

October 23, 2009 at 9.30 am

INTERIM REPORT FOR JANUARY TO SEPTEMBER 2009**Major cash flow improvement as a result of strong execution of working capital management**

- Net sales for the third quarter were 50.2 MEUR (III/08: 52.7 MEUR). Net sales for the first nine months decreased to 183.1 MEUR (I-III/08:192.1 MEUR).
- Operating profit for July to September, excluding non-recurring items, was affected by the decrease in sales and especially negative currency movements in Scandinavia and East Europe and totaled 2.0 MEUR (3.6 MEUR). Comparable operating profit for the nine-month period was 22.4 MEUR (27.4 MEUR). Reported operating profit was 1.9 MEUR (3.6 MEUR) for the quarter and 21.4 MEUR (28.1 MEUR) for the first nine months of the year.
- Net profit for the third quarter was 1.5 MEUR (2.0 MEUR) and 15.1 MEUR (18.2 MEUR) for the first nine months of the year. Earnings per share were 0.02 EUR (0.03 EUR) for July to September and 0.33 EUR (0.40 EUR) for January to September.
- The major working capital initiative started last November progressed and the positive results continued to increase during the third quarter. Accordingly, the cash flow from operating activities for the third quarter improved clearly to 20.6 MEUR (14.0 MEUR) and was 18.6 MEUR (3.8 MEUR) for the first nine months. Additional improvements are expected to materialize during the fourth quarter and in 2010.
- Implementation of the Group's strategy for profitable growth continued with set-up of new distribution companies in Romania, Belarus and China as well as performance improvement initiatives in China and Hungary.
- Orders for Group branded lures have increased strongly and the Group lure manufacturing facilities in Europe and China are currently running at full capacity.
- It is expected that the net sales for 2009 will be somewhat below the level of 2008.
- Due to the prioritization of cash flow and reduction of inventory over profitability as well as weakening of several currencies, the comparable operating margin for 2009 is expected to be in the range of 10-12%. Improvement of cash flow remains the top priority in the Group while strong emphasis on innovation and development of new products continues.

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 3 p.m. Finnish time (2 p.m. CET). Please dial +44 (0)20 7784 1038 or +1 347 366 9564 (pin code: 247330#) 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: 247330#) to dial is +44 (0)20 7111 1244. Financial information and teleconference replay facility are available at www.rapala.com.

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Market Situation and Sales

While the general market situation has not changed a lot, new positive signs have been witnessed in several countries. In North America and Europe, there are signs of increasing business activity. In North America, orders for especially lures have increased to a record level. There are positive indications also in the East Europe but their effect on Group net sales is strongly diluted by the weakening of local currencies. Sales in Baltic countries continued poor as a result of the credit crisis and bad economic situation. The general market conditions in Asia continued tight during the third quarter but increased business activity was recorded especially in South East Asia and Australia.

Net sales for July to September, which is seasonally a slow quarter, were below last year levels at 50.2 MEUR (2008: 52.7 MEUR). Net sales for the first nine months were 183.1 MEUR (192.1 MEUR). For the quarter, US dollar (USD) was close to last year levels but strengthened for the nine-month period. The net effect of the strengthening of USD and weakening of many East European currencies as well as Swedish and Norwegian crowns decreased the net sales for the third quarter by 2.4 MEUR and 3.6 MEUR for the first nine months.

Net sales of Group Fishing Products were up 8% for the third quarter and 7% for the first nine months of the year. Net sales of Other Group Products decreased more than half for the quarter and more than one third for the nine-month period as a result of reduced sales of gift products and subcontracting services. Net sales of Third Party Products decreased 6% for July to September and 12% for January to September mainly because of the weakening of many East European and Scandinavian currencies and reduced sales of higher price category products like fishing electronics and expensive reels while the sales of winter sports equipment was up both for the quarter and the nine-month period.

Net sales in North America increased 3% for the third quarter and 12% for the first nine months of the year as a result of increased business activity and strengthening of the USD. In the Nordic countries, third quarter net sales decreased 23% as a result of reduced distribution volumes of especially hunting products and decrease in factory sales of fishing products to support the working capital initiative as well as weakening of Swedish and Norwegian crowns. Accordingly, the nine-month net sales in Nordics were down 10%. Net sales in Rest of Europe were down by 4% for the quarter and 13% for the nine-month period mainly due to weakened currencies in East Europe. Measured in local currencies, the net sales of Rest of Europe increased in the third quarter. Net sales in Rest of the World decreased 6% in July to September but were still up 5% for January to September mainly as a result of the new sales of Sufix products.

