

RAPALA

REMUNERATION REPORT 2020

This Remuneration Report sets out how Rapala VMC Corporation (the “Company”, “Rapala”) has implemented its Remuneration Policy in 2020. This report includes information concerning remuneration of the Board of Directors (“Board”) and the President and CEO of Rapala between 1 January 2020 and 31 December 2020.

The Report has been reviewed by the remuneration committee of Rapala’s Board of Directors (“Remuneration Committee”) and approved by the Board of Directors. The Annual General Meeting 2021 makes a consultative decision as to whether it approves this Remuneration Report.

OVERVIEW OF REMUNERATION IN 2020

Remuneration of the Rapala governing bodies is based on the Remuneration Policy that was presented for a consultative decision at the Annual General Meeting held on 26 March 2020. The policy will be applied until the Annual General Meeting 2024, unless the Board decides to bring it for an advisory decision at an earlier General Meeting.

The decision-making process on remuneration, as defined in the Remuneration Policy, has been followed in the remuneration decision-making in 2020. No temporary deviations from Remuneration Policy were applied in 2020. Furthermore, the Board did not observe any circumstances or activities that would have resulted in a need to apply claw-back clauses applicable to the President and CEO’s variable remuneration in 2020.

Business review 2020

2020 was an exceptional and two-folded year for the Group due to the COVID-19 pandemic. During the first half of the year, trading conditions were significantly weakened by the pandemic and the restrictions that followed. In the ramp-up period starting in June, however, trading conditions recovered quickly and the demand for fishing tackle products, as for many other outdoor products, was particularly high.

The Group’s net sales for the year were 5.1% below last year with reported translation exchange rates. With comparable translation exchange rates, net sales were organically down by 2.5% from the comparison period. As expected, sales were decreased by the termination of Shimano and certain other Third Party distribution agreements. On the other hand, Group Products sales grew from 2019 despite the difficult first half of the year impacted by the COVID-19 pandemic.

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit increased by 3.7 MEUR from the comparison period. The change in translation exchange rates was negative and with comparable translation exchange rates comparative operating profit increased by 4.3 MEUR. Reported operating profit decreased by 2.7 MEUR from the previous year and the items affecting comparability had a negative impact of 10.8 MEUR (4.4) on reported operating profit.

Financial result and performance 2020

Comparable operating profit margin was 8.2% (6.5) for the year. The increased profitability was driven by improved gross margin as the share of higher margin Group Products sales of total sales increased. Furthermore, decreased operating expenses had a significant impact on the profitability improvement from the previous year. During the first half of the year, the Group quickly reacted to the COVID-19 pandemic by implementing a forceful COVID-19 mitigation plan. The Group continued the tight cost control during the second half of the year even though the demand and sales increased to higher levels. As a result of the successful implementation and execution of the mitigation plan, operating expenses substantially decreased from the comparison period.

Reported operating profit margin was 4.1% (4.9) for the year. Reported operating profit included impact of mark-to-market valuation of operative currency derivatives of -0.1 MEUR (-0.4). Net expenses of other items affecting comparability included in the reported operating profit were -10.7 MEUR (-4.0). Other items affecting comparability consisted mainly of expenses related to the restructuring of European business and ramp down of Asian lure manufacturing operations in Batam. In Europe, several distribution sites were closed or downsized as the centralized Pärnu distribution centre was set up. Furthermore, cost structure was streamlined in Europe following the Shimano exit for non-JV countries and exit of hunting business.

Total financial (net) expenses were 4.2 MEUR (3.6) for the year. Net interest and other financing expenses were 3.2 MEUR (2.5) and (net) foreign exchange expenses were 1.0 MEUR (1.1). Net profit for the year decreased by 0.7 MEUR and was 3.4 MEUR (4.1) and earnings per share were 0.04 EUR (0.10). The share of non-controlling interest in net profit increased compared to previous year and totalled 1.0 MEUR (-0.4).

In line with the Remuneration Policy, remuneration in 2020 has aimed to contribute to positive development of shareholder value, enhance competitiveness and long-term financial success and the fulfilment of the Company’s strategy. The President and CEO’s remuneration has consisted of fixed salary and a performance-based short-term incentive scheme that has had a direct link to the Company’s strategy execution and financial performance. The Board of Directors resolved on the earning opportunities and performance targets for the short-term incentive at the beginning of the financial year. The performance metrics for 2020 were based on organic sales growth, return on operative capital and execution of the Company’s strategic plan.

