

RAPALA VMC



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TRADING REPORT Q3/2016
OCTOBER 28, 2016

RAPALA VMC CORPORATION'S TRADING REPORT JANUARY TO SEPTEMBER 2016: STRONGER THIRD QUARTER IN THE US, BUT CUMULATIVE SALES STILL BEHIND LAST YEAR

January-September in brief:

- Nine months net sales were 202.5 MEUR, down 7% from previous year (218.6). With comparable exchange rates sales down 6%.
- Leverage ratio (net debt to EBITDA) continues to be high and the Group is taking measures to decrease it. The Group expects to be compliant with its loan agreements at the year-end.
- Changes and appointments in management organization effective September 1st 2016.
- Full year (FY) guidance unchanged from H1/2016: Full year net sales and comparable operating profit are expected to be below 2015 levels.

President and CEO Jussi Ristimäki: "The positive highlight of the third quarter was the improved sales in our biggest market in the USA. The US market has been under some turmoil this year and a merger between two of our big customers was just finally announced early October. In Russia, which used to be our second biggest market globally just a few years back, the situation continues to be very challenging. Overall trading conditions continued to be difficult in many of our main markets and 2016 will be a challenging year. Weather conditions will be an uncertain factor during fourth quarter, which can potentially affect winter product sales.

Following the changes in our management organization during this quarter, the key task of the entire management is now to turn the company's financial trends, which have been in downturn in the past few years. We are taking a fresh look at the strategy and working on a plan of actions, which are needed to get us back to growth track, restore the profitability and improve the capital efficiency. We are confident that with our strong brand portfolio, truly global presence through our own distribution network and solid manufacturing platform for our core products we have all the necessary building blocks needed to succeed in the future."

Helsinki, October 28, 2016

Board of Directors of Rapala VMC Corporation

For further information, please contact:

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

Olli Aho, Investor Relations, +358 9 7562 540

Market environment

Year 2016 sales remain behind last year as trading conditions in the third quarter continued to be challenging. Sales for the quarter in the biggest market in the US were above last year's levels. The sales were also improving in Spain, South Africa and Chile supported by expansion into new business segments. The struggling market situation in Russia continued to strongly affect the sales. The sales in France were also down, burdened by tightened competition and reserved consumer market sentiment. Several markets both in Europe and Asia witnessed changes and uncertainties, causing retailers to be careful with their purchasing.

Favorable late summer and early fall weathers were good for the summer fishing tackle sales, but not enough to offset the slower sales in early summer. Last winter's poor sales left a lot of winter fishing and winter sports equipment stock at retail, which has had a negative impact on the winter fishing and winter sports presales.

Business Review January-September 2016

The Group's net sales for the nine months were down 7%. Changes in translation exchange rates decreased sales by approximately 4.0 MEUR for the nine months. Correspondingly with comparable translation exchange rates net sales were down 6% from last year for the nine months.

North America

North American sales for the nine months and third quarter were below last year's levels, although the sales for the third quarter in the Group's biggest market, the US were above last year, supported by fill in orders of summer fishing products and earlier timing of ice fishing sales. While consumer demand for Group's products was good, US retail scene witnessed some turmoil during the nine months of the year impacting the Group, as well as the competition. During the third quarter summer products, especially lure sales were up, while in the nine month period retailers' destocking and changes in purchasing behavior caused slowdown in Group's sales especially on Group branded lures. Weak economic situation continued in Canada, which caused the overall North American third quarter sales to decline from last year.

Nordic

In the Nordic countries the nine months and third quarter sales decreased from last year. In Finland the third quarter sales were below last year driven by slower winter sports and outdoor sales. The sales in Sweden, Norway and Denmark improved from last year's levels on the third quarter and for the nine months of the year. In Denmark and Sweden the sales were supported by recovering hunting sales. Export sales from the Group's manufacturing units to non-Group distribution channels were down compared to last year. Valuation of currency nominated accounts receivable had a notable positive impact on last year's nine month sales. Excluding these valuations, Nordic nine month sales were slightly above last year's level.

Rest of Europe

The sales were below last year's level for the nine months and the third quarter of the year, following slowdown in sales especially in big markets Russia and France. Currency exchange rate changes, especially Russian Ruble, had a negative impact on the regions sales. The instability and uncertainties in Russia and Ukraine continued to impact sales volumes in the respective countries. Consumers' reduced purchasing power further slowed down the sales in Russia in the third quarter. Excluding Russia and Ukraine the sales decreased 4% from last year with comparable rates for the nine months and decreased 6% for the third quarter. In France the reserved market sentiment and tightened price competition continued to burden the sales. In Poland the strong sales for the third quarter were boosted by closeout sales of a third party category. The nine month sales in Spain were above last year's level supported partly by increased export sales to Latin America.

Rest of the World

The region's sales for the nine months and third quarter of the year were behind last year. Currency exchange rate changes, especially South African Rand, had a negative impact on the regions sales. The sales were burdened by struggling Asian markets, especially in Southeast Asia where the Group's distribution organization is being restructured. The sales in South Africa continued strong and were supported by new outdoor and hunting business. The sales in Chile were stronger than last year with growth in hunting products and group-branded fishing tackle. Export sales from the Group's manufacturing units to non-Group distribution channels were down compared to last year. Valuation of currency nominated accounts receivable had a positive impact on last year's nine month and quarterly sales.

External Net Sales by Area

MEUR	Q1-Q3 2016	Q1-Q3 2015	change %	comparable change %	FY 2015
North America	67.7	73.4	-8%	-8%	99.2
Nordic	44.2	45.6	-3%	-2%	56.2
Rest of Europe	66.8	73.1	-9%	-5%	86.9
Rest of the World	23.8	26.5	-10%	-5%	35.9
Total	202.5	218.6	-7%	-6%	278.2

MEUR	Q3 2016	Q3 2015	change %	comparable change %	FY 2015
North America	21.3	21.8	-2%	-2%	99.2
Nordic	10.9	11.4	-4%	-4%	56.2
Rest of Europe	18.7	21.7	-14%	-11%	86.9
Rest of the World	8.5	9.7	-12%	-11%	35.9
Total	59.4	64.5	-8%	-7%	278.2

Segment Review

Group Products

The Group products sales were below last year's levels for the nine months in nearly all categories. In the third quarter the sales of fishing lures were well above last year's level in the US, and at last year's level for the Group. The third quarter fishing accessory sales were below last year's level. The sales of Group Products for the nine months were above last year's levels in Spain, Chile and South Africa.

Third Party Products

The sales of Third Party Products for the nine months and third quarter were below last year's level. The economic situation in Russia continued to reduce the Third Party Fishing products sales in the region. Also the difficult market situation in France affected negatively the Third Party Products sales. Third Party Hunting sales were up from last year for the nine months in the new hunting distribution countries and for the third quarter in Nordic. Currency fluctuations had major negative impact on nine month sales especially in Russia and South Africa.

Net Sales by Segment

MEUR	Q1-Q3 2016	Q1-Q3 2015	change %	comparable change %	FY 2015
Group Products	132.9	144.5	-8 %	-7%	184.7
Third Party Products	69.6	74.0	-6 %	-3%	93.5
Eliminations					0.0
Total	202.5	218.6	-7 %	-6%	278.2

MEUR	Q3 2016	Q3 2015	change %	comparable change %	FY 2015
Group Products	37.9	41.0	-8%	-7%	184.7
Third Party Products	21.5	23.6	-9%	-7%	93.5
Eliminations					0.0
Total	59.4	64.5	-8%	-7%	278.2