

Rapala[®]
VME



FINANCIAL STATEMENTS **2021**

RAPALA VMC CORPORATION

FINANCIAL STATEMENTS 2021

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PRESIDENT AND CEO NICOLAS CEDERSTRÖM WARCHALOWSKI

“Our Rapala VMC team members around the world stood shoulder-to-shoulder in 2021 and successfully navigated around all the pandemic related obstacles in our way to deliver an All-Time-High record-breaking year. The health & safety of our team members have been in key focus from the very start of the pandemic, the strict operational watchtowers used in 2020 were kept in place also in 2021 and as a result Rapala VMC suffered relatively few pandemic related disruptions in 2021. On the contrary, we benefited from the demand surge in the sport fishing industry.

I am so proud to look back at 2021 and feel very privileged to lead a team who together have accomplished these great results. We have several newly promoted managers in our group who really stepped up to the occasion and helped us deliver an overall impressive year.

Our net sales in 2021 increased by 13% to 294.3 MEUR despite the significant shortfall of having no Shimano and much less third party brands in our key European markets in 2021. With the increased focus on group brands, these brands achieved 227.7 MEUR of sales which also was a new record. We also achieved our highest comparable EBIT ever of 32.7 MEUR in 2021. On top, we fully repaid the costly hybrid bond in 2021, meaning that our balance sheet now is strong and will provide a great foundation for future growth.

2021 marked a new chapter for Rapala VMC, in that our group no longer were to distribute Shimano in the largest markets in Europe. During 2021 several thousand of Shimano SKUs were resolutely phased out and several thousand of Okuma SKUs were being prepared for a pan European & Russia launch in 2022. A monumental task, which has resulted in that we in 2022 will begin to sell a rod & reel portfolio based entirely on group brands. This will provide a great robust growth pillar for our group for many years to come!

I am especially proud to announce, that I consider 2021 as our break-through year in terms of sustainability. Without clean and healthy waters, there would be no angling. And there certainly would be no Rapala VMC. Our ambition is to take a leading position in sustainability within the sport fishing industry by relentless work over the coming years. We know that we set the bar high, but this only inspires us to work harder.

With fewer management layers, less bureaucracy, less SKUs, fewer distribution centers, sharper brand strategies, an improved



financial & operational platform Rapala VMC today moves faster, executes our strategy with more ease and we have more fun while working together as a tighter ONE RAPALA VMC team.

Having finalized the diligent clean-up of all legacy issues back in 2020, incl. the important ramp-down of the Batam production unit, our focus has shifted into becoming a united group brand & innovation driven sport fishing powerhouse. This great transformational growth journey has only begun, and it is with great excitement that I look forward to utilizing the full potential of Rapala VMC over the years to come and also take a leading position in sustainability within the sport fishing industry.”

REPORT OF THE BOARD OF DIRECTORS

MARKET ENVIRONMENT

In 2021, trading conditions were on a good level and largely impacted by the COVID-19 pandemic. Retail and consumer demand was strong across the Group's key markets, and overall business environment was favorable supporting the Group's excellent performance. Popularity of outdoor activities remained on a high level even though COVID-19 restrictions started to ease globally compared to the prior year. Good winter season in Nordics and North America contributed also positively to winter sports and ice fishing businesses.

KEY FIGURES

EUR MILLION	2021	2020	2019
Net sales	294.3	261.3	275.4
Operating profit before depreciation and impairments (EBITDA)	42.0	26.2	26.0
Operating profit	32.1	10.7	13.4
as a percentage of net sales. %	10.9	4.1	4.9
Comparable operating profit	32.7	21.5	17.8
as a percentage of net sales. %	11.1	8.2	6.5
Profit before taxes	28.0	6.6	9.8
Net profit (loss) for the period	19.8	3.4	4.1
Earnings per share	0.45	0.04	0.10
Employee benefit expenses	71.6	69.4	71.6
Average number of personnel. persons	1 792	2 105	2 604
Research and development expenses	1.2	1.1	1.7
as a percentage of net sales. %	0.4	0.4	0.6
Net cash generated from operating activities	24.4	42.5	25.9
Total net cash used in investing activities	22.7	3.8	14.6
Net interest-bearing debt at the end of the period	70.6	45.2	74.6
Equity-to-assets ratio at the end of the period. %	44.2	52.5	52.4
Net debt-to-equity ratio (gearing) at the end of the period. %	50.7	31.6	49.2
Return on equity. %	14.0	2.3	2.7

BUSINESS REVIEW

The Group's net sales for the year were 13% above last year with reported translation exchange rates. With comparable translation exchange rates, net sales were organically up by 14% from the comparison period. Following the Group's fast execution of ONE RAPALA VMC strategy, Group Products sales grew strongly from 2020 across the main product categories, whereas Third Party sales decreased mainly due to the termination of certain Third Party distribution agreements.

