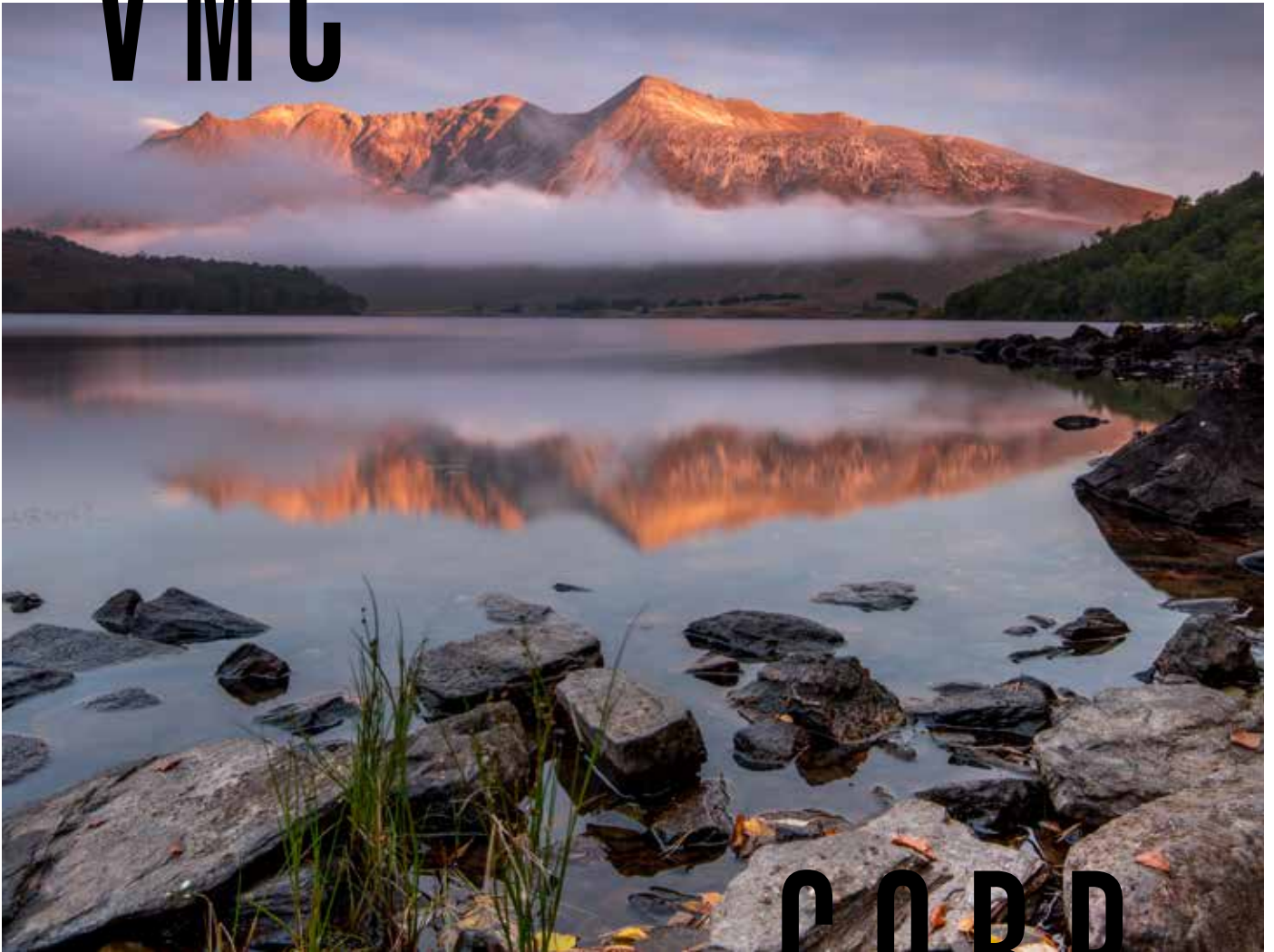


RAPALA VMC



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INTERIM REPORT Q3/2014
OCTOBER 21, 2014

RAPALA VMC CORPORATION'S JANUARY TO SEPTEMBER 2014: THIRD QUARTER SALES AND PROFITABILITY IMPROVED FROM LAST YEAR

July-September in brief:

- Net sales were 67.8 MEUR, up 2% from previous year (66.6). With comparable exchange rates sales grew 5%.
- Comparable operating profit was 4.7 MEUR (3.2).
- Cash flow from operations was 3.0 MEUR (6.7).
- Earnings per share was 0.05 EUR (-0.06).
- Guidance unchanged.

January-September in brief:

- Net sales were 211.7 MEUR, down 5% from previous year (223.3). With comparable exchange rates sales were at last year level.
- Comparable operating profit was 21.1 MEUR (24.4).
- Cash flow from operations was 17.0 MEUR (14.8).
- Earnings per share was 0.25 EUR (0.25).
- Own lure manufacturing operations in China ceased.