Financial Results and Profitability

Operating profit for the third quarter, excluding non-recurring items, was affected by the decrease in sales and especially negative currency movements in Scandinavia and East Europe and reached 2.0 MEUR (3.6 MEUR). Profitability was also affected by sales

campaigns in several countries to reduce inventories as part of the ongoing working capital project. Comparable operating margin for the third quarter was 4.0% (6.8%).

Reported operating profit for the third quarter was 1.9 MEUR (3.6 MEUR) including non-recurring costs of 0.1 MEUR. Reported three-month operating margin was 3.8% (6.8%) and return on capital employed 4.0% (7.7%).

Key figures	III	III	I-III	I-III	I-IV
MEUR	2009	2008	2009	2008	2008
Net sales	50.2	52.7	183.1	192.1	243.0
EBITDA as reported	3.3	5.2	26.4	32.7	37.5
EBITDA excl. one-off items	3.4	5.2	26.7	32.0	36.7
Operating profit as reported	1.9	3.6	21.4	28.1	31.3
Operating profit excl. one-offs	2.0	3.6	22.4	27.4	30.5

Comparable operating profit for the first nine months was down as a result of decrease in sales, stock-clearance sales and negative currency movements and reached 22.4 MEUR (27.4 MEUR). On the other hand, fixed costs for the 9-month period were down 5% as a result of several performance improvement initiatives carried out during the last two years. Operating margin, excluding non-recurring items, decreased to 12.2% (14.3%).

Reported operating profit for the first nine months amounted to 21.4 MEUR (28.1 MEUR) including 1.0 MEUR of non-recurring costs and write-downs. Operating profit for January to September in 2008 included 0.7 MEUR (net) non-recurring gains. Reported nine-month operating margin was 11.7% (14.6%) and return on capital employed 14.7% (20.1%).

Operating profit of Group Fishing Products decreased strongly for the third quarter as a result of weakening of many currencies and stock-clearance sales and was 8% below last year level for the first nine months. Operating profit of Other Group Products fell close to break-even for both for the quarter and for the nine-month period as a result of the major drop in sales of gift products and subcontracting services. Operating profit of Third Party Products decreased 6% for July to September and 37% for January to September due to negative currency movements and reduced sales.

Financial (net) expenses were positive 0.1 MEUR (expense of 1.0 MEUR) for the third quarter. Net interest expenses were down to 0.8 MEUR (1.3 MEUR) and the (net) currency exchange gains booked in financial items were 0.9 MEUR (0.3 MEUR). For the first nine months financial (net) expenses were 1.0 MEUR (3.4 MEUR), net interest expenses 2.7 MEUR (4.1 MEUR) and (net) currency exchange gains 1.7 MEUR (0.8 MEUR).

Net profit decreased for the third quarter to 1.5 MEUR (2.0 MEUR) and for the first nine months of the year to 15.1 MEUR (18.2 MEUR). Earnings per share were 0.02 EUR (0.03 EUR) for July to September and 0.33 EUR (0.40 EUR) for January to September.

Cash Flow and Financial Position

The major working capital initiative started last November progressed and the positive results continued to increase during the third quarter. Accordingly, the cash flow from operating activities for the third quarter increased clearly to 20.6 MEUR (14.0 MEUR) and was 18.6 MEUR (3.8 MEUR) for the first nine months. Additional improvements are expected to materialize during the fourth quarter and in 2010.

As a result of the strong execution of working capital management, inventories decreased 6.8 MEUR in the third quarter and, non-interest bearing assets, mainly trade receivables, decreased 15.5 MEUR. The Group's working capital project includes a wide variety of actions, i.e. to develop the Group's internal and external supply chains, change ways of working in production planning and internal order management and to implement supporting IT systems to facilitate the current and new processes. After a pilot project, the management decided in September to implement a global logistics software to support the working capital and supply chain management.