North America

Sales in North America increased by 22% from the comparison period with reported translation exchange rates and by 26% with comparable translation exchange rates.

Consumer demand for fishing gear in the North American market was on a high level throughout the year. First half of the year was exceptional with continued strong demand from the end

of 2020. Also, the second half was solid compared to the strong comparison period which was characterized by the surge in demand after COVID-19 restrictions. Overall, a very strong year in North America which is illustrated by the double-digit growth across the Group product categories.

Nordic

Sales in the Nordic market increased by 9% from the comparison period. With comparable translation exchange rates sales were up by 8%.

Improved retail and end-consumer demand for fishing gear and good winter conditions increased sales from the previous year. Sales grew steadily in both halves of the year mainly driven by the Group fishing and winter sports product categories. During the year 13 Fishing product offering was successfully launched and well received by customers in the Nordic market.

Rest of Europe

Sales in the Rest of Europe market increased by 1% from the comparison period. With comparable translation exchange rates sales were up by 2% from the previous year.

In the first half of the year, the Rest of Europe market sales increased significantly with continued strong demand from the end of 2020. In the second half of the year, market demand was still on a good level, but not as high as in the comparison period, leading to lower sales figures than in the second half of 2020. Overall, the Rest of Europe market sales grew from the comparison period driven by the Group product categories.

Rest of the World

With reported translation exchange rates, sales in the Rest of the World market increased by 12% from the comparison period. With comparable translation exchange rates, sales increased by 11% compared to the previous year.

In Rest of The World market demand for the Group's offering was solid throughout the year, and majority of the regional areas witnessed healthy growth from the previous year. Market's fast recovery continued from the end of 2020, and sales development was especially strong in the first half of the year. Full year sales of the region grew with double digit pace despite the termination of certain Third Party distribution agreements having a significant negative sales impact.

FINANCIAL RESULTS AND PROFITABILITY

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit increased by 11.2 MEUR from the comparison period. The change in translation exchange rates was negative and with comparable translation exchange rates comparative operating profit increased by 11.8 MEUR. Reported operating profit increased by 21.4 MEUR from the previous year and the items affecting comparability had a negative impact of 0.6 MEUR (10.8) on reported operating profit.

Comparable operating profit margin was 11.1% (8.2) for the year. The increased profitability compared to the previous year was driven by the strong sales and more favorable product mix as the share of higher margin Group Products sales of total sales increased. Furthermore, good winter conditions had a positive impact on sales and profitability. Other key drivers behind the

strong profitability included Group's supply chain ability to react fast to the rapid shift in demand and continuous actions to implement the ONE RAPALA VMC strategy.

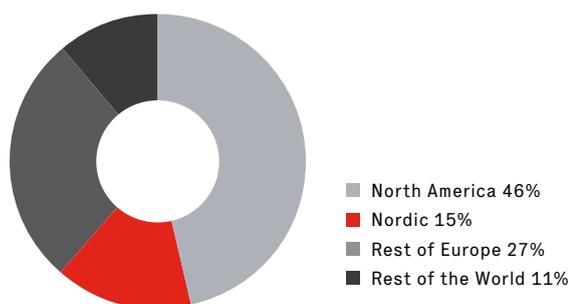
Reported operating profit margin was 10.9% (4.1) for the year. Reported operating profit included impact of mark-to-market valuation of operative currency derivatives of -0.2 MEUR (-0.1). Net expenses of other items affecting comparability included in the reported operating profit were -0.4 MEUR (-10.7).

Total financial (net) expenses were 4.1 MEUR (4.2) for the year. Net interest and other financing expenses were 2.3 MEUR (3.2) and (net) foreign exchange expenses were 1.8 MEUR (1.0).

Net profit for the year increased by 16.4 MEUR and was 19.8 MEUR (3.4) and earnings per share was 0.45 EUR (0.04). The share of non-controlling interest in net profit was 1.5 MEUR (1.0).

EXTERNAL NET SALES BY AREA

EUR MILLION	2021	2020	CHANGE %	COMPARABLE CHANGE %
North America	134.8	110.2	22%	26%
Nordic	45.5	41.6	9%	8%
Rest of Europe	80.6	79.8	1%	2%
Rest of the World	33.4	29.7	12%	11%
TOTAL	294.3	261.3	13%	14%



BRIDGE CALCULATION OF COMPARABLE OPERATING PROFIT

EUR MILLION	2021	2020	CHANGE %
Operating profit	32.1	10.7	200%
Items affecting comparability			
Mark-to-market valuations of operative currency derivatives	0.2	0.1	
Other items affecting comparability	0.4	10.7	
COMPARABLE OPERATING PROFIT	32.7	21.5	52%

SEGMENT REVIEW

Group Products

With comparable translation exchange rates, Group Products sales increased by 42.5 MEUR from the comparison period. Demand for the Group products was on a strong level and mainly driven by fishing's increased popularity as an outdoor activity and good winter conditions. On a full year level, majority of the Group product categories witnessed high growth, and geographically Group Products sales was especially strong in the North American market.

