INTERIM REPORT FOR JANUARY TO SEPTEMBER 2010: RECORD SALES AND MARGIN IMPROVEMENT CONTINUED

- Net sales for the third quarter increased 21% compared to last year, again to a quarterly record level, now at 60.6 MEUR (III/09: 50.2 MEUR). The nine-month net sales were 209.0 MEUR (I-III/09: 183.1 MEUR), 14% increase from last year.
- Comparable operating profit improved from last year and reached 3.1 MEUR (2.1 MEUR) in third quarter and 27.5 MEUR (22.4 MEUR) in January to September. Comparable operating margin continued to improve from last year and was 5.1% (4.1%) for the third quarter and 13.2% (12.2%) for the nine months. Reported operating profit was up to 2.9 MEUR (1.9 MEUR) for the quarter and 27.1 MEUR (21.4 MEUR) for the nine months.
- Net profit was down to 1.4 MEUR (1.5 MEUR) for July to September, due to negative foreign exchange impacts, and 18.9 MEUR (15.1 MEUR) for the nine-month period. Earnings per share was down to 0.01 EUR (0.02 EUR) for the third quarter and was 0.42 EUR (0.33 EUR) for the nine-month period, due to increased equity attribution to non-controlling interests.
- Cash flow from operating activities in the third quarter dropped from last year's record highs to 7.0 MEUR (20.6 MEUR) and was 15.2 MEUR (18.6 MEUR) for the nine-month period, while focus on working capital management has gradually also turned into securing the service levels to the customers and exploiting the sales opportunities.
- Group's strategy implementation was supported by acquisition of Dynamite Baits Ltd, a UK-based premium carp bait manufacturer and distributor. Implementation continues by emphasizing sales, delivery and supply chain performance, innovations and development of new products, while simultaneously rigorously managing the working capital, cash flow and profitability.
- It is expected that for the full year 2010 the net sales will increase 10-15% and comparable operating margin will be in double digits.

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

A conference call on third quarter result will be arranged today at 4 p.m. Finnish time (3 p.m. CET). Please dial +44 (0)20 3147 4971 or +1 212 444 0889 or +358 (0)9 2310 1667 (pin code: 967176#) 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 to dial is +44 (0)20 7111 1244 (pin code: 967176#). Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

The healthy growth of Group's sales continued in the third quarter, despite continuing uncertainties in the development trend of the economies globally and some unfavorable fishing weathers in some regions. This growth was supported by the increased sales in East Europe, where the growth rates remain strong. In Nordic countries, sales growth was good in Finland and Denmark. Situation was stable in West Europe as well as in North America, where strengthening of US Dollar (USD) further supported the sales growth. In some of the Far East Asian countries the market conditions were more difficult, but the sales were supported by the strengthening of local currencies. The newly acquired and established subsidiaries contributed to the sales growth to some extent.

Net sales for the third quarter increased 21% compared to last year and for the third time this year reached a quarterly record level, now at 60.6 MEUR (50.2 MEUR). The nine-month net sales were 209.0 MEUR (183.1 MEUR), 14% increase from last year.

In the end of September, USD was 7% stronger against euro than one year before, while also the average for the first nine months was 4% stronger, giving positive impact on the US sales. Also most of the other currencies strengthened against euro compared to the year before, giving a positive impact especially on sales in Russia, Canada, Scandinavia, Australia and South Africa. The net effect of the currency movements increased the third quarter net sales by 4.7 MEUR and nine-month sales by 12.9 MEUR. With comparable exchange rates, net sales increased 11% for the quarter and 7% for the nine months.

Following the increase in sales of Lures, Fishing Lines and Fishing Accessories, net sales of Group Fishing Products were up 19% for the quarter and 10% for the nine-month period. Net sales of Other Group Products increased 81% for July to September and 29% for January to September as a result of strong sales performance in winter sports equipment and gift products during the third quarter. Net sales of Third Party Products were up 14% for the quarter and 18% for the nine-month period as sales of all product lines increased from last year.

In North America, despite some slowness in general retail sales caused by increased unemployment and financial insecurity, the net sales increased in local currency and were further supported by strengthening of the USD, increasing net sales by 25% for July to September and 8% for January to September. In the Nordic countries, as a result of strong sales of winter sports equipment in Finland, increased internal sales to other geographical areas, especially to East Europe, and strengthening of Swedish and Norwegian crowns, the net sales increased 30% for the quarter and 8% for the first nine months of the year. Net sales in Rest of Europe were up 16% for the quarter and 18% for the first nine months due to continuing strong customer demand and strengthening of currencies in East Europe, the stabilized conditions in most West European markets as well as the acquisition and establishment of new subsidiaries. Net sales in Rest of the world increased 55% for the quarter and 32% for the first nine months as a result of increased sales of gift products, increased internal sales from Chinese manufacturing and sourcing units to Group's distribution companies and strengthening of currencies.