Cash used in investing activities amounted to 1.3 MEUR (1.6 MEUR) for the third quarter. In addition to the normal capital expenditure of 1.7 MEUR (1.6 MEUR) and 0.0 MEUR (1.4 MEUR) of acquisitions, it included 0.4 MEUR (1.6 MEUR) proceeds from sales of assets. Net cash used in investing activities for the nine-month period was 3.7 MEUR (4.9 MEUR), including capital expenditure of 4.3 MEUR (4.8 MEUR), acquisitions of 1.2 MEUR (1.8 MEUR) and 1.7 MEUR (1.6 MEUR) proceeds from sales of assets.

Net interest-bearing debt was down from last September at 83.3 MEUR (Dec 2008: 89.5 MEUR) as cash was released from working capital. The liquidity of the Group remained good and even improved during the quarter. Equity-to-assets ratio improved from last September and reached 41.4% (Dec 2008: 38.0%). Also gearing was better than in last September at 75.2% (Dec 2008: 86.4%).

Strategy Implementation - Growth

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

The process to establish a distribution company in Romania to support the sales growth in South East Europe continued and the company was registered in October. The new distribution company is fully operational by the end of the year.

The Group also started the process to establish a distribution company in Belarus to support the sales growth in the country. Until now, products to Belarus markets have been supplied from various surrounding countries.

The process to set-up a company in China to distribute Group's gift products in this very quickly growing market was initiated in the third quarter. This distribution company will be fully operational in the beginning of 2010.

Integration of the Sufix business acquired in 2008 progressed on plan and will be completed by the end of the year.

Strategy Implementation - Profitability

Strong emphasis on performance improvement initiatives continued in the third quarter while the benefits from the ongoing and finalized initiatives continued to capitalize.

The performance improvement initiative started in the second quarter in Hungary progressed on plan. The aim of the project is to ensure continuous leadership in the fast growing South East European market as well as improved financial performance and reduced working capital.

The performance improvement initiatives at the Group's manufacturing facilities in China continued. As a result of streamlining the operations, increasing subcontracting and cutting the capacity to more quickly adjust to and, more accurately meet the market requirements, the Group has reduced the headcount in China considerably. Further development and fine-tuning of the new operating model in the Chinese manufacturing operations will continue during the coming months.

In Hong Kong, the Group signed the agreement to sell its office premises as part of the restructuring of operations in China. The headquarters of Chinese manufacturing operations will move into smaller leased premises by the end of the fourth quarter when the sale transaction is expected to be closed. When completed, the Group will record a 0.5 MEUR non-recurring gain on the deal.

A major supply chain and logistics initiative, started during the second quarter, to shorten the lead times, lower the inventories and, further improve the service levels to customers, has been expanded to cover the Group's manufacturing and distribution units globally.

Total Group headcount at the end of September was 1 976, down 44% from September 2008. This major reduction results mainly from the changes in the operating model in the Chinese manufacturing.

Short-term Outlook

While the general market situation has not changed a lot during 2009, new positive signs have recently been witnessed in several countries. In addition to increased business activity, American Sportfishing Association just announced that the sales of US fishing licenses were up 8% for the first half of 2009. It is though expected that the general uncertainty in the world economy will still continue during the coming months. This will most likely continue to affect



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the ordering behavior of many customers and maintain the need for quick deliveries and short lead-times.

Due to this challenging market situation and the weakening of many currencies in countries where the Group operates, it is expected that the net sales for 2009 will be somewhat below 2008 level. Due to the prioritization of cash flow and reduction of inventory over profitability as well as weakening of several currencies, the comparable operating margin for 2009 is expected to be in the range of 10-12%.

While the Group continues to implement its strategy for profitable growth, reducing working capital and increasing cash flow from operating activities continue to be the top priority for the next few months together with the finalization of the ongoing performance improvement initiatives. Also strong emphasis on innovation and development of new products continues.

At the end of September 2009, the Group's order backlog was down 1% from last September to 26.8 MEUR (Dec. 2008: 34.5 MEUR). Orders for Group branded lures have though increased clearly and the Group lure manufacturing facilities in Europe and China are currently running at full capacity.

The fourth quarter interim report and annual accounts 2009 will be published on February 4.