Due to COVID-19 pandemic, the Board resolved on amendments to the performance criteria during the year to emphasize the importance of cash flow and profitability in the extraordinary operating environment with several risks.

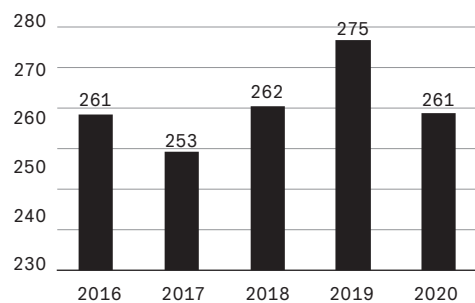
Thanks to our relatively strong performance despite challenging environment, the criteria outcome in the short-term incentive plan 2020 was close to the target level set by the Board. See application of performance criteria in more detail in section “Remuneration of the President and CEO”. Total Compensation paid to the President and CEO in 2020 was 292 897 €.

DEVELOPMENT OF FINANCIAL PERFORMANCE AND REMUNERATION

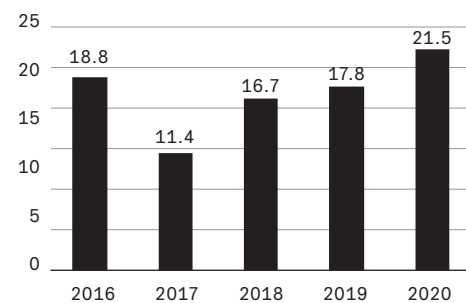
5-year Development of Financial Performance

Rapala VMC's net sales in the past years has been impacted by decreasing 3rd Party Products sales, whereas the Group Product's sales continued to increase in 2020. As a result of strong strategy execution and restructurings, the comparable EBIT has been on an increasing trend and this continued in 2020. Future strategy is based on growth in Group Products business and increasing operational performance.

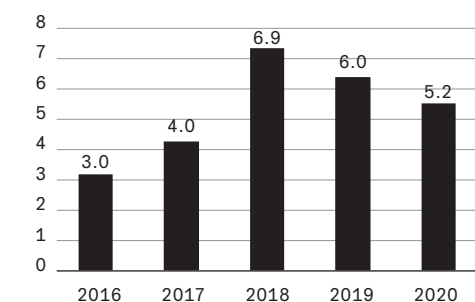
NET SALES, EUR MILLION



COMPARABLE EBIT, EUR MILLION



ROCE %



SHARE PRICE DEVELOPMENT 2016–2020, EUR DIVIDENDS PER SHARE 0,20€ IN TOTAL



5-year Development of Remuneration

DEVELOPMENT OF PRESIDENT AND CEO COMPENSATION (PAID)

EUR	2016*	2017	2018	2019**	2020
Base salary + benefits****	324 867	265 259	282 557	287 697	292 897
Short-term incentive (sti)	74 384	58 420	61 155	133 925	-
Total compensation	399 251	323 679	343 712	421 622	292 897

Development, president & ceo

Base salary + benefits	-9%	-18%	7%	2%	2%
Total compensation	-14%	-19%	6%	23%	-31%

*In 2016, 315 251€ was paid to Jorma Kasslin and 84 000€ to Jussi Ristimäki

** In 2019, 235 897 € was paid to Jussi Ristimäki and 51 800 € to Louis d'Alañon

*** In 2020, 61 623 € was paid to Louis d'Alañon and 231 273 € to Nicolas Warchalowski

**** Including supplementary pension policies

DEVELOPMENT OF BOARD REMUNERATION

EUR, 000	2016	2017	2018	2019	2020
Chairman annual fee	80 000	80 000	80 000	80 000	80 000
Development		0 %	0 %	0 %	0 %
Board member annual fee	30 000	30 000	30 000	30 000	30 000
Development		0 %	0 %	0 %	0 %

DEVELOPMENT OF AVERAGE EMPLOYEE SALARY

EUR, 000	2016	2017	2018	2019	2020
Total salary costs*	62 631	62 493	63 915	66 836	65 054
Number of employees	1 584	1 539	1 626	1 631	1 595
Average salary costs	40	41	39	41	41
Development		3%	-3%	4 %	0 %

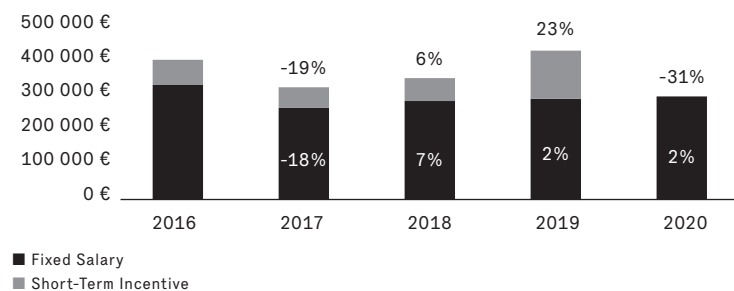
* Excluding Indonesia manufacturing unit, which was discontinued at the end of 2020.