Financial Results and Profitability

Comparable operating profit, excluding non-recurring items, improved clearly from last year and reached 3.1 MEUR (2.1 MEUR) in July to September and 27.5 MEUR (22.4 MEUR) in January to September. Comparable operating margin continued to improve from last year and amounted to 5.1% (4.1%) for the third quarter and 13.2% (12.2%) for the nine months. This improvement came mainly from increased sales, improvement in gross margin, release of cost provisions and strengthening of several currencies, although in third quarter the net currency impact on profitability was almost neutral.

Reported operating profit was up to 2.9 MEUR (1.9 MEUR) for the quarter and 27.1 MEUR (21.4 MEUR) for the nine months. Reported operating profit included non-recurring business acquisition and restructuring costs of 0.2 MEUR for July to September and 0.4 MEUR for January to September (1.0 MEUR non-recurring costs in 2009 related mainly to impairment of tangible assets in China). Reported operating margin improved to 4.8% (3.8%) for the quarter and 13.0% (11.7%) for the nine months. Return on capital employed improved to 5.7% (4.0%) for July to September and 17.9% (14.7%) for January to September.

Key figures MEUR	**III** **2010**	III 2009	**I-III** **2010**	I-III 2009	I-IV 2009
Net sales	**60.6**	50.2	**209.0**	183.1	234.6
EBITDA as reported	**4.5**	3.3	**31.7**	26.4	28.9
EBITDA excl. one-off items	**4.6**	3.5	**32.1**	26.7	29.2
Operating profit (EBIT)	**2.9**	1.9	**27.1**	21.4	22.1
EBIT excl. one-off items	**3.1**	2.1	**27.5**	22.4	23.5

As a result of improved profitability in Lures and Fishing Lines, operating profit of Group Fishing Products over doubled in the third quarter and was 23% higher for the nine-month period. Operating profit of Other Group Products was significantly higher for July to September and for the nine-month period, especially due to increased profits from winter sports equipment and gift products. Due to reduced profits from third party hunting, outdoor and winter sports products, operating profit of Third Party Products decreased 21% for July to September, but is still up 14% for January to September.

Financial (net) expenses were 1.2 MEUR (gain 0.1 MEUR) for the third quarter, including net interest expenses of 0.7 MEUR (0.8 MEUR) and (net) currency exchange losses of 0.4 MEUR (gain 0.9 MEUR), which were mostly unrealized. For the first nine months, financial (net) expenses were 1.1 MEUR (1.0 MEUR), including net interest expenses of 2.4 MEUR (2.7 MEUR) and (net) currency exchange gains of 1.4 (1.7 MEUR).

Due to increased financial (net) expenses, net profit for July to September decreased 7% and was 1.4 MEUR (1.5 MEUR). Net profit for January to September was 25% higher than last year at 18.9 MEUR (15.1 MEUR). Earnings per share were 0.01 EUR (0.02 EUR) for the third quarter and 0.42 EUR (0.33 EUR) for the nine-month period.

Cash Flow and Financial Position

Following the strong working capital management actions executed in past two years, the focus on working capital management has gradually also turned into securing the service levels to customers and exploiting the sales opportunities. This together with acquisition and establishment of new subsidiaries, the ongoing change of production planning system in China and the strengthening of most currencies against euro resulted in inventories to increase 10.4 MEUR from last September.

Due to smaller than last year quarterly reduction in inventories and non-interest bearing current assets, the cash flow from operating activities in the third quarter dropped from last year's record highs to 7.0 MEUR (20.6 MEUR) and was 15.2 MEUR (18.6 MEUR) for the nine-month period. Net change in working capital was 5.0 MEUR (19.7 MEUR) for July to September and -7.8 MEUR (-2.6 MEUR) for January to September.

Net cash used in investing activities for the third quarter amounted to 7.2 MEUR (1.3 MEUR). In addition to the normal capital expenditure of 1.1 MEUR (1.7 MEUR), the main item was the acquisition of Dynamite Baits Ltd ("Dynamite") with an effect of 6.0 MEUR, of which 1.3 MEUR relates to an escrow account deposit. Cash used in investing activities for the nine-month period amounted to 11.6 MEUR (3.7 MEUR).