Helsinki, October 23, 2009

Board of Directors of Rapala VMC Corporation

October 23, 2009 at 9.30 am

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INCOME STATEMENT	III	III	I-III	I-III	I-IV
MEUR	2009	2008	2009	2008	2008
Net sales	50.2	52.7	183.1	192.1	243.0
Other operating income	0.2	0.5	0.6	2.3	3.1
Cost of sales	30.4	31.0	104.0	105.7	135.3
Other costs and expenses	16.6	17.0	53.3	56.0	73.2
EBITDA	3.3	5.2	26.4	32.7	37.5
Depreciation and amortization	1.4	1.6	5.0	4.7	6.2
Operating profit	1.9	3.6	21.4	28.1	31.3
Finance income and expenses	-0.1	1.0	1.0	3.4	4.8
Share of results in associates	0.0	0.0	0.0	0.0	0.0
Profit before taxes	2.1	2.6	20.3	24.6	26.5
Income taxes	0.6	0.6	5.3	6.4	7.3
Net profit for the period	1.5	2.0	15.1	18.2	19.2

Attributable to:

Equity holders of the Company	0.8	1.2	13.0	15.8	17.7
Minority interest	0.6	0.7	2.1	2.4	1.6

Earnings per share for profit attributable

to the equity holders of the Company:

Earnings per share, EUR (diluted = non-diluted)	0.02	0.03	0.33	0.40	0.45
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STATEMENT OF COMPREHENSIVE INCOME

MEUR	III	III	I-III	I-III	I-IV
	2009	2008	2009	2008	2008
Net profit for the period	1.5	2.0	15.1	18.2	19.2
Other comprehensive income, net of tax:					
Change in translation differences	-0.3	3.3	0.0	0.3	-1.2
Gains and losses on cash flow hedges	-0.6	0.0	-0.2	-0.1	-0.2
Gains and losses on hedges of net investments	0.0	-1.3	0.1	-1.4	-2.8
Fair value gains on available-for-sale investments	-	-	-	-	-0.1
Total other comprehensive income, net of tax	-0.9	2.0	-0.1	-1.2	-4.3
Total comprehensive income for the period	0.6	4.0	14.9	17.0	14.9

Total comprehensive income attributable to:

Equity holders of the Company	0.0	3.3	12.8	14.6	13.4
Minority interest	0.6	0.7	2.2	2.4	1.6

STATEMENT OF FINANCIAL POSITION
MEUR

	Sept 30 2009	Sept 30 2008	Dec 31 2008
ASSETS			
Non-current assets			
Intangible assets	56.8	57.5	57.6
Property, plant and equipment	27.0	28.8	28.7
Non-current financial assets			
Interest-bearing	0.4	0.6	0.5
Non-interest-bearing	7.2	7.7	7.7
	<u>91.3</u>	<u>94.6</u>	<u>94.6</u>
Current assets			
Inventories	96.3	93.3	98.4
Current financial assets			
Interest-bearing	0.0	0.4	0.4
Non-interest-bearing	43.7	55.2	49.5
Cash and cash equivalents	36.3	27.0	30.6
	<u>176.3</u>	<u>175.9</u>	<u>178.9</u>
Assets classified as held-for-sale	0.3	-	-
Total assets	<u><u>267.9</u></u>	<u><u>270.5</u></u>	<u><u>273.4</u></u>
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	106.6	103.3	101.7
Minority interest	4.1	3.1	1.9
	<u>110.7</u>	<u>106.3</u>	<u>103.7</u>
Non-current liabilities			
Interest-bearing	43.9	48.8	42.8
Non-interest-bearing	9.8	9.8	10.5
	<u>53.7</u>	<u>58.7</u>	<u>53.3</u>
Current liabilities			
Interest-bearing	76.2	68.1	78.1
Non-interest-bearing	27.3	37.4	38.3
	<u>103.5</u>	<u>105.5</u>	<u>116.4</u>
Total equity and liabilities	<u><u>267.9</u></u>	<u><u>270.5</u></u>	<u><u>273.4</u></u>