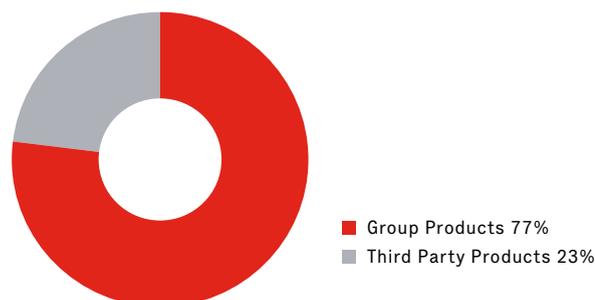
Third Party Products

With comparable translation exchange rates, Third Party Products sales were 7.2 MEUR below the comparison period. As expected,

the termination of certain Third Party distribution agreements had negative impacts on sales, particularly on the Nordic, Rest of Europe and Rest of the World markets. However, despite the decreased sales, the comparable operating profit for Third Party Products was above the comparison period.

NET SALES BY OPERATING SEGMENT

EUR MILLION	2021	2020	CHANGE %	COMPARABLE CHANGE %
Group Products	227.7	187.5	21%	23%
Third Party Products	66.6	73.8	-10%	-10%
TOTAL	294.3	261.3	13%	14%



COMPARABLE OPERATING PROFIT BY OPERATING SEGMENT

EUR MILLION	2021	2020	CHANGE %
Group Products	29.5	23.4	26%
Third Party Products	3.2	-1.9	-267%
TOTAL COMPARABLE OPERATING PROFIT	32.7	21.5	52%
Items affecting comparability	-0.6	-10.8	-95%
TOTAL OPERATING PROFIT	32.1	10.7	200%

FINANCIAL POSITION

Cash flow from operations was on a good level at 24.4 MEUR (42.5) driven by the strong profitability but impacted negatively by the net change in working capital. Main driver of the negative working capital development was supply chain related disruptions impact to inventory levels, mainly due to the longer freight times and increased in transit stocks. Compared to the previous year, the net change of working capital decreased by 23.3 MEUR and was -2.9 MEUR (20.4) in total.

End of the year inventory in 2021 was 86.2 MEUR (68.8). The impact of change in allowance on inventory was positive 1.8 MEUR, but changes in translation exchange rates on inventory were negative 2.3 MEUR. Main drivers of the increased inventory were higher than normal in transit stocks and decisive actions to increase inventory levels in selected categories with good underlying demand. Also, new Okuma products started to flow into the inventory.

Net cash used in investing activities increased from the comparison period amounting to 22.7 MEUR (3.8). Capital expenditure was 14.0 MEUR (5.0) and disposals 1.6 MEUR (1.2). Increased capital expenditure was mostly driven by the Okuma Europe and Russia related acquisition.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 59.9 MEUR at the end of the year. Gearing ratio increased and equity-to-assets ratio decreased from last year. The Group is currently compliant with all financial covenants and expects to comply with all requirements

set in the financing agreements also in the future. Group's cash position remains strong, and cash and cash equivalents amounted 27.8 MEUR at December 31, 2021. The Group redeemed the EUR 25 million Hybrid Bond on November 15, 2021.

KEY FIGURES

EUR MILLION	2021	2020	CHANGE %
Net cash generated from operating activities	24.4	42.5	-43%
Net interest-bearing debt at the end of the period	70.6	45.2	56%
Net debt-to-equity ratio (gearing) at the end of the period. %	50.7	31.6	
Equity-to-assets ratio at the end of the period. %	44.2	52.5	

STRATEGY IMPLEMENTATION

The strategic target of the Group is to become a united group brand & innovation driven sport fishing powerhouse. Current strategic actions, with significantly ramped up capabilities and improved speed of strategy execution, aim to utilize the full potential of Rapala VMC in the future and to also take a leading position in sustainability within the sport fishing industry.

The core of the Group's strategy is based on six key building blocks that are all interconnected and shared around the Group in all business units. Future strategies are built upon utilizing and capitalizing the brand portfolio, manufacturing and sourcing platform, research and development knowledge, as well as the broad sales network and strong local presence around the world. Focus and speed are in the center of the strategic decision-making process to enable focus and agile actions in the competitive landscape. The overall strategy execution is progressing quickly as several of the ONE RAPALA VMC action plan elements are proving out to be highly synergistic between each other.