Net interest-bearing debt was 87.9 MEUR, 4.6 MEUR higher than September 2009 and 8.5 MEUR higher than December 2009. The liquidity of the Group remained good. Equity-to-assets ratio improved slightly from September 2009 to 41.9% and weakened from December (September 2009: 41.4% and Dec 2009: 42.8%). Gearing improved from both September and December 2009 and reached 70.4% (September 2009: 75.2% and Dec 2009: 71.1%).

Strategy Implementation

During the third quarter the Group continued the implementation of its strategy of profitable growth by acquiring 100% of the share capital of Dynamite, a manufacturer of premium carp baits, having its manufacturing facilities and offices in Nottingham, United Kingdom. In 2009, the net sales of Dynamite were some 7.9 MEUR of which some 20% was outside the UK. It is a market leader in UK and has a good market share in a few other European countries. Group aims to significantly expand its sales to carp fishermen in the next few years by more than doubling Dynamite's 2009 sales.

Acquisition of Dynamite makes Rapala a strong player in the European carp fishing market, the fastest growing market in fishing throughout the Europe. Acquisition also contributes to the Group's brand strategy and portfolio and leverages Rapala's unique sourcing and distribution platforms. Following the acquisition the UK distribution of Rapala's other products can be combined into the Dynamite's efficient UK distribution system.

Implementation of the Group's strategy also continued by further developing the new distribution units as well as investigating new distribution possibilities especially in the Rest of the world. Also implementation of performance improvement initiatives continued.

Working capital and cash flow management were still one of the top priorities for the Group, but following the positive results in this field in the past 18 months, the focus on inventory management has also turned into securing the service levels to the customers and exploiting the sales opportunities. Work to develop the Group's supply chain, including among others changes in production planning and development of systems for purchasing and inventory management, progressed and will continue throughout 2010 and further to 2011 with target to ensure good services levels to customers without excess inventory levels.

Also development of organic growth in terms of extensions of current product categories continued. New products for the season 2011 were introduced to the market in summer and for example the Group's new innovative Sufix 832 fishing line, featuring Gore fibers, has been received exceptionally well in all world markets.

Several discussions and negotiations regarding acquisitions and business combinations continued during the quarter.

Short-term Outlook

Despite the continuing uncertainties on the development trend and pace of the global economies, Group's business has developed well this year and the view on the general market situation continues to be optimistic, while still cautious. In East Europe, the market has continued to grow strongly. In most West European markets, the situation has stabilized, whereas in Asia there is more uncertainty. In Nordic markets, the beginning of coming winter season is supported with good preorders of winter sports equipment, while the success will partly depend on the weathers. In North America, the retail business is generally slow due to the economic uncertainties, but Group's business is growing modestly. Customers continue to be cautious of the market development and their inventories and, accordingly, there is some uncertainties concerning the timing of the year-end shipments. Group is prepared to provide improved service level to the customers and this has influenced the prioritization in the working capital management initiatives.

At the end of September 2010, the Group's order backlog was up 50% from last September at 40.9 MEUR (27.3 MEUR). This increase comes from all geographical areas, with main contribution from Nordic countries and the USA.

It is expected that for the full year 2010 the net sales will increase 10-15% and comparable operating margin will be in double digits.

Group continues to implement its strategy for profitable growth, emphasizing sales, delivery and supply chain performance, innovations and development of new products, while simultaneously firmly driving down the working capital and rigorously managing the cash flow and profitability.

Fourth quarter interim report and annual accounts 2010 will be published on February 10, 2011.

Helsinki, October 21, 2010

Board of Directors of Rapala VMC Corporation

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	III 2010	III 2009	I-III 2010	I-III 2009	I-IV 2009
Net sales	**60.6**	50.2	**209.0**	183.1	234.6
Other operating income	**0.2**	0.2	**0.4**	0.6	1.2
Materials and services	**28.7**	24.7	**96.4**	84.4	108.4
Personnel expenses	**14.1**	12.5	**43.2**	39.6	53.8
Other costs and expenses	**13.5**	9.9	**38.0**	33.3	44.7
EBITDA	**4.5**	3.3	**31.7**	26.4	28.9
Depreciation and amortization	**1.6**	1.4	**4.6**	5.0	6.9
Operating profit (EBIT)	**2.9**	1.9	**27.1**	21.4	22.1
Financial income and expenses	**1.2**	-0.1	**1.1**	1.0	2.1
Share of results in associated companies	**0.0**	0.0	**0.0**	0.0	0.0
Profit before taxes	**1.7**	2.1	**26.0**	20.3	19.9
Income taxes	**0.3**	0.6	**7.0**	5.3	5.7
Net profit for the period	**1.4**	1.5	**18.9**	15.1	14.3
Attributable to:					
Equity holders of the Company	**0.5**	0.8	**16.3**	13.0	12.1
Non-controlling interests	**0.9**	0.6	**2.6**	2.1	2.2
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR (diluted = non-diluted)	**0.01**	0.02	**0.42**	0.33	0.31