KEY FIGURES

	III 2009	III 2008	I-III 2009	I-III 2008	I-IV 2008
EBITDA margin, %	6.6%	9.8%	14.4%	17.0%	15.5%
Operating profit margin, %	3.8%	6.8%	11.7%	14.6%	12.9%
Return on capital employed, %	4.0%	7.7%	14.7%	20.1%	16.9%
Capital employed at end of period, MEUR	194.0	195.3	194.0	195.3	193.2
Net interest-bearing debt at end of period, MEUR	83.3	89.0	83.3	89.0	89.5
Equity-to-assets ratio at end of period, %	41.4%	39.4%	41.4%	39.4%	38.0%
Debt-to-equity ratio at end of period, %	75.2%	83.7%	75.2%	83.7%	86.4%
Earnings per share, EUR	0.02	0.03	0.33	0.40	0.45
Fully diluted earnings per share, EUR	0.02	0.03	0.33	0.40	0.45
Equity per share at end of period, EUR	2.73	2.62	2.73	2.62	2.59
Average personnel for the period	2 356	4 477	2 263	4 374	4 143

Definitions of key figures used in the interim report are consistent with those used in the Annual Report 2008.

STATEMENT OF CASH FLOWS

MEUR	III 2009	III 2008	I-III 2009	I-III 2008	I-IV 2008
Net profit for the period	1.5	2.0	15.1	18.2	19.2
Adjustments to net profit for the period *	1.7	1.5	11.8	10.2	13.0
Financial items and taxes paid and received	-2.3	-3.0	-5.8	-9.3	-14.0
Change in working capital	19.7	13.5	-2.6	-15.2	-12.7
Net cash generated from operating activities	20.6	14.0	18.6	3.8	5.4
Investments	-1.7	-1.6	-4.3	-4.8	-7.1
Proceeds from sales of assets	0.4	1.6	1.7	1.6	2.2
Sufix brand acquisition	-	-1.4	-1.1	-1.4	-1.5
Acquisition of subsidiaries, net of cash	-	0.0	-0.1	-0.4	-0.5
Change in interest-bearing receivables	0.1	-0.1	0.0	0.0	0.0
Net cash used in investing activities	-1.3	-1.6	-3.7	-4.9	-6.8
Dividends paid	0.0	-	-7.5	-6.9	-6.9
Net funding	-22.8	-10.5	-0.8	7.8	11.9
Purchase of own shares	-0.4	-0.3	-0.5	-0.5	-0.9
Net cash generated from financing activities	-23.2	-10.7	-8.7	0.3	4.1
Adjustments	-0.5	0.9	-0.6	0.3	0.9
Change in cash and cash equivalents	-4.4	2.6	5.6	-0.4	3.6
Cash & cash equivalents at the beginning of the period	40.6	23.8	30.6	27.3	27.3
Foreign exchange rate effect	0.1	0.6	0.1	0.1	-0.4
Cash and cash equivalents at the end of the period	36.3	27.0	36.3	27.0	30.6

* 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								Total equity
	Share capital	Share premium fund	Fair value reserve	Cumul. trans- lation diffe- rences	Fund for invested non-rest- ricted equity	Own sha- res	Re- tained earn- ings	Mino- rity inte- rest	
Equity on Jan 1, 2008	3.6	16.7	0.0	-9.8	4.9	-	80.6	0.9	96.9
Comprehensive income*	-	-	-0.1	-1.1	-	-	15.8	2.4	17.0
Purchase of own shares	-	-	-	-	-	-0.5	-	-	-0.5
Dividends paid	-	-	-	-	-	-	-6.9	-	-6.9
Share based payment	-	-	-	-	-	-	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
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

* For the period (net of tax)