Team/Culture – The first strategic building block is associated with the foundation that all business units and functions strive for togetherness as a one strong winning entity. This enables the entire Group culture to become more united, collaborative, dynamic and growth oriented. The cultural change into one common Rapala VMC identity in all business units worldwide took a major step forward in 2021 despite the continued global pandemic. Critical restructurings and new managerial changes have allowed the Group to become more united, agile, and ready for future growth than ever before.

Sustainability – We fight together to ensure that future generations get to enjoy fishing and the great outdoors. The aim is to become the top company in the fishing tackle industry behind concrete sustainability actions from everyone in our team to ensure that we make a real and long-lasting difference. The group has progressed rapidly in its target to become one of the leading fishing tackle companies in terms of sustainability in the future. Sustainability action plans for multiple brands have been finalized, which include targets for renewable energy use, introduction of plastic-free packaging and shifting to more ecological raw materials in production.

Consumer – Focus on end-users is a critical part of the strategy. The aim is to lead the market and bring newest trends to the fishing industry by offering innovative and exciting products. The group has put emphasis on developing a new e-commerce platform which launched in EU during 2021. This is an agile, sales-driven channel that offers premium customer service, knowledge, entertainment and value. Launch for North America is planned

for 2022. The new e-commerce platform underlines the Group's ambition to become more directly connected with consumers.

Customer – Relationships with key customers and winning position in local markets are emphasized with deep customer and market know-how as well as continuously investing in all sales channels. The Group has established a new end-to-end pricing process which is centrally managed and coordinated. By centralizing the pricing process, the Group can serve its customers more comprehensively and be more coherent in an interconnected fishing industry.

Product development/Innovation – R&D and PD&I functions are becoming even stronger competitive advantages for the entire Group at the same time as fishermen around the world demand new innovations to catch more fish. The Group PD&I department had been reorganized to address consumer and customer needs on a global scale. The new PD&I team is collaborating strongly with sales and marketing departments to ensure extensive regional product relevance and long-term product planning. Additionally, the Group started its largest SKU clean-up in company history, which continues in 2022 to give more focus on Group-owned brands and future winners.

Operations/Finance – The Group continues to invest in its operations to make a step-change in operational excellence, to improve working capital efficiency and profitability. Building an integrated business planning model with global S&OP process is developing well and will further strengthen capital efficiency and improve availability of key items. The Group also continued its centralization efforts by transferring the Baltic warehousing operations from Kaunas, Lithuania to the existing distribution center in Pärnu, Estonia in December 2021. As a result of successful transformation efforts, the Pärnu distribution center is now ready to serve all the Nordic and Baltic customers under one roof.

PRODUCT DEVELOPMENT

With a strengthened PD&I team firmly in place, the foundation for future development and innovation projects has been strengthened significantly. Under newly clarified category leadership, product development teams have been assigned to five key regions globally ensuring optimum efficiency in identifying and addressing consumer needs. A key focus in the second half of 2021 was on the development of long-term product plans for our key brands. Developing clear and concise product road maps in the 3-5 year time horizon has been a key driver in planning for the future. Fostering the collaborative efforts between sales and marketing has been instrumental in uncovering new and emerging market opportunities around the world. In addition to this deeper long-term planning and organizational change, excitement remained high at the trade and consumer levels with a multitude of innovative new products coming to market.

New introductions in both open water and ice fishing lead to high interest in key markets globally. In fishing lures we saw exciting innovations under the new Flash-X series, as well as a new and improved sustainable packaging option. Continued success of balsa baits drove growth around the world with strong additions to the Elite and OTT's Garage families. The Rod and Reel category saw a tremendous level of excitement with the introduction of Okuma in Europe as well as a strong launch of new 13 Fishing products globally. New offerings in both Rapala and Williamson branded fishing rods were also launched securing

a very well rounded assortment across multiple brands and price points. VMC continued its drive as one of our key brands with extensive new product introductions from the Americas to APAC and Europe. A multitude of new hook and terminal tackle designs developed specifically to satisfy acute regional needs were brought to market. In fishing lines Sufix again made waves with its proprietary “Gel Phase Technology” and the all new Advance Fluorocarbon leader material. A stronger, more abrasion resistant leader that’s virtually invisible underwater. Overall, 2021 was a strong year globally for a wide array of meaningful new product introductions. Increased innovation and development efforts across all categories will undoubtedly pave the way for new frontiers in our product mix for years to come.