President and CEO Jorma Kasslin: "While year 2014 is overall challenging, in the third quarter we managed to recover some of the business we lost previously and reached our third quarter sales and operating profit record. In USA sales developed well after a difficult beginning of the summer season and sales were strong also in many European and Rest of the World countries. Shipments of ice fishing products started well supporting the third quarter. However, the political turbulence is disturbing our business in Russia, as well as the major movements in currencies, which are impacting many of our units. Transfer of production from China to Batam has badly burdened our profitability throughout the year, but now we expect the worst to be behind and this unit to have positive impact on our profitability in fourth quarter."

Key figures

	III	III	change	I-III	I-III	change	I-IV
MEUR	2014	2013	%	2014	2013	%	2013
Net sales	67.8	66.6	+2%	211.7	223.3	-5%	286.6
Operating profit	5.7	2.6	+119%	21.7	24.6	-12%	26.1
% of net sales	8.5%	3.9%		10.3%	11.0%		9.1%
Comparable operating profit *	4.7	3.2	+47%	21.1	24.4	-14%	27.1
% of net sales	7.0%	4.8%		9.9%	10.9%		9.5%
Cash flow from operations	3.0	6.7	-55%	17.0	14.8	+15%	15.3
Gearing %	71.7%	67.7%		71.7%	67.7%		71.2%
EPS, EUR	0.05	-0.06	+183%	0.25	0.25	0%	0.32

* Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

Market environment

Market conditions continue to be challenging with ongoing economical and political uncertainties affecting several markets. This together with devaluation of some currencies have hurt the economies and impacted consumer demand and retailers' purchasing behaviour. On the other hand, market is showing positive signs in several regions. Sales developed positively in USA and several European and Rest of the World countries and pre-sales of ice fishing products for the coming winter season in the North America have been good. Weather conditions improved in many areas, while still in some regions extraordinary weather conditions have hurt sales.

Business Review July-September 2014

The Group's net sales for the third quarter were up 2%. Changes in translation exchange rates decreased sales by approximately 2.0 MEUR. With comparable translation exchange rates quarterly net sales grew 5% from last year.

North America

General economy and consumer sentiment continued gradual improvement. North American sales with comparable rates were up 16% supported by good start of ice fishing sales and recovery of business from second quarter. Weather conditions improved since the beginning of summer shifting sales of fishing tackle products to third quarter.

Nordic

With comparable translation rates Nordic net sales were 1% above last year level, including positive impact from currency nominated accounts receivable. Quarterly sales were negatively impacted by decline in winter sports sales, suppliers' delivery problems and some slow down of fishing tackle product sales. Hunting sales improved in Denmark, while in Sweden sales were lower due to loss of a hunting dealership.

Rest of Europe

With comparable rates net sales of Rest of Europe were down 2%. Sales in Russia and Ukraine continued to suffer from the political and economical unrest and trade sanctions, which also limits the future visibility. Russian Ruble and Ukrainian Hryvnia remain weak and continue to have major negative impact on sales in the Rest of Europe. Excluding Russian and Ukrainian sales the Rest of Europe sales increased 7% from last year, assuming comparable rates. Sales continue to develop well in France as well as in Hungary and Spain where economies show cautious recovery.

Rest of the World

Despite volume growth, net sales declined due to currency impact, most of all South African Rand. With comparable rates sales were 4% above last year's level. Business developed well in most Asian and Latin countries as well as South Africa, while the business conditions were tough in Australia. Economic instability and extreme weathers disturbed the business in Japan.

External Net Sales by Area

	III	III	change	I-IV
MEUR	2014	2013	%	2013
North America	22.2	19.4	+14%	88.4
Nordic	12.5	12.5	0%	60.8
Rest of Europe	24.1	25.7	-6%	103.6
Rest of the World	9.1	9.0	+1%	33.8
Total	67.8	66.6	+2%	286.6

Business Review January-September 2014

The Group's net sales for the nine-months were down 5%. Changes in translation exchange rates explain approximately 10.9 MEUR of the decline in net sales. With comparable translation exchange rates nine-month net sales were at last year's level.

North America

Currencies reduced North American sales compared to last year as with comparable rates net sales were up 1%. Extreme winter weather, late start of spring and rainy summer delayed sales of summer fishing products, but conversely supported the sales of ice fishing products in 2013/2014 winter season as well as pre-sales for 2014/2015 winter season.

Nordic

Nordic sales were down 2% with comparable rates. Nordic countries suffered from late and exceptionally mild and snowless winter 2013/2014, which impacted the sales of winter sports and ice fishing products especially in Finland and has a knock-on impact on sales for coming winter season 2014/2015. Sales in Norway have developed positively whereas fishing tackle sales in other Scandinavian countries have been more difficult. Sales were positively impacted by Marttiini kitchen knife sales in Finland and foreign exchange impact from currency nominated accounts receivable.

