

Related party transactions

EUR million	Purchases	Rents paid	Assets	Liabilities
I-III 2007				
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.1**
Entity with significant influence over the Group *	**-**	**0.0**	**0.0**	**-**
I-III 2006				
Associated company Lanimo Oü	0.1	-	-	0.1
I-IV 2006				
Associated company Lanimo Oü	0.1	-	-	0.1

* Lease agreement for the real estate for the consolidated operations in Morvillars, France.

Non-recurring income and expenses in operating profit

MEUR	**III 2007**	III 2006	**I-III 2007**	I-III 2006	I-IV 2006
Gains/losses on disposals of intangible and tangible assets and subsidiaries	**-**	0.0	**0.4**	0.0	-0.1
Excess of Group's interest in the net fair value of acquired net assets over cost	**-**	-	**1.2**	-	-
Restructuring costs	**-0.5**	-	**-0.9**	0.0	-0.2
Start-up costs	**-**	-	**-**	-	-0.1
Other	**0.0**	-	**0.1**	-	-
Total	**-0.5**	0.0	**0.8**	0.0	-0.4

Impact of acquisitions and disposals on the consolidated financial statements

In January, Rapala acquired the fishing tackle business of Outdoor Innovations LLC and Horizon Lures LP, USA based manufacturers and distributors of Terminator branded spinnerbaits and other fishing lures. The deal included patents for the use of nickel titanium wire in fishing lures, trademarks, customer lists, inventories and trade receivables.

In April, Rapala acquired 10% minority stake of Rapala's Hungarian distribution company, Rapala Eurohold Ltd ("Rapala Eurohold"), from Mr Agh Senior. Acquisition raised Rapala's ownership to 80%. In May, Rapala and Shimano, one of the leading manufacturers of rods and reels worldwide, strengthened their distribution alliance in Hungary and South-East Europe. Shimano subscribed a 33.4% shareholding in Rapala Eurohold. Rapala's ownership is now 56.6% and the Managing Director of Rapala Eurohold, Mr Agh Jr, has the remaining 10% ownership.

Also in February and April, Rapala made a 0.2 MEUR final payment of the Guigo acquisition closed in 2004 and in May a 0.8 MEUR first settlement of final payment of the Freetime acquisition closed in 2005.

Acquisitions by Sept 30, 2007 MEUR	Fair value	Seller's carrying amount
Working capital	2.6	2.6
Intangible assets	0.7	0.1
Tangible assets	0.1	0.1
Deferred tax liability	-0.1	0.0
Fair value of acquired net assets	3.2	2.8

MEUR	I-III 2007
Cash paid	1.5
Cash to be paid	0.4
Payment of the Freetime acquisition closed in 2005	0.8
Final payment of the Guigo acquisition closed in 2004	0.2
Cost associated with the acquisition	0.1
Total purchase consideration	3.0
Excess of Group's interest in the net fair value of acquired net assets over cost	-1.2
Goodwill	0.1
Net	-1.2
Cash paid for the acquisitions	2.7
Cash and cash equivalents acquired	0.0
Net cash flow	2.7
Partial disposals of subsidiaries by Sept 30, 2007	
Share of disposed goodwill	0.2
Share of disposed minority interest	0.0
Gain on disposals	0.4
Total consideration	0.5
Consideration received in cash	0.5

Share-based payments

The Group has three separate share-based payment programs: two stock option programs and one synthetic option program settled in cash. Terms and conditions of the option program are described in detail in the Annual Financial Report 2006. 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 program is 5.4 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 counter party have a shared understanding of the terms and conditions of the arrangement. 1 909 500 share option where 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, 2007, the exercise period for the 2003A stock option program expired. All 500 000 shares were subscribed. The 2003B stock option program is exercisable between March 31, 2006 and March 31, 2008 at an exercise price of 6.02 EUR per share, 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 6.32 EUR and the 2006B synthetic option program is exercisable between March 31, 2010 and March 31, 2012 at an exercise price of 6.32 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 0.9 MEUR in 2006, 0.6 MEUR in January-September 2006 and 0.7 MEUR in January-September 2007.

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. This amount of shares corresponds to less than 10% of all shares of the company. This authorization is in force until September 30, 2008.

2 500 new shares where subscribed with 2003A option rights in March 2007. The share capital increased with 225.00 EUR and the subscriptions were registered in the Trade Register on April 4, 2007 and listed on the main list of the Helsinki Stock Exchange on April 5, 2007. As a result of the share capital increase the company's share capital was 3 472 089.21 EUR and the number of shares 38 578 769 on September 30, 2007. All 500 000 shares have now been subscribed with 2003A option rights. Each share (RAP1V) is entitled to one vote.

889 680 new shares were issued to Shimano on October 12 for the subscription price of 5.62 EUR per share, which represents a three-month weighted average trading price for the share from June 27 to September 27. These new shares will not give right to dividend paid from financial year 2007 and they have a lock-up period of 12 months. The number of outstanding shares after this issues is 39 468 449. From the subscription price 80 071.20 EUR will be recorded in the share capital, which will increase to 3 552 160.41 EUR. Trading with the new shares is expected to commence at the end of October.

As a result of the share subscriptions with the 2003 and 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 121 830 EUR and the number of shares by a maximum of 1 353 668 shares. The shares that can be subscribed with these stock options correspond to 3.5% of the Company's shares and voting rights.

During the first 9 months 6 658 155 shares (9 604 221 shares) were traded. The shares traded at a high of 6.27 EUR and a low of 5.40 EUR during the period. The closing share price at the end of the period was 5.65 EUR.

Business risks and seasonality of the business

Rapala currently operates in 29 countries in all major continents. There are no signs of significant changes in markets or fishing tackle business as such due to new product launches, product category introductions or competitor actions. Group's customers are acting mainly in local markets, consisting mainly of mass retailers offering a wide range of products and specialized fishing tackle and outdoor retailers. Group's sales and operating profit have traditionally been quite seasonal due to the geographic location of the Group operations and the seasonality of the fishing tackle business. The seasonality has been slightly mitigated in the last two years through the acquisitions of distribution companies on the southern hemisphere. For more information on the Group's financial risk and risk management see Annual Report 2006 on www.rapala.com.