STATEMENT OF COMPREHENSIVE INCOME MEUR	III 2010	III 2009	I-III 2010	I-III 2009	I-IV 2009
Net profit for the period	**1.4**	1.5	**18.9**	15.1	14.3
Other comprehensive income, net of tax					
Change in translation differences	**-6.5**	-0.3	**5.1**	0.0	1.5
Gains and losses on cash flow hedges	**0.0**	-0.6	**-1.5**	-0.2	-0.1
Gains and losses on hedges of net investments	**1.3**	0.0	**-0.9**	0.1	0.2
Total other comprehensive income, net of tax	**-5.1**	-0.9	**2.7**	-0.1	1.6
Total comprehensive income for the period	**-3.7**	0.6	**21.6**	14.9	15.9
Total comprehensive income attributable to:					
Equity holders of the Company	**-4.5**	0.0	**18.8**	12.8	13.6
Non-controlling interests	**0.8**	0.6	**2.9**	2.2	2.3

STATEMENT OF FINANCIAL POSITION	**Sept 30**	Sept 30	Dec 31
MEUR	**2010**	2009	2009
ASSETS			
Non-current assets			
Intangible assets	**66.9**	56.8	58.3
Property, plant and equipment	**28.1**	27.0	27.5
Non-current financial assets			
Interest-bearing	**1.8**	0.4	0.5
Non-interest-bearing	**9.1**	7.2	8.0
	105.9	91.3	94.2
Current assets			
Inventories	**106.7**	96.3	94.4
Current financial assets			
Interest-bearing	**0.1**	0.0	0.2
Non-interest-bearing	**53.9**	43.7	43.5
Cash and cash equivalents	**31.6**	36.3	29.0
	192.3	176.3	167.0
Assets classified as held-for-sale	-	0.3	-
Total assets	**298.2**	267.9	261.2
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**117.8**	106.6	107.4
Non-controlling interests	**7.1**	4.1	4.2
	124.9	110.7	111.7
Non-current liabilities			
Interest-bearing	**37.5**	43.9	36.0
Non-interest-bearing	**13.5**	9.8	10.1
	51.0	53.7	46.0
Current liabilities			
Interest-bearing	**83.9**	76.2	73.1
Non-interest-bearing	**38.5**	27.3	30.5
	122.4	103.5	103.5
Total equity and liabilities	**298.2**	267.9	261.2

KEY FIGURES	**III**	III	**I-III**	I-III	I-IV
	2010	2009	**2010**	2009	2009
EBITDA margin, %	**7.4%**	6.6%	**15.2%**	14.4%	12.3%
Operating profit margin, %	**4.8%**	3.8%	**13.0%**	11.7%	9.4%
Return on capital employed, %	**5.7%**	4.0%	**17.9%**	14.7%	11.5%
Capital employed at end of period, MEUR	**212.8**	194.0	**212.8**	194.0	191.1
Net interest-bearing debt at end of period, MEUR	**87.9**	83.3	**87.9**	83.3	79.4
Equity-to-assets ratio at end of period, %	**41.9%**	41.4%	**41.9%**	41.4%	42.8%
Debt-to-equity ratio at end of period, %	**70.4%**	75.2%	**70.4%**	75.2%	71.1%
Earnings per share, EUR	**0.01**	0.02	**0.42**	0.33	0.31
Fully diluted earnings per share, EUR	**0.01**	0.02	**0.42**	0.33	0.31
Equity per share at end of period, EUR	**3.02**	2.73	**3.02**	2.73	2.75
Average personnel for the period	**2 308**	2 356	**2 365**	2 263	2 259

Definitions of key figures in the interim report are consistent with those in the Annual Report 2009.