Rest of Europe

Political and economical turbulence in Russia and Ukraine had adverse impact on sales in these countries. Currencies, mainly Rouble and Hryvnia, had a clear negative impact on sales in the Rest of Europe compared to last year and with comparable rates net sales were 1% behind last year. Excluding Russian and Ukrainian sales the local currency sales of Rest of Europe improved 3 % from last year supported by growth in France, Poland, Hungary, Spain and UK.

Rest of the World

Despite volume growth, net sales declined due to currency impact, most of all South African Rand and Australian dollar. Local currency sales increased 2% and developed well in several Asian and Latin American countries, while suffered in Australia and Japan. Sales improved also in South Africa despite challenging economical and political situation.

External Net Sales by Area

MEUR	I-III 2014	I-III 2013	change %	I-IV 2013
North America	61.4	63.1	-3%	88.4
Nordic	45.2	47.4	-5%	60.8
Rest of Europe	81.4	87.2	-7%	103.6
Rest of the World	23.8	25.6	-7%	33.8
Total	211.7	223.3	-5%	286.6

Financial Results and Profitability

Comparable (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) and reported operating profit increased from last year for the third quarter reaching all time quarter high, but remained behind last year for the nine-months. Changes in translation exchange rates decreased quarterly operating profit by approximately 0.1 MEUR and nine-month operating profit by approximately 0.7 MEUR. With comparable translation exchange rates comparable operating profit was 1.6 MEUR ahead last year's level for the quarter and 2.6 MEUR behind last year for the nine-months.

Comparable operating profit margin was 7.0% (4.8) for the quarter and 9.9% (10.9) for the nine-month period. Quarterly profitability was supported by increased sales and stable gross margin, which remained healthy despite some clearance sales campaigns. Quarterly profitability was further supported by stable fixed costs and positive impact of the UK joint venture, while hurt by decline in profitability in Russia, strongly impacted by exchange rates. Additionally nine-months profitability was hurt by lower sales in the first half of the year, while supported by recovery of some previously underperforming units. Ramp-up of the new factory in Batam had a significant negative contribution in the Group's profitability throughout the nine-month period.

Respectively reported operating profit margin was 8.5% (3.9) for the quarter and 10.3% (11.0) for the nine-month period. Reported operating profit included net loss of non-recurring items of 0.4 MEUR (0.2) for the quarter and 0.9 MEUR (0.4) for the nine-months related to direct one-off costs on closing down of the manufacturing operations in China. Mark-to-market valuation of operative currency derivatives included in the reported operating profit was 1.5 MEUR gain (0.4 loss) for the quarter, driven by movements in US Dollar, Russian Rouble and Indonesian Rupiah, and 1.6 MEUR gain (0.6 gain) for the nine-months.

Total financial (net) expenses were 2.3 MEUR (3.0) for the quarter and 5.7 MEUR (5.2) for the nine-months. Financial items were negatively impacted by the (net) foreign exchange expenses of 1.2 MEUR (1.9) for the quarter and 2.7 MEUR (2.3) for the nine-months. Net interest and other financing expenses were at last year's level at 1.1 MEUR (1.0) for the quarter and 3.0 MEUR (2.8) for the nine-months.

Net profit increased from last year for the quarter but was behind last year for the nine-month period. Earnings per share were 0.05 EUR (-0.06) for the quarter and 0.25 EUR (0.25) for the nine-months. Nine-month net profit includes a positive tax impact of 1.0 MEUR related to an agreement with the Finnish tax authority on the parent company's taxation in years 2006-2013. The share of non-controlling interest in net profit decreased from last year and totalled 0.7 MEUR (1.1) for the quarter and 1.6 MEUR (3.6) for the nine-months, impacted by the development in Russia and Ukraine.

Key figures

MEUR	III	III	change	I-III	I-III	change	I-IV
	2014	2013	%	2014	2013	%	2013
Net sales	67.8	66.6	+2%	211.7	223.3	-5%	286.6
Operating profit	5.7	2.6	+119%	21.7	24.6	-12%	26.1
Comparable operating profit *	4.7	3.2	+47%	21.1	24.4	-14%	27.1
Net profit	2.7	-1.2	+325%	11.1	13.2	-16%	16.1

* Excluding non-recurring items and mark-to-market valuations of operative currency derivatives.

Segment Review

Group Products

Third quarter sales of Group Products increased 9% from last year with comparable rates following improved summer fishing tackle and ice fishing product sales. Nine-month sales were burdened by foreign exchange rates and with comparable rates net sales were 2% above last year's level. Unfavourable weather conditions had an adverse impact to nine-month summer fishing tackle sales in some markets, especially US. Nine-month sales were also impacted by lower sales of winter fishing and winter sports products in Europe due to mild winter 2013/2014.

Operating profit for Group Products was above last year for the quarter supported by increased sales. Profitability decreased from last year for the nine-month period. Nine-month profitability was impacted by lower sales both at distribution and manufacturing level and costs and interruptions related to closing down of the manufacturing unit in China and ramp-up of the Batam unit.