SUSTAINABILITY

The Group aims to become one of the leading fishing tackle companies in terms of sustainability by 2024. During the highly successful year of 2021, the strategy implementation in the company proceeded as scheduled and we were able to deliver impressive results in multiple areas. In the beginning of the year, we launched a groundbreaking Sufix Recycline monofilament fishing line that is made entirely from recycled raw materials. We also introduced the first-ever plastic-free packaging for Marttiini knives as well as for Rapala Nauvo and Harmaja lures – achievements that serve our sustainability target to introduce more ecological packaging into the markets. Marttiini became the first carbon neutral brand in the Group’s brand portfolio, showing our commitment to reduce CO2 emissions in our production units. Rapala European lure manufacturing units in Finland, Russia and Estonia, as well as Marttiini production units in Finland and Estonia, have shifted to 100% renewable energy.

The inclusion of Rapala VMC employees in our sustainability work has taken a striking start. During the year, our staff in Helsinki HQ attended Clean Beaches event in Helsinki (organized together with Keep the Archipelago Tidy Association, PSS ry) to educate the staff on environmental matters. Similar campaign was also organized in the UK for Dynamite Baits’ staff. An example of our social responsibility is organizing the first lure recycling campaign in Finland to collect and refurbish excess lures from the anglers, which were repaired by local fishing organizations and donated to young anglers to support their hobby. This campaign was organized by Rapala VMC together with Finnish Federation for Recreational Fishing (SVK) and a retail chain Motonet. As planned, we successfully established multiple internal channels to communicate our sustainability targets to our staff. We have also activated in our communication outside the company by publishing several articles regarding our sustainability ambitions. To further enhance our visibility in this topic, we will launch a new sustainability website for our brands and considerably update our sustainability report during 2022.

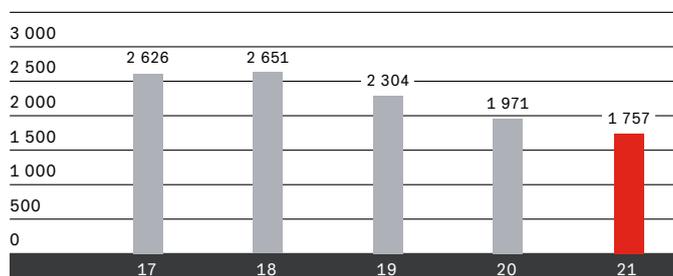
To extend our sustainability work also to our supply chain, we updated our Supplier Code of Conduct (sCoC) to better reflect with our current sustainability targets. The new sCoC will be gradually implemented in our units from 2022 onwards.

Rapala VMC prepares to the upcoming EU taxonomy regulation and has investigated its business in comparison to the criteria of the taxonomy. Rapala VMC will publish its responsibility report together with 2021 Financial Statements during week 9 (beginning on February 28, 2022). The report meets the requirements for non-financial reporting, including information regarding the EU Taxonomy Regulation.

ORGANIZATION AND PERSONNEL

Average number of personnel was 1 792 (2 105) for the full year and 1 765 (2 034) for the last six months. At the end of December, the number of personnel was 1 757 (1 971), decrease caused mainly from the ramp-down of the lure manufacturing operations in Indonesia.

PERSONNEL AT THE END OF THE PERIOD



GOVERNANCE AND SHARE INFORMATION

The Board updated and approved the Corporate Governance Statement that is available on corporate website.

For information on shares, shareholders, share-based payment programs and Board’s authorizations, see the section Shares and Shareholders. Related party transactions and top management remuneration are disclosed in the note 28 and in separate remuneration report available in the company website.

SHORT-TERM OUTLOOK AND RISKS

General market demand for fishing products has been on a high level and is expected to gradually normalize. However, the Group expects the overall demand for fishing tackle to stay on a higher level compared to pre-pandemic levels.

The Group’s supply chain, including own factories and subcontractors, is currently working robustly, but global supply chain disruptions are affecting delivery times and availability of products. The COVID-19 pandemic continues to have an impact on the business both in increasing demand for fishing products as well as increasing health and safety measures in all operations of the Group. In addition, weather changes and disruptions or cost increases in freight costs may affect the results of the Group. Furthermore, changes in EUR/USD exchange rate have an impact on the Group due to large purchase and sales volumes in USD. The Group expects 2022 full year comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to be in line with the previous year.

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

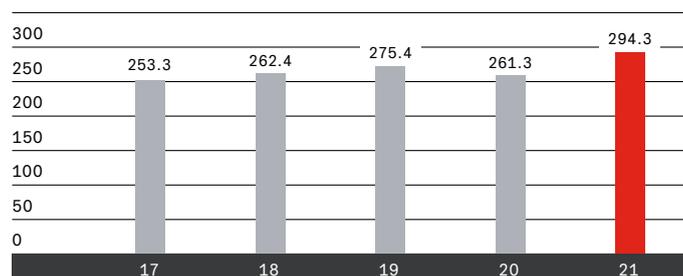
PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.15 EUR for 2021 (- EUR) per share is distributed from the Group’s distributable equity and remaining distributable funds are carried forward to retained earnings. There have been no material changes in the parent company’s financial position since 31 December 2021, the liquidity of the parent company remains good and the proposed dividend does not risk the solvency of the company.