STATEMENT OF CASH FLOWS	**III**	III	**I-III**	I-III	I-IV
MEUR	**2010**	2009	**2010**	2009	2009
Net profit for the period	**1.4**	1.5	**18.9**	15.1	14.3
Adjustments to net profit for the period *	**4.0**	1.7	**13.4**	11.8	14.7
Financial items and taxes paid and received	**-3.4**	-2.3	**-9.4**	-5.8	-7.4
Change in working capital	**5.0**	19.7	**-7.8**	-2.6	3.0
Net cash generated from operating activities	**7.0**	20.6	**15.2**	18.6	24.6
Investments	**-1.1**	-1.7	**-4.5**	-4.3	-6.7
Proceeds from sales of assets	**0.0**	0.4	**0.1**	1.7	2.6
Dynamite Baits acquisition, net of cash	**-4.7**	-	**-4.7**	-	-
Sufix brand acquisition	**-**	-	**-1.2**	-1.1	-1.1
Ultrabite brand acquisition	**-**	-	**-**	-	-0.9
Acquisition of other subsidiaries, net of cash	**0.0**	-	**0.0**	-0.1	-0.1
Change in interest-bearing receivables	**-1.3**	0.1	**-1.3**	0.0	-0.1
Net cash used in investing activities	**-7.2**	-1.3	**-11.6**	-3.7	-6.3
Dividends paid	**-**	**-**	**-7.4**	-7.5	-7.5
Net funding	**-6.1**	-22.8	**6.5**	-0.8	-12.8
Purchase of own shares	**-0.4**	-0.4	**-0.9**	-0.5	-0.6
Net cash generated from financing activities	**-6.4**	-23.2	**-1.8**	-8.7	-20.8
Adjustments	**0.4**	-0.5	**-0.6**	-0.6	0.8
Change in cash and cash equivalents	**-6.2**	-4.4	**1.1**	5.6	-1.7
Cash & cash equivalents at the beginning of the period	**39.7**	40.6	**29.0**	30.6	30.6
Foreign exchange rate effect	**-2.0**	0.1	**1.5**	0.1	0.1
Cash and cash equivalents at the end of the period	**31.6**	36.3	**31.6**	36.3	29.0

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

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
MEUR	Share capital	Share premium fund	Fair value reserve	Cumul. translation differences	Fund for invested non-restricted equity	Own shares	Retained earnings	Non-controlling interests	**Total equity**
Equity on Jan 1, 2009	**3.6**	**16.7**	**-0.3**	**-13.8**	**4.9**	**-0.9**	**91.5**	**1.9**	**103.7**
Comprehensive income*	-	-	-0.2	0.0	-	-	13.0	2.2	**14.9**
Purchase of own shares	-	-	-	-	-	-0.5	-	-	**-0.5**
Dividends paid	-	-	-	-	-	-	-7.5	-	**-7.5**
Share based payment	-	-	-	-	-	-	0.1	-	**0.1**
Equity on Sept 30, 2009	**3.6**	**16.7**	**-0.5**	**-13.8**	**4.9**	**-1.3**	**97.1**	**4.1**	**110.7**
Equity on Jan 1, 2010	**3.6**	**16.7**	**-0.3**	**-12.3**	**4.9**	**-1.4**	**96.3**	**4.2**	**111.7**
Comprehensive income*	-	-	-1.5	4.0	-	-	16.3	2.9	**21.6**
Purchase of own shares	-	-	-	-	-	-0.9	-	-	**-0.9**
Dividends paid	-	-	-	-	-	-	-7.4	-	**-7.4**
Share based payment	-	-	-	-	-	-	-0.1	-	**-0.1**
Equity on Sept 30, 2010	**3.6**	**16.7**	**-1.9**	**-8.3**	**4.9**	**-2.3**	**105.0**	**7.1**	**124.9**

* For the period (net of tax)

SEGMENT INFORMATION*

MEUR	**III**	III	**I-III**	I-III	I-IV
Net Sales by Operating Segment	**2010**	2009	**2010**	2009	2009
Group Fishing Products	**29.7**	25.0	**110.1**	100.1	126.8
Other Group Products	**5.8**	3.2	**14.8**	11.5	17.8
Third Party Products	**25.3**	22.2	**84.7**	71.9	90.6
Intra-Group (Other Group Products)	**-0.2**	-0.1	**-0.6**	-0.4	-0.6
Total	**60.6**	50.2	**209.0**	183.1	234.6
Operating Profit by Operating Segment					
Group Fishing Products	**0.7**	0.3	**17.4**	14.2	15.7
Other Group Products	**1.1**	0.3	**1.7**	0.2	0.5
Third Party Products	**1.1**	1.4	**8.0**	7.0	5.8
Total	**2.9**	1.9	**27.1**	21.4	22.1