SEGMENT INFORMATION*	III	III	I-III	I-III	I-IV
Net Sales by Operating Segment	2009	2008	2009	2008	2008
Group Fishing Products	25.2	23.4	100.5	93.8	120.4
Other Group Products	2.8	5.8	10.5	16.2	22.7
Third Party Products	22.4	23.8	72.5	82.8	100.7
Intra-Group	-0.1	-0.2	-0.4	-0.6	-0.9
Total	50.2	52.7	183.1	192.1	243.0
Operating Profit by Operating Segment					
Group Fishing Products	0.4	1.7	14.3	15.6	19.7
Other Group Products	0.1	0.3	0.0	1.2	1.3
Third Party Products	1.5	1.6	7.1	11.2	10.4
Total	1.9	3.6	21.4	28.1	31.3
Assets by Operating Segment					
	Sept 30		Sept 30		Dec. 31
	2009		2008		2008
Group Fishing Products	151.6		165.2		167.5
Other Group Products	10.8		12.4		9.3
Third Party Products	68.9		65.0		65.3
Intra-Group	-0.1		-0.1		-0.1
Non-interest bearing assets total	231.2		242.5		242.0
Unallocated interest-bearing assets	36.8		28.0		31.4
Total assets	267.9		270.5		273.4
Liabilities by Operating Segment					
Group Fishing Products	24.4		33.7		30.1
Other Group Products	3.6		1.8		2.6
Third Party Products	9.2		11.9		16.1
Intra-Group	-0.1		-0.1		-0.1
Non-interest bearing liabilities total	37.1		47.2		48.8
Unallocated interest-bearing liabilities	120.0		116.9		121.0
Total liabilities	157.2		164.1		169.7
Net Sales by Area**					
	III	III	I-III	I-III	I-IV
MEUR	2009	2008	2009	2008	2008
North America	10.2	9.9	48.0	42.7	57.5
Nordic	16.7	21.6	78.9	87.4	105.9
Rest of Europe	20.9	21.7	72.3	83.3	101.3
Rest of the world	12.5	13.3	41.5	39.7	54.3
Intra-Group	-10.0	-13.8	-57.6	-60.9	-76.0
Total	50.2	52.7	183.1	192.1	243.0

* The new operating segments (IFRS 8) 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 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	2008	2008	2008	2008	2008	2009	2009	2009
Net sales	65.1	74.2	52.7	50.9	243.0	65.2	67.7	50.2
EBITDA	12.2	15.4	5.2	4.8	37.5	11.6	11.5	3.3
Operating profit	10.6	13.8	3.6	3.2	31.3	10.0	9.4	1.9
Profit before taxes	9.3	12.8	2.6	1.9	26.5	8.5	9.8	2.1
Net profit for the period	6.8	9.4	2.0	1.0	19.2	6.2	7.4	1.5

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 2008, except for the adoption of the new or amended standards and interpretations. Adoption of the amended standard IAS 1 affected the presentation of Group's consolidated financial statements, especially the consolidated income statement and the statement of changes in equity. Adoption of IFRS 8 changed the presentation of segment information. Adoption of IAS 23, IAS 32, IFRS 2 and IAS 39/IFRS 7 as well as the new interpretations, IFRIC 13, IFRIC 15 and IFRIC 16 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 2009. 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, 2009, the book value of inventories differed from its net realizable value by 2.4 MEUR (2.0 MEUR at September 30, 2008 and 2.4 MEUR at December 31, 2008).

Assets held-for-sale and sale of assets

As part of the consolidation of French operations, Rapala sold few warehouses and office buildings in France in 2008. This resulted in a capital gain of 1.4 MEUR in 2008. Rapala is in the process of disposing its old office premises in Hong Kong, which are recognized as assets held-for-sale in September 2009.

Non-recurring income and expenses included in operating profit	III	III	I-III	I-III	I-IV
MEUR	2009	2008	2009	2008	2008
Consolidation of French operations	-	-0.1	0.0	-0.2	-0.1
Closure of Irish lure factory	0.0	-	-0.1	0.0	0.0
Sale of French warehouse and office building	-	0.2	-	1.4	1.4
Other restructuring costs	-0.2	0.0	-0.3	-0.2	-0.3
Other non-recurring items	-	-	-	-0.2	-0.2
Total included in EBITDA	-0.1	0.0	-0.3	0.7	0.8
Non-recurring impairment of tangible assets in China	-	-	-0.7	-	-
Total included in operating profit	-0.1	0.0	-1.0	0.7	0.8

Commitments MEUR	Sept 30 2009	Sept 30 2008	Dec 31 2008
On own behalf			
Business mortgage	16.1	16.1	16.1
Guarantees	0.7	0.5	0.3
Minimum future lease payments on operating leases	10.4	9.9	11.3

Related party transactions MEUR	Purchases	Rents paid	Other expenses	Receivables	Payables
I-III 2009					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group* Management	-	0.1	0.0	0.0	-
	-	0.2	0.0	-	0.0
I-III 2008					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group Management	-	0.1	0.0	0.0	-
	-	0.1	0.0	-	0.0
I-IV 2008					
Associated company Lanimo Oü	0.1	-	-	0.0	-
Entity with significant influence over the Group* Management*	-	0.2	0.1	0.0	0.0
	-	0.2	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
Sept 30, 2009				
Foreign currency 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
Sept 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
Dec 31, 2008				
Foreign currency forwards	7.2	0.3	-	0.3
Interest rate swaps	14.1	0.0	0.4	-0.4
Total	21.3	0.3	0.4	-0.1

Group's financial risks and hedging principles are described in detail in the Annual Report 2008.