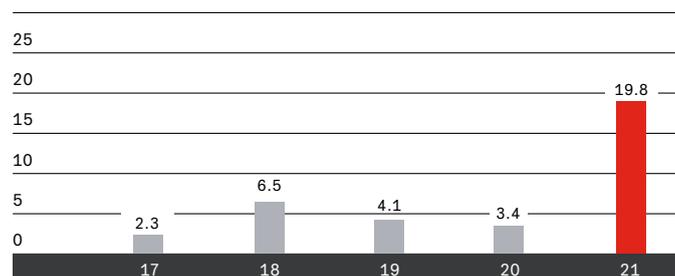
KEY FINANCIAL FIGURES

		2021	2020	2019	2018	2017
Scope of activity and profitability						
Net sales	EUR million	294.3	261.3	275.4	262.4	253.3
Operating profit before depreciation and impairments	EUR million	42.0	26.2	26.0	22.4	15.7
as a percentage of net sales	%	14.3	10.0	9.4	8.5	6.2
Operating profit	EUR million	32.1	10.7	13.4	14.8	8.9
as a percentage of net sales	%	10.9	4.1	4.9	5.6	3.5
Profit before taxes	EUR million	28.0	6.6	9.8	12.7	5.6
as a percentage of net sales	%	9.5	2.5	3.6	4.8	2.2
Net profit for the period	EUR million	19.8	3.4	4.1	6.5	2.3
as a percentage of net sales	%	6.7	1.3	1.5	2.5	0.9
Attributable to						
Equity holders of the Company	EUR million	18.2	2.5	4.4	6.1	2.4
Non-controlling interest	EUR million	1.5	1.0	-0.4	0.4	0.0
Capital expenditure	EUR million	14.0	5.0	5.6	6.4	6.0
as a percentage of net sales	%	4.8	1.9	2.0	2.4	2.4
Research and development expenses	EUR million	1.2	1.1	1.7	1.6	1.9
as a percentage of net sales	%	0.4	0.4	0.6	0.6	0.7
Net interest-bearing debt at the end of the period	EUR million	70.6	45.2	74.6	70.3	67.8
Capital employed at the end of the period	EUR million	209.8	188.2	226.2	217.4	210.5
Return on capital employed (ROCE)	%	16.1	5.2	6.0	6.9	4.0
Return on equity (ROE)	%	14.0	2.3	2.7	4.5	1.7
Equity-to-assets ratio at the end of the period	%	44.2	52.5	52.4	53.2	53.9
Net debt-to-equity ratio (gearing) at the end of the period	%	50.7	31.6	49.2	47.8	47.5
Average personnel for the period	Persons	1 792	2 105	2 604	2 772	2 736
Personnel at the end of the period	Persons	1 757	1 971	2 304	2 651	2 626

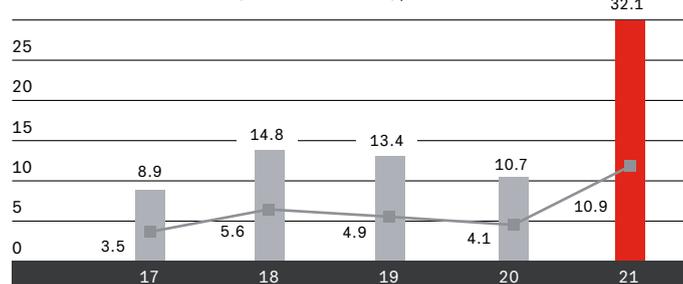
NET SALES, EUR MILLION



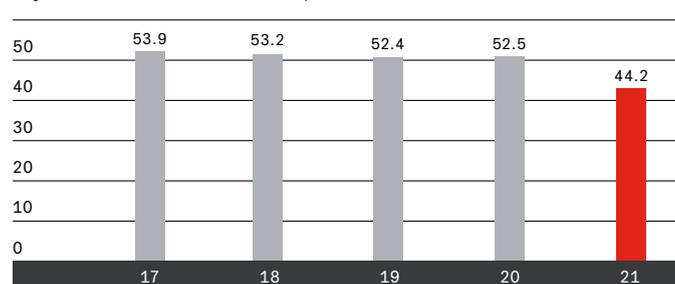
NET PROFIT (LOSS) FOR THE PERIOD, EUR MILLION