	Sept 30	Sept 30	Dec 31
Assets by Operating Segment	**2010**	2009	2009
Group Fishing Products	**185.3**	153.9	159.6
Other Group Products	**10.2**	9.3	10.2
Third Party Products	**69.3**	68.0	61.9
Intra-Group (Other Group Products)	**-0.1**	-0.1	0.0
Non-interest bearing assets total	**264.7**	231.2	231.6
Unallocated interest-bearing assets	**33.4**	36.8	29.6
Total assets	**298.2**	267.9	261.2
Liabilities by Operating Segment			
Group Fishing Products	**35.9**	24.4	30.8
Other Group Products	**2.4**	3.7	2.5
Third Party Products	**13.8**	9.0	7.2
Intra-Group (Group Fishing Products)	**-0.1**	-0.1	0.0
Non-interest bearing liabilities total	**52.0**	37.1	40.5
Unallocated interest-bearing liabilities	**121.4**	120.0	109.1
Total liabilities	**173.3**	157.2	149.6

	III	III	**I-III**	I-III	I-IV
Net Sales by Area**	**2010**	2009	**2010**	2009	2009
North America	**12.7**	10.2	**51.8**	48.0	61.1
Nordic	**21.7**	16.7	**85.5**	78.9	102.0
Rest of Europe	**24.3**	20.9	**85.3**	72.3	89.7
Rest of the world	**19.4**	12.5	**54.8**	41.5	55.3
Intra-Group	**-17.6**	-10.0	**-68.4**	-57.6	-73.5
Total	**60.6**	50.2	**209.0**	183.1	234.6

* The operating segments include the following product lines: Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories, Other Group Products include Group manufactured and/or branded gift products and products for winter sports and some other businesses and Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports.

**Geographical sales information has been prepared on source basis i.e. based on the location of the business unit. Each area shows the sales 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.

KEY FIGURES BY QUARTERS	I	II	III	IV	I-IV	**I**	**II**	**III**
MEUR	2009	2009	2009	2009	2009	**2010**	**2010**	**2010**
Net sales	65.2	67.7	50.2	51.4	234.6	**70.8**	**77.6**	**60.6**
EBITDA	11.6	11.5	3.3	2.5	28.9	**13.1**	**14.1**	**4.5**
Operating profit	10.0	9.4	1.9	0.7	22.1	**11.7**	**12.5**	**2.9**
Profit before taxes	8.5	9.8	2.1	-0.4	19.9	**12.1**	**12.1**	**1.7**
Net profit for the period	6.2	7.4	1.5	-0.8	14.3	**9.1**	**8.4**	**1.4**

NOTES TO THE INCOME STATEMENT AND FINANCIAL POSITION

The financial statement figures included in this release are unaudited.

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 2009, except for the adoption of the new or amended standards and interpretations. Adoption of the amended standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) had impact on accounting of non-controlling interest and amount of goodwill booked. Costs related to acquisitions have been recognized in income statement and conditional purchase prices have been assessed at a fair market value, and a later change shall be recognized in income statement. Adoption of amendments of IFRS 2 and IAS 39 as well as the new interpretations, IFRIC 17 and IFRIC 18 did not result in any changes in the accounting principles that would have affected the information presented in this interim report.

Use of estimates and rounding of figures

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.

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 2010. Material events after the end of the interim period, if any, have been discussed in the interim review by the Board of Directors.

Inventories

On September 30, 2010, the book value of inventories included a provision for net realizable value of 3.3 MEUR (2.4 MEUR at September 30, 2009 and 3.0 MEUR at December 31, 2009).

Impact of acquisitions on the consolidated financial statements

In February 2010, Rapala purchased a 10% minority stake of the Group’s Hungarian distribution company. This acquisition raised Rapala’s ownership to 66.6%. Acquisition has no significant impact on the Group’s consolidated financial statements.

On August 27, Rapala acquired 100% of the share capital of UK based Dynamite Baits Ltd (“Dynamite”), a manufacturer of boilies, groundbaits, liquid attractants, pellets and bagged particle baits for sport fishing. The total consideration for the deal is some GBP 5.3 million (some EUR 6.5 million). The total consideration is subject to finalization and audit of closing accounts, and realization of some contingent liabilities. Fair value of Dynamite’s assets and liabilities at the date of acquisition are provisional. Dynamite has its own efficient distribution system in the UK securing deliveries directly to some 1 200 sales outlets. Its products enjoy an excellent reputation for catching fish. The acquisition of Dynamite brings Rapala into an important segment of the bait market in which it has not been represented before.

Acquisition of Dynamite contributed EUR 0.8 million to the I-III/2010 net sales and EUR 0.0 million to the net profit for the first nine months. If this acquisition had taken place at the beginning of the year, it would have contributed EUR 7.2 million to the I-III/2010 net sales and EUR 0.5 million to the net profit for the first nine months.