Share-based payments

The Group had three separate share-based payment programs in place on September 30, 2009: one stock option program, one synthetic option program settled in cash and one share reward program settled in shares.

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.

Options are valued at fair value on the grant date by using the Black-Scholes option-pricing model. Regarding the option programs in place, 454 750 share options (2004B) were granted on June 8, 2004, 46 250 share

options (2004B) on February 14, 2006 and 978 500 synthetic options (2006A and 2006B) on December 14, 2006. On March 31, 2009, the exercise period for the 2004A stock option program expired. 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 5.95 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. Terms and conditions of the option programs are described in detail in the Annual Report 2008.

In March 2009, Rapala announced that its Board had approved a new share-based incentive plan (Plan) for the Group's key personnel. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares. The Plan includes one earning period, which commenced on January 1, 2009 and will end on December 31, 2010. The potential reward from the Plan will be based on the Rapala's earnings per share (EPS) in 2010. The potential reward from the Plan will be paid as the Company's shares in 2011. The target group of the Plan consists of 50 key employees. The gross rewards to be paid on the basis of the Plan will correspond to the value of a maximum total of 200 000 Rapala shares.

The IFRS accounting effect on operating profit was -0.1 MEUR (0.0 MEUR) for the first quarter and -0.2 MEUR (+0.2 MEUR) for the first nine months. The effect was +0.3 MEUR for the financial year 2008.

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 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, 2009, 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 2009 was 39 468 449. On February 6, 2009 the Board decided to continue 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 March 30, 2009 when Rapala held 221 936 own shares. Based on the Board's decision on July 24, 2009 the repurchasing of own shares continued until September 18, 2009. On September 30, 2009 Rapala held 321 867 of its own shares, representing 0.8% of the total number of Rapala shares and the total voting rights. The average price for the repurchased own shares in January-September 2009 was EUR 4.23.

As a result of the share subscriptions with the 2004B stock option program, and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 38 970 EUR and the number of shares by a maximum of 433 000 shares. The shares that can be subscribed with these stock options correspond to 1.1% of the Company's shares and voting rights.

During the nine months of 2009, 1 556 882 shares (2 860 408) were traded. The shares traded at a high of 5.16 EUR and a low of 3.50 EUR during the period. The closing share price at the end of the period was 4.58 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 has continued to develop risk management practices and this work continues also in 2009. Detailed description of Group's strategic, operative and financial risks and risk management principles are included in the Annual Report 2008, 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 2008 even if more than 40% of the net sales were generated during the second half of the year, almost 80% of the operating profit was still generated in the first six months. In the first half of 2009, deliveries to customers realized mostly according to plan. A major supply chain and logistics initiative was started in the second quarter to shorten the lead times and further improve the service levels to customers.

Group's sales are also to some extent affected by the weather. In several areas, last winter season was longer than previously. This supported the sales of winter sports equipment but simultaneously delayed the beginning of the summer season sales, which led to higher than anticipated inventory levels in the end of March. During the second and third quarter, inventory levels started to decrease mostly as a result of the major ongoing working capital initiative. Further reduction of inventory levels, even at the risk of losing some profit margin, and improvement of cash flow remains a top priority in the Group. The Group renegotiated its bank covenants during the second quarter and as one of the results has now more flexibility to the most critical cash flow covenant especially for the rest of the year but partly also going forward.

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. 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 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 in the global economy. Despite some positive signals received during the third quarter, the Group is still cautiously monitoring the development in the various markets in order to avoid hasty conclusions. Especially, 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. 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 to IAS 39, also the change in fair value of these unrealized currency hedging agreements have an impact on the Group's operating profit. In some countries and especially in Eastern Europe, the local currency weakened dramatically during the second half of last year. This weakening was taken into account in price setting, which has together with the general economic downturn somewhat negatively impacted the number of units sold in these countries. The market price of some commodity raw materials have started to increase again and this may put pressure on pricing of some products in the future.

The integration of the new Sufix fishing line business to the Group's distribution network in 27 countries has progressed well but will still require special attention of the management.

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