Third Party Products

Third quarter and nine-month sales of Third Party Products decreased from last year. With comparable rates net sales were down 1% for the quarter and 3% for the nine-month period. Quarterly sales decrease resulted from decline in winter sports and hunting sales, mainly due to loss of a hunting dealership in Sweden. Nine-month sales were challenging due to suppliers' delivery problems, economical instabilities and weather conditions.

Operating profit for Third Party Products was above last year for the quarter and nine-month period supported by favourable exchange rates on purchases and joint venture result while reduced sales burdened profitability.

Reported profitability of both Group and Third Party Products are positively impacted by the mark-to-market valuation of operative currency derivatives.

Net Sales by Segment

MEUR	III	III	change	I-III	I-III	change	I-IV
	2014	2013	%	2014	2013	%	2013
Group Products	41.0	38.2	+7%	131.3	134.7	-3%	176.3
Third Party Products	26.9	28.5	-6%	80.5	88.7	-9%	110.5
Eliminations	0.0	0.0		0.0	-0.1		-0.1
Total	67.8	66.6	+2%	211.7	223.3	-5%	286.6

Operating profit by Segment

	III	III	change	I-III	I-III	change	I-IV
MEUR	2014	2013	%	2014	2013	%	2013
Group Products	3.7	2.1	+76%	13.3	17.4	-24%	19.4
Third Party Products	2.1	0.5	+320%	8.4	7.2	+17%	6.7
Total	5.7	2.6	+119%	21.7	24.6	-12%	26.1

Financial position

Cash flow from operations was down from last year for the quarter at 3.0 MEUR (6.7). Following record cash flow in the first half of the year, nine-month cash flow was ahead of last year at 17.0 MEUR (14.8). Year to date improvement was driven by positive development in the net working capital as especially receivables released more cash in second quarter, simultaneously having negative timing impact on third quarter cash flow. Net change in working capital amounted to 1.4 MEUR (5.1) for the quarter and -1.0 MEUR (-8.0) for the nine-month period. Inventories increased by 4.4 MEUR from last September amounting to 117.2 MEUR (112.8). Currency impact decreased inventories by some 0.9 MEUR. Increase in inventories was driven primarily by lower than expected sales and transfer of production from China to Batam.

Net cash used in investing activities was 2.0 MEUR (3.0) for the quarter and 6.4 MEUR (7.4) for the nine-months, for the most part consisting of normal operative capital expenditure.

Liquidity position of the Group was good. Following an increased focus on cash management, cash and cash equivalents reduced to 12.8 MEUR (24.4) and undrawn committed long-term credit facilities amounted to 78.4 MEUR at the end of the period. Net interest-bearing debt and gearing increased from last year. Equity-to-assets ratio was slightly above last year's level. The Group fulfils all financial covenants related to its credit facilities.

Key figures

	III	III	change	I-III	I-III	change	I-IV
MEUR	2014	2013	%	2014	2013	%	2013
Cash flow from operations	3.0	6.7	-55%	17.0	14.8	+15%	15.3
Net interest-bearing debt at end of period	99.7	93.1	+7%	99.7	93.1	+7%	96.3
Gearing %	71.7%	67.7%		71.7%	67.7%		71.2%
Equity-to-assets ratio at end of period, %	44.1%	43.9%		44.1%	43.9%		44.5%

Strategy Implementation

Execution of the Rapala Group's strategy of profitable growth is based on three cornerstones: brands, manufacturing and distribution, supported by strong corporate culture. During the third quarter strategy implementation continued in various areas.

Ramp-up of the Group's new ice drill manufacturing unit in Korpilahti, Finland, has been finalized and the unit is producing and shipping Mora Ice and Rapala UR branded ice drills and related accessories.

The operations of the Group's own lure manufacturing unit in China ceased during the second quarter. Remaining assets were transferred out and premises handed over during the third quarter. In the future the Group's presence in China is limited to sourcing raw materials, components and finished goods from third party vendors as well as distribution activities. The new lure manufacturing unit in Batam, employing more than 1000 people, is intensively focusing on increasing the operative efficiencies, in order to capitalize the benefits of streamlined production processes and cheaper production costs.

Initiatives to streamline the Group's supply chain are proceeding, focusing on consolidating purchasing and logistics processes in selected third party products in Europe and setting up a new logistics hub in Asia. The Group-level supply chain organization has been strengthened by appointing Group Supply Chain and Sourcing Director. The Group is taking further actions to reduce the inventory levels increased as a result of lower than expected sales.

In September, the Group rearranged its loan and credit facilities in order to decrease interest rate margins, diversify the maturity profile and strengthen the Group's capabilities to finance its strategy of profitable growth.

During third quarter the Group appointed management resources to develop the distribution business in hunting and outdoor distribution categories as the Group is putting more focus on seeking growth in these areas.

Discussions and negotiations regarding acquisitions and business combinations continued during the third quarter of the year, as the Group continues to seek also non-organic growth opportunities.