Sept 30, 2010 MEUR	Fair value	Seller's carrying amount
Cash and cash equivalents and interest-bearing assets	**0.2**	**0.2**
Inventories	**1.4**	**1.4**
Trade and other non-interest bearing receivables	**1.4**	**1.4**
Intangible assets	**6.6**	**-**
Tangible assets	**0.5**	**0.5**
Trade and other non-interst bearing payables	**-1.7**	**-1.7**
Interest-bearing liabilities	**-0.7**	**-0.7**
Deferred tax liability	**-1.9**	**0.0**
Non-controlling interest	**0.0**	**-**
Fair value of acquired net assets	**5.7**	**1.0**

MEUR	I-III/2010
Cash paid upon closing	**4.9**
Cash to be paid later 1)	**1.3**
Contingent consideration	**0.2**
Total purchase consideration	**6.5**
Goodwill	**0.7**
Cash paid for the acquisitions	**4.9**
Cash and cash equivalents acquired	**-0.2**
Net cash flow	**4.7**

1) Paid to an escrow account.

EUR 1.3 million of the total consideration has been paid to an escrow account and will be released to sellers in 3 years.

The contingent consideration requires acquired company Dynamite to receive a tax benefit of EUR 0.2 million based on preliminary tax calculations. Contingent consideration will be paid to sellers when the tax benefit is finally confirmed, approximately in year 2012. The discounted value of the contingent consideration EUR 0.2 million was estimated by applying the income approach assuming a discount rate of 1%.

The transaction costs of EUR 0.2 million have been expensed and are included in the other operating expenses in the income statement and treated as a non-recurring item.

Acquired companies are accounted for using the purchase method of accounting, which involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

The fair value of acquired intellectual property rights is established with the estimated discounted royalty payments. Determination of fair value is the market based estimated royalty rate (normalized net cash flow), that an external party would be willing to pay for the license contract. The fair value of customer relations is established based on the estimated duration of customer relationship (average minimum duration) and discounted net cash flows of present customer relationships.

The goodwill of 2010 (EUR 0.7 million) resulted from acquiring Dynamite. Goodwill is justified by expansion of product assortment and market coverage as well as utilization of economies of scale in production, sourcing and distribution. The goodwill will be tested for impairment.

None of the goodwill is expected to be deductible for income tax purposes.

Non-recurring income and expenses included in operating profit MEUR	**III** **2010**	III 2009	**I-III** **2010**	I-III 2009	I-IV 2009
Sale of Hong Kong office premises	**-**	-	**-**	-	0.5
Restructuring of Chinese manufacturing operations *	**-**	-0.1	**-**	-0.1	-0.4
Consolidation of French operations	**-**	-	**-**	0.0	0.0
Closure of Irish lure factory	**-**	0.0	**-**	-0.1	-0.1
Costs related to business acquisitions	**-0.2**	-	**-0.2**	-	-
Other restructuring costs	**0.0**	-0.1	**-0.2**	-0.2	-0.4
Other non-recurring items	**-**	-	**-**	-	-0.1
Total included in EBITDA	**-0.2**	-0.1	**-0.4**	-0.3	-0.3
Non-recurring impairment of non-current assets in China	**0.0**	-	**0.0**	-0.7	-0.7
Non-recurring impairment of non-current assets in Hungary	**-**	-	**-**	-	-0.3
Total included in operating profit	**-0.2**	-0.1	**-0.4**	-1.0	-1.4

* Includes redundancy and other costs as well as gains and losses from the sale of fixed assets.

Commitments MEUR	**Sept 30** **2010**	Sept 30 2009	Dec 31 2009
On own behalf			
Business mortgage	**16.1**	16.1	16.1
Guarantees	**0.2**	0.7	0.2
Minimum future lease payments on operating leases	**9.6**	10.4	10.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-III 2010					
Associated company Lanimo Oü	**0.1**	**-**	**-**	**0.0**	**-**
Entity with significant influence over the Group*	**-**	**0.1**	**0.1**	**0.0**	**-**
Management	**-**	**0.2**	**-**	**0.0**	**0.1**
I-III 2009					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.1	0.0	0.0	-
Management	-	0.2	0.0	-	0.0
I-IV 2009					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	0.2	0.1	0.0	-
Management	-	0.3	0.0	0.0	0.0

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

Open derivatives MEUR	Nominal amount	Positive fair values	Negative fair values	Net fair values
September 30, 2010				
Foreign currency options and forwards	**10.7**	**0.1**	**0.5**	**-0.4**
Interest rate swaps	**85.8**	**-**	**2.5**	**-2.5**
Total	**96.5**	**0.1**	**3.0**	**-2.9**
September 30, 2009				
Foreign currency options and forwards	1.9	0.0	0.0	0.0
Interest rate swaps	138.5	0.0	0.7	-0.7
Total	140.4	0.0	0.7	-0.7
Dec 31, 2009				
Foreign currency options	7.1	0.1	-	0.1
Interest rate swaps	98.0	0.0	0.5	-0.5
Total	105.0	0.2	0.5	-0.3

Group's financial risks and hedging principles are described in detail in the Annual Report 2009.