OPERATING PROFIT (EUR MILLION), % OF NET SALES



EQUITY-TO-ASSETS RATIO, %



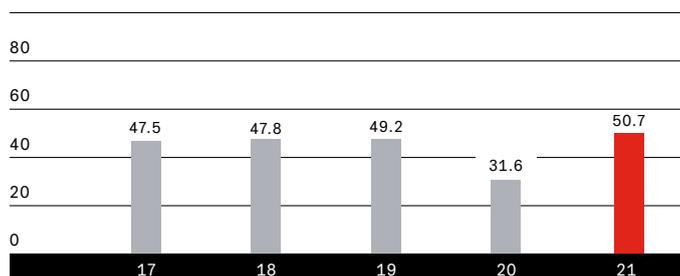
■ Operating profit
■ Operating profit as a percentage of net sales

		2021	2020	2019	2018	2017
Share related key figures						
Earnings per share	EUR	0.45	0.04	0.10	0.13	0.05
Fully diluted earnings per share	EUR	0.44	0.04	0.10	0.13	0.05
Equity per share	EUR	3.58	2.93	3.16	3.05	2.89
Dividend per share ¹⁾	EUR	0.15	-	-	0.06	0.04
Dividend/earnings ratio ¹⁾	%	33.5	-	-	45.8	64.2
Effective dividend yield ¹⁾	%	1.72	-	-	1.97	1.20
Price/earnings ratio		19.5	118.4	27.8	23.3	53.5
Share price at the end of the period	EUR	8.72	4.36	2.77	3.05	3.33
Lowest share price	EUR	4.36	2.15	2.56	2.89	3.29
Highest share price	EUR	10.95	4.58	3.43	4.07	4.68
Average share price	EUR	7.82	3.04	2.88	3.43	3.72
Number of shares traded	Shares	5 217 447	6 044 245	4 804 467	1 511 411	4 096 349
Number of shares traded of average number of shares	%	13.47	15.68	12.52	3.94	10.69
Share capital	EUR million	3.6	3.6	3.6	3.6	3.6
Dividend for the period ¹⁾	EUR million	5.8	-	-	2.3	1.5
Year end market capitalization ²⁾	EUR million	339.6	168.1	106.8	116.9	127.6
Number of shares at the end of the period excluding own shares ²⁾	1 000 shares	38 950	38 548	38 548	38 323	38 323
Number of own shares at the end of period	1 000 shares	50	452	452	677	677
Weighted average number of shares ²⁾	1 000 shares	38 732	38 548	38 387	38 323	38 323
Fully diluted number of shares at the end of the period	1 000 shares	39 000	38 548	38 548	38 323	38 323
Fully diluted weighted average number of shares	1 000 shares	39 000	38 548	38 387	38 323	38 323

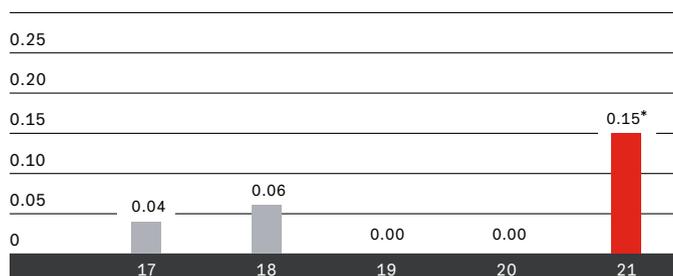
¹⁾ Year 2021 board proposal.

²⁾ Excluding own shares.