Product Development

Continuous product development and consistent innovation are core competences for the Group and major contributor to the value and commercial success of the brands.

Manufacturing of new products introduced last summer proceeded during the third quarter, with main shipments in the next two quarters. Development process of next season's product is proceeding according to plans. In addition to product development the Group has put focus on developing the manufacturing processes, in order to further improve efficiency and quality.

Organization and Personnel

Average number of personnel for the third quarter was 2 669 (2 291) and 2 672 (2 347) for the nine-months, majority of the increase relating to expansion of lure manufacturing operations in Batam and reduction of outsourcing in China. At the end of September, the number of personnel was 2 714 (2 511).

Short-term Outlook and Risks

The Group's sales and profitability improved during the third quarter, but the short-term outlook is still cautious and visibility limited.

The deliveries of winter fishing pre-sales have started well and the order book is good especially in North America, but due to nature of this business the final volume and timing will partly depend on the weathers. In Finland winter sports equipment sales is expected to be significantly lower than last year during the last quarter.

The continuing political turbulence between Russia and Ukraine is still a concern for these markets and escalation of the crisis may have negative impacts on customer consumption even more widely in Europe. Drastic changes in foreign exchange rates may continue to impact negatively the profit margins and consumer demand in some countries.

The transfer of own manufacturing operations from China to Batam is now operatively finalized, which will support improvement of the Group's profitability going forward and create solid platform for future development. The transfer project is still subject to final financial assessments, which may trigger some non-recurring items in the year-end.

The Group will intensify actions to bring down the inventory levels increased as a result of lower than expected sales. This should support the cash flow, but may put pressure on the margins next year.

The Group expects full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) to be below 2013 levels.

Short term risks and uncertainties and seasonality of the business are described in more detail in the end of this interim report.

Fourth quarter interim report and annual accounts 2014 will be published on February 13, 2015.

Helsinki, October 21, 2014

Board of Directors of Rapala VMC Corporation

For further information, please contact:

Jorma Kasslin, President and Chief Executive Officer, +358 9 7562 540

Jussi Ristimäki, Chief Financial Officer, +358 40 700 1344

Olli Aho, Investor Relations, +31 653 140 818

A conference call on the quarter result will be arranged today at 12:00 p.m. Finnish time (11:00 p.m. CET). Please dial +44 (0)20 3364 5719 or +1 917 286 8056 or +358 (0)9 2310 1675 (pin code: 409028#) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial is +44 (0)20 3427 0598 (pin code: 3762970). Financial information and teleconference replay facility are available at www.rapalavmc.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

STATEMENT OF INCOME MEUR	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Net sales	67.8	66.6	211.7	223.3	286.6
Other operating income	0.3	0.1	0.6	0.4	0.8
Materials and services	33.6	33.1	97.9	104.3	134.4
Personnel expenses	15.6	15.6	49.6	48.5	64.0
Other costs and expenses	11.6	13.4	38.3	40.7	54.9
Share of results in associates and joint ventures	0.2	-0.1	0.4	-0.2	-0.5
EBITDA	7.5	4.5	27.0	29.9	33.6
Depreciation, amortization and impairments	1.8	1.9	5.2	5.3	7.5
Operating profit (EBIT)	5.7	2.6	21.7	24.6	26.1
Financial income and expenses	2.3	3.0	5.7	5.2	5.5
Profit before taxes	3.5	-0.4	16.0	19.4	20.6
Income taxes	0.8	0.8	4.9	6.3	4.6
Net profit for the period	2.7	-1.2	11.1	13.2	16.1

Attributable to:

Equity holders of the company	2.0	-2.4	9.5	9.5	12.5
Non-controlling interests	0.7	1.1	1.6	3.6	3.6

Earnings per share for profit attributable to the equity holders of the company:

Earnings per share, EUR (diluted = non-diluted)	0.05	-0.06	0.25	0.25	0.32
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STATEMENT OF COMPREHENSIVE INCOME

MEUR	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Net profit for the period	2.7	-1.2	11.1	13.2	16.1
Other comprehensive income, net of tax					
Change in translation differences*	4.7	-1.7	5.7	-4.6	-7.1
Gains and losses on cash flow hedges*	0.0	0.1	0.1	0.8	0.9
Gains and losses on hedges of net investments*	0.0	0.0	0.1	-0.1	-2.3
Actuarial gains (losses) on defined benefit plan	-	-	-	-	0.1
Total other comprehensive income, net of tax	4.7	-1.6	5.9	-3.9	-8.4
Total comprehensive income for the period	7.3	-2.8	16.9	9.3	7.7

Total comprehensive income attributable to:

Equity holders of the Company	6.9	-3.8	15.6	6.3	5.1
Non-controlling interests	0.4	0.9	1.3	2.9	2.6