Share-based payments

The Group had two separate share-based payment programs in place on September 30, 2010: one synthetic option program settled in cash and one share reward program settled in shares. On March 31, 2010, the exercise period for the 2004B stock option program expired.

The IFRS accounting effect on operating profit was +0.3 MEUR (-0.1 MEUR) for the third quarter and +0.2 MEUR (-0.2 MEUR) for the first nine months of the year 2010 due to change in fair value of programs and change in non-market criteria, and -0.3 MEUR for the financial year 2009. Terms and conditions of the share-based payment programs are described in detail in the Annual Report 2009.

Shares and share capital

Based on authorization given by the Annual General Meeting (AGM) 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 AGM. 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 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 AGM.

On September 30, 2010, 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 2010 was 39 468 449. On February 4, 2010, the Board decided to continue buying back own shares in accordance with the authorization granted by the AGM on April 7, 2009. The repurchasing of shares ended on March 31, 2010 when Rapala held 368 144 own shares. On April 27 and on July 22, the Board decided again to continue buying back own shares in accordance with the authorization granted by the AGM on April 14, 2010. The repurchasing ended on September 30, 2010, when Rapala held 503 000 of its own shares, representing 1.3% of the total number of Rapala shares and the total voting rights. The average price for the repurchased own shares in January-September 2010 was EUR 5.59.

During the first nine months of 2010, 2 542 189 shares (1 556 882) were traded at a high of EUR 6.04 EUR and a low of 4.80 EUR. The closing share price at the end of the period was 6.00 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. Accordingly, Group management also continued to develop risk management practices and internal controls during 2010. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2009.

Due to the nature of the fishing tackle business and the geographical scope of Group's operations, Group's business has traditionally been seasonally stronger in the first half of the financial year compared to the second half. The biggest deliveries for both summer and winter seasons are concentrated into relatively short time-periods, which require proper functioning of Group’s supply chain. Group's sales are also to some extent affected by weather. In northern hemisphere summer fishing season is approaching its end and the success of the coming season for winter sports equipment is partly dependent on the timing and length of the winter weathers together with functioning of the supply chain.

A major supply chain and logistics initiative started in 2009 to shorten the lead-times and further improve the service levels to customers continues in 2010. Before fully implemented, this initiative may temporarily have negative impact on Group’s inventory levels. In 2009 and 2010 Group has paid close attention on improving cash flow and reducing inventory levels. Increasing focus has now also been given to securing the service levels to customers, which may also require additional inventories.

The Group renegotiated its bank covenants during the second quarter of 2009 and as one of the results has now more flexibility to the most critical cash flow covenant also for 2010 and onwards. Covenants are monitored closely on a monthly basis.

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 when retailers reduce their inventory levels and face financial challenges. Also quick and strong increases in living expenses and uncertainties concerning employment may temporarily affect consumer spending also in fishing tackle, even though historically the underlying consumer demand has proven to be fairly solid.

The truly global nature of Group's sales and operations is spreading the market risks caused by the current uncertainties concerning the recovery of the global economy. Group is still cautiously monitoring the development in the various markets, as the W-effect of the economies can’t be fully ruled out yet. Such effect in conjunction with some drastic changes in currency rates could suddenly change the business sentiment. Due to these uncertainties in future demand and the length of Group’s internal supply chain, the supply chain management is balancing between risk of shortages and risk of excess production and purchasing and consequent excess inventories in the Group. Also the importance of cash collection and credit risk management has increased and this may affect sales to some customers.

Group's sales and profitability are impacted by the changes in foreign exchange rates, especially US dollar and other currencies connected to it. 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 some of the future USD-nominated purchases, the Group has entered into currency hedging agreements. As the Group is not applying hedge accounting in accordance with IAS 39, also the change in fair value of these unrealized currency hedging agreements has an impact on the Group's operating profit. The strengthening of Chinese renmimbi, which started in June, together with possible future strengthening of US dollar is putting pressure on Group’s costs. The Group is closely monitoring the situation and considering possibility and feasibility of price increases and hedging actions.

The market prices of some commodity raw materials have started to increase again and this may also put pressure on pricing of some products in the future.

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