The Graph presents remuneration paid to the President and CEO in the corresponding financial year. For example in 2020:

■ Fixed Salaries 1-12/2020.

■ Short-Term Incentive earned in 2019 and paid in 2020, had there been incentives earned in 2019.

DEVELOPMENT OF CEO COMPENSATION (PAID)



REMUNERATION OF THE BOARD OF DIRECTORS IN 2020

DIRECTOR	FIXED FEES	MEETING FEES	TOTAL
Louis D'Alañon (Chairman)	80 000	11 000	91 000
Jorma Kasslin	30 000	12 000	42 000
Emmanuel Viellard	30 000	13 000	43 000
Marc Speeckaert	30 000	14 000	44 000
Julia Aubertin	30 000	10 000	40 000
Vesa Luhtanen ¹⁾	30 000	2 000	32 000
Eero Makkonen ²⁾	-	7 000	7 000

¹⁾ From 26 March 2020

²⁾ Until 26 March 2020

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2020 as follows.

Annual Fees

- EUR 80,000 to Chairman and
- EUR 30,000 to members.

Meeting Fees

- For Board and Committee meetings: EUR 1,000 per meeting

Board Remuneration is paid fully in cash.

The Chairman of the Board Louis d'Alañon acted as the Company's temporary President and CEO between 27 September 2019 and 1 March 2020. His remuneration for the role of acting President and CEO has been reported in the section Remuneration of the President and CEO.

REMUNERATION OF THE PRESIDENT AND CEO

Application of Performance Criteria in 2020

In 2020, the President and CEO Nicolas Warchalowski was offered a performance-based short-term incentive. The short-term incentive scheme may be based on the result of the Group or other criteria decided by the Board. The objective of the long-term incentive scheme is to encourage the President and CEO to manage the Company over a long period of time in order to achieve the targets and strategy set by the Company, promoting the Company's long-term financial success and competitiveness.

For short-term incentive 2020, organic sales growth of own products on comparable currency basis, return on operative capital and a successful execution of the strategic plan were set as the performance criteria, and the maximum earning opportunity for the President and CEO was set at 100% of annual fixed salary. Based on the criteria achievement, the total outcome of the short-term incentive in 2020 did lead to an earned reward of 230 000 €. The reward is due payment in early 2021.

The Chairman of the Board Louis d'Alañon was not offered any variable pay plans during his tenure as acting President and CEO.

The President and CEO's Share-Based Incentives in 2020

The President and CEO was not offered any share-based incentive schemes during 2020.

Remuneration Paid to the President and CEO in 2020

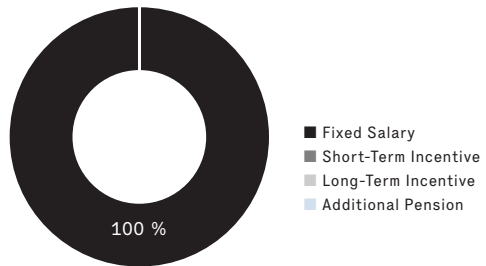
	BASE SALARY	ADDITIONAL PENSION PAYMENT	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE	TOTAL PAID COMPENSATION IN 2020
Louis d'Alançon ¹⁾	61 623 €	0 €	-	0 €	61 623 €
Nicolas Warchalowski ²⁾	231 273 €	0 €	0 € ³⁾	0 €	231 273 €

¹⁾ Louis d'Alançon acted as the President and CEO until 1 March 2020.

²⁾ Nicolas Warchalowski started as the President and CEO 1 March 2020.

³⁾ Earned 230 000€ in 2020, paid in 2021

STRUCTURE OF PAID COMPENSATION 2020 LOUIS D'ALANÇON



STRUCTURE OF PAID COMPENSATION 2020 NICOLAS WARCHALOWSKI