* Item that may be reclassified subsequently to the statement of income

STATEMENT OF FINANCIAL POSITION MEUR	Sept 30 2014	Sept 30 2013	Dec 31 2013
ASSETS			
Non-current assets			
Intangible assets	73.5	70.6	70.0
Property, plant and equipment	31.5	30.1	30.6
Non-current assets			
Interest-bearing	4.6	3.4	3.0
Non-interest-bearing	10.4	10.3	10.1
	120.0	114.4	113.7
Current assets			
Inventories	117.2	112.8	110.3
Current assets			
Interest-bearing	1.0	1.1	1.0
Non-interest-bearing	64.3	60.9	62.1
Cash and cash equivalents	12.8	24.4	16.9
	195.3	199.2	190.3
Total assets	315.3	313.6	304.1
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the company	129.2	125.3	123.1
Non-controlling interests	9.8	12.3	12.0
	138.9	137.6	135.1
Non-current liabilities			
Interest-bearing	81.8	52.6	39.4
Non-interest-bearing	12.8	13.8	12.8
	94.6	66.4	52.2
Current liabilities			
Interest-bearing	36.2	69.4	77.8
Non-interest-bearing	45.5	40.1	38.9
	81.8	109.6	116.7
Total equity and liabilities	315.3	313.6	304.1

KEY FIGURES	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
EBITDA margin, %	11.1%	6.8%	12.7%	13.4%	11.7%
Operating profit margin, %	8.5%	3.9%	10.3%	11.0%	9.1%
Return on capital employed, %	9.8%	4.4%	12.3%	14.3%	11.4%
Capital employed at end of period, MEUR	238.6	230.8	238.6	230.8	231.4
Net interest-bearing debt at end of period, MEUR	99.7	93.1	99.7	93.1	96.3
Equity-to-assets ratio at end of period, %	44.1%	43.9%	44.1%	43.9%	44.5%
Debt-to-equity ratio at end of period, %	71.7%	67.7%	71.7%	67.7%	71.2%
Earnings per share, EUR (diluted = non-diluted)	0.05	-0.06	0.25	0.25	0.32
Equity per share at end of period, EUR	3.36	3.25	3.36	3.25	3.19
Average personnel for the period	2 669	2 291	2 672	2 347	2 428

Definitions of key figures are consistent with those in the financial statement 2013.

STATEMENT OF CASH FLOWS MEUR	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Net profit for the period	2.7	-1.2	11.1	13.2	16.1
Adjustments to net profit for the period *	3.3	7.0	14.0	17.9	18.6
Financial items and taxes paid and received	-4.3	-4.2	-7.1	-8.3	-8.6
Change in working capital	1.4	5.1	-1.0	-8.0	-10.8
Net cash generated from operating activities	3.0	6.7	17.0	14.8	15.3
Investments	-2.1	-3.0	-5.8	-6.9	-10.7
Proceeds from sales of assets	0.1	-	0.3	0.2	0.2
Sufix brand acquisition	0.0	-	-0.7	-0.7	-0.7
Acquisition of other subsidiaries, net of cash	-	-	-0.2	0.0	0.0
Proceeds from disposal of subsidiaries, net of cash	-	-	-	-	0.5
Change in interest-bearing receivables	0.0	0.0	0.0	0.0	-0.1
Net cash used in investing activities	-2.0	-3.0	-6.4	-7.4	-10.8
Dividends paid to parent company's shareholders	-	-	-9.2	-8.9	-8.9
Dividends paid to non-controlling interest	-3.6	-	-3.6	-	-
Net funding	-0.6	-7.0	-2.2	-11.5	-16.0
Purchase of own shares	-0.1	-0.3	-0.4	-0.8	-1.0
Net cash generated from financing activities	-4.3	-7.3	-15.4	-21.2	-25.9
Adjustments	0.2	0.3	0.3	1.4	1.5
Change in cash and cash equivalents	-3.0	-3.3	-4.4	-12.6	-19.8
Cash & cash equivalents at the beginning of the period	15.6	28.1	16.9	38.2	38.2
Foreign exchange rate effect	0.2	-0.4	0.3	-1.2	-1.4
Cash and cash equivalents at the end of the period	12.8	24.4	12.8	24.4	16.9

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the company

MEUR	Attributable to equity holders of the company								Total equity
	Share capital	Share pre- mium fund	Fair value re- serve	Cumul. trans- diffe- rences	Fund for invested non-rest- ricted equity	Own sha- res	Re- tained earn- ings	Non- contr- olling inte- rests	
Equity on Jan 1, 2013	3.6	16.7	-2.3	-4.1	4.9	-3.4	112.8	9.4	137.7
Comprehensive income *	-	-	0.8	-4.0	-	-	9.5	2.9	9.3
Purchase of own shares	-	-	-	-	-	-0.8	-	-	-0.8
Dividends	-	-	-	-	-	-	-8.9	-	-8.9
Share based payment	-	-	-	-	-	-	0.4	-	0.4
Other changes	-	-	-	-	-	-	0.0	0.0	0.0
Equity on Sep 30, 2013	3.6	16.7	-1.4	-8.1	4.9	-4.2	113.9	12.3	137.6
Equity on Jan 1, 2014	3.6	16.7	-1.4	-12.5	4.9	-4.4	116.2	12.0	135.1
Comprehensive income *	-	-	0.1	6.1	-	-	9.5	1.3	16.9
Purchase of own shares	-	-	-	-	-	-0.4	-	-	-0.4
Dividends	-	-	-	-	-	-	-9.2	-3.6	-12.8
Equity on Sep 30, 2014	3.6	16.7	-1.2	-6.5	4.9	-4.7	116.4	9.8	138.9

* For the period, (net of tax)

SEGMENT INFORMATION*

MEUR	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Net Sales by Operating Segment					
Group Products	41.0	38.2	131.3	134.7	176.3
Third Party Products	26.9	28.5	80.5	88.7	110.5
Eliminations	0.0	0.0	0.0	-0.1	-0.1
Total	67.8	66.6	211.7	223.3	286.6

Operating Profit by Operating Segment

Group Products	3.7	2.1	13.3	17.4	19.4
Third Party Products	2.1	0.5	8.4	7.2	6.7
Total	5.7	2.6	21.7	24.6	26.1

Assets by Operating Segment	Sept 30 2014	Sept 30 2013	Dec 31 2013
Group Products	228.7	214.4	215.7
Third Party Products	68.2	70.2	67.4
Non-interest-bearing assets total	296.9	284.7	283.1
Unallocated interest-bearing assets	18.4	28.9	21.0
Total assets	315.3	313.6	304.1

* Segments are consistent with those in the financial statements 2013. Segments are described in detail in note 2 of the financial statements 2013.

External Net Sales by Area	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
MEUR					
North America	22.2	19.4	61.4	63.1	88.4
Nordic	12.5	12.5	45.2	47.4	60.8
Rest of Europe	24.1	25.7	81.4	87.2	103.6
Rest of the world	9.1	9.0	23.8	25.6	33.8
Total	67.8	66.6	211.7	223.3	286.6

KEY FIGURES BY QUARTERS	I 2013	II 2013	III 2013	IV 2013	I-IV 2013	I 2014	II 2014	III 2014
MEUR								
Net sales	75.3	81.4	66.6	63.3	286.6	66.2	77.7	67.8
EBITDA	10.3	15.2	4.5	3.7	33.6	9.1	10.4	7.5
Operating profit	8.6	13.4	2.6	1.5	26.1	7.4	8.6	5.7
Profit before taxes	8.3	11.6	-0.4	1.2	20.6	5.5	7.0	3.5
Net profit for the period	6.6	7.8	-1.2	2.9	16.1	4.3	4.1	2.7

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 Financial Statements 2013, except for the adoption of the new or amended standards and interpretations.

Adoption of the revised standards IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 as well as the amended standards IAS 36 and IAS 39 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 2014. 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, 2014, the book value of inventories included a provision for net realizable value of 4.6 MEUR (4.4 MEUR at September 30, 2013 and 4.5 MEUR at December 31, 2013).

Impact of business acquisitions on the consolidated financial statements

In January 2014, the Group acquired 100% of the shares and voting rights of a French coarse fishing attractant manufacturer Mystic s.a.r.l.. The consideration amounted to 0.2 MEUR. The closing accounts were finalized during the first quarter and goodwill of 0.3 MEUR was recognized. The acquisition does not have material impact on the result or financial position of the Group.

Non-recurring income and expenses included in operating profit

MEUR	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Closure of Chinese lure manufacturing *	-0.4	-	-0.9	-	-0.8
Other restructuring costs	0.0	0.0	0.0	-0.1	-0.2
Other non-recurring items	0.0	-	0.0	0.0	-0.1
Total included in EBITDA and operating profit	-0.4	0.0	-0.9	-0.2	-1.1
Other non-recurring impairments	-	-0.2	-	-0.2	-0.2
Total included in operating profit	-0.4	-0.2	-0.9	-0.4	-1.3

* The Group classifies all exceptional income and expenses related to the closure of China manufacturing that are not related to normal business operation as non-recurring, primarily consisting of write-offs and one-off costs related to restructuring.

Commitments MEUR	Sept 30 2014	Sept 30 2013	Dec 31 2013
Minimum future lease payments on operating leases	16.1	15.1	16.8

Related party transactions MEUR	Sales and other income	Pur- chases	Rents paid	Other expen- ses	Recei- vables	Paya- bles
I-III 2014						
Joint venture Shimano Normark UK Ltd	2.8	-	-	0.0	0.4	-
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	0.0
I-III 2013						
Joint venture Shimano Normark UK Ltd	2.7	-	-	-	0.4	-
Associated company Lanimo Oü	0.0	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.1	0.1	0.0	0.0
Management	-	-	0.2	-	-	0.0
I-IV 2013						
Joint venture Shimano Normark UK Ltd	3.0	-	-	-	0.1	-
Associated company Lanimo Oü	0.0	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	-	-	0.3	-	-	0.0

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

Open derivatives	Sep 30 2014		Sep 30 2013		Dec 31 2013	
	Nominal Value	Fair Value	Nominal Value	Fair Value	Nominal Value	Fair Value
MEUR						
Operative hedges						
Foreign currency derivatives	44.8	1.5	55.1	0.2	49.4	0.0
Monetary hedges						
Foreign currency derivatives	49.2	-1.1	13.9	-0.1	24.6	0.1
Interest rate derivatives*	110.7	-0.4	79.7	-2.3	69.5	-2.0

* Includes also two cross-currency swaps.

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting are recognized based on their nature either in operative costs, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction. Some derivatives designated to hedge monetary items are accounted for according to hedge accounting. Financial risks and hedging principles are described in detail in the financial statements 2013.

Changes in unrealized mark-to-market valuations for operative foreign currency derivatives

	III 2014	III 2013	I-III 2014	I-III 2013	I-IV 2013
Included in operating profit	1.5	-0.4	1.6	0.6	0.3

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the accounting period. The underlying foreign currency transactions will realize in future periods.

Fair values of financial instruments	Sep 30 2014		Sep 30 2013		Dec 31 2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
MEUR						
Financial assets						
Loans and receivables	74.5	74.5	82.4	82.4	77.8	77.8
Available-for-sale financial assets (level 3)	0.3	0.3	0.3	0.3	0.3	0.3
Derivatives (level 2)	3.4	3.4	0.6	0.6	0.8	0.8
Financial liabilities						
Financial liabilities at amortized cost	142.3	142.7	142.3	142.9	138.1	138.7
Derivatives (level 2)	3.4	3.4	2.9	2.9	2.8	2.8

Shares and share capital

On April 10, 2014 The Annual General Meeting (AGM) updated Board's authorization on repurchase of shares. A separate stock exchange release on the decisions of the AGM was given, and up to date information on the board's authorizations and other decision of the AGM are available also on the corporate website.

At the end of the reporting period the share capital fully paid and reported in the Trade Register was 3.6 MEUR and the total number of shares was 39 000 000. The average number of shares during the reporting period was 39 201 741. During the reporting period, company bought back a total of 15 521 own shares. At the end of the reporting period the company held 506 807 own shares, representing 1.3% of the total number of shares and the total voting rights. The average share price of all repurchased own shares held by the company was 5.15 EUR.

On April 10, 2014 the Board decided to cancel 468 449 treasury shares. The cancellation did not have an effect on the share capital. The cancellation was registered with the Trade Register on April 28, 2014. After the cancellation, the number of Rapala VMC Corporation's shares is 39 000 000.

During the reporting period, 617 698 shares (2 400 379) were traded at a high of 6.00 EUR and a low of 4.95 EUR. The closing share price at the end of the period was 5.32 EUR.

Short term risks and uncertainties

The objective of Rapala VMC Corporation'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 as Rapala VMC Corporation has continued to expand its operations. Accordingly, Group management continuously develops it's risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles are included in the Financial Statements 2013.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half, although this seasonality pattern may partly change as the Group has increased its role in winter fishing business. Weathers impact consumer demand and may have impact on the Group's sales for current and following seasons. The Group is more affected by winter weathers after the expansion into winter fishing business, while the impacts on summer and winter seasons are partly offsetting each other.

The biggest deliveries for both summer and winter seasons are concentrated into relatively short time periods, and hence a well functioning supply chain is required. The uncertainties in future demand as well as the length of the Group's supply chain increases the challenges in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand upwards or downwards may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

The transfer of lure manufacturing operations from China to Batam have increased certain production cost and supply chain risks temporarily, while this risk is now significantly reduced as Chinese operations have ceased and transfer project is practically finalized .

The Group rearranged its main credit facilities in September 2014. These credit facilities include some financial covenants, which are actively monitored. The Group's liquidity and refinancing risks are well under control.

The fishing tackle business has not traditionally been strongly influenced by increased uncertainties and downturns in the general economic climate. They may however 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, sudden fluctuations in foreign exchange rates and governmental austerity measures may temporarily affect consumer spending. Additionally political tensions, such as the conflict between Russia and Ukraine, may have effects on the Group's business. However, the underlying consumer demand has historically proven to be fairly solid.

The truly global nature of the Group's sales and operations spreads the market risks caused by the current uncertainties in the global economy. The Group is cautiously monitoring the development both in the global macro economy as well as in the various local markets it operates in.

Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is monitored closely and write-downs are initiated if needed.

The Group's sales and profitability are impacted by the changes in foreign exchange rates and the risks are monitored actively. To fix the exchange rates of future foreign exchange denominated sales and purchases, the Group has entered into several currency hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IAS 39, the unrealized mark-to-market valuations of currency hedging agreements have an impact on the Group's reported operating profit. The Group is closely monitoring market development as well as its cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

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