NET DEBT-TO-EQUITY RATIO (GEARING), %

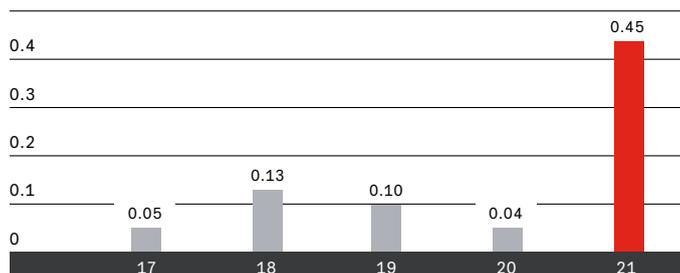


DIVIDEND PER SHARE, EUR

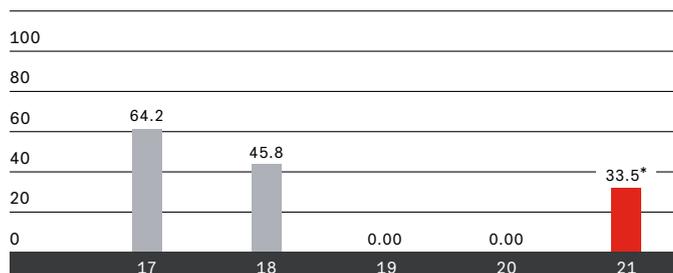


*Board proposal

EARNINGS PER SHARE, EUR



DIVIDEND/EARNINGS RATIO, %



*Board proposal

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR MILLION	NOTE	2021	2020
Net sales	2	294.3	261.3
Other operating income	4	1.6	1.6
Change in inventory of finished products and work in progress		14.7	-17.6
Production for own use		0.1	0.2
Materials and services	6	-148.8	-108.0
Employee benefit expenses	7	-71.6	-69.4
Other operating expenses	5	-48.4	-41.0
Share of results in associates and joint ventures	13	0.2	-0.8
Operating profit before depreciation, amortization and impairments		42.0	26.2
Depreciation, amortization and impairments	11, 12, 27	-9.9	-15.5
Operating profit		32.1	10.7
Financial income and expenses	9	-4.1	-4.2
Profit before taxes		28.0	6.6
Income taxes	10	-8.2	-3.2
NET PROFIT (LOSS) FOR THE PERIOD		19.8	3.4
Attributable to			
Equity holders of the parent company		18.2	2.5
Non-controlling interests	14	1.5	1.0
Earnings per share for profit attributable to the equity holders of the parent company	30		
Earnings per share, EUR		0.45	0.04
Diluted earnings per share, EUR		0.44	0.04
Weighted average number of shares, 1 000 shares		38 732	38 548
Diluted weighted average number of shares, 1 000 shares		39 000	38 548

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	2021	2020
Net profit (loss) for the period	19.8	3.4
Other comprehensive income, net of tax ¹⁾		
Items that will not be reclassified to income statement		
Remeasurements of defined benefit liabilities	0.0	0.1
Total items that will not be reclassified to income statement	0.0	0.1
Items that may be reclassified subsequently to income statement		
Change in translation differences	7.9	-10.7
Net investment hedges	0.5	-1.1
Total items that may be reclassified subsequently to income statement	8.4	-11.8
Other comprehensive income for the period, net of tax	8.4	-11.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	28.2	-8.3
Attributable to		
Equity holders of the parent company	26.4	-8.8
Non-controlling interests	1.8	0.5

¹⁾ The income tax relating to each of the component of the other comprehensive income is disclosed in the note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR MILLION	NOTE	2021	2020
ASSETS			
Non-current assets			
Goodwill	11	48.9	47.0
Other intangible assets	11	31.9	24.2
Tangible assets	12	24.4	22.6
Right-of-use-assets	27	10.7	10.4
Investments in associates and joint ventures	13	3.6	3.4
Other shares	15	0.2	0.2
Interest-bearing receivables	16	7.6	7.2
Non-interest-bearing receivables	16	0.2	0.2
Deferred tax assets	10	10.5	7.8
Total non-current assets		138.0	123.1
Current assets			
Inventories	17	86.2	68.8
Trade and other non-interest-bearing receivables	16	62.7	51.9
Income tax receivables		0.8	1.1
Cash and cash equivalents	18	27.8	27.9
Total current assets		177.5	149.8
TOTAL ASSETS		315.5	272.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		3.6	3.6
Share premium fund		16.7	16.7
Fund for invested non-restricted equity		4.9	4.9
Own shares		-2.5	-4.9
Translation differences		-9.6	-18.9
Retained earnings		126.2	111.4
Equity attributable to equity holders of the parent company	19	139.3	112.8
Non-controlling interests	14	0.0	5.2
Hybrid bond	19	-	25.0
Total equity		139.3	143.0
Non-current liabilities			
Interest-bearing liabilities	24	51.8	52.7
Non-interest-bearing liabilities	25	0.0	0.1
Right-of-use liabilities	22, 24	7.4	8.0
Employee benefit obligations	20	2.4	3.5
Deferred tax liabilities	10	8.4	5.0
Provisions	21	0.1	0.1
Total non-current liabilities		70.1	69.4
Current liabilities			
Interest-bearing liabilities	24	43.0	15.1
Trade and other non-interest-bearing payables	25	56.7	37.8
Right-of-use liabilities	22, 24	3.7	4.5
Income tax payables		2.3	1.9
Provisions	21	0.4	1.3
Total current liabilities		106.2	60.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		315.5	272.9

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR MILLION	NOTE	2021	2020
Net profit for the period		19.8	3.4
Adjustments			
Income taxes	10	8.2	3.2
Financial income and expenses	9	4.1	4.2
Reversal of non-cash items			
Depreciation and impairments	11, 12, 27	9.9	15.5
Share based payments	7, 29	0.9	0.8
Exchange rate differences	9	0.1	0.1
Share of results in associated companies and joint ventures	13	-0.2	0.8
Gains/losses on disposals of intangible, tangible assets and subsidiaries		-0.6	-0.1
Other items		-6.0	1.8
Total adjustments		16.3	26.2
Financial items			
Interest paid		-2.4	-3.0
Interest received		0.7	0.3
Income taxes paid		-6.8	-4.3
Other financial items, net		-0.3	-0.5
Total Financial items		-8.9	-7.6
Change in working capital			
Change in receivables		-6.9	-6.1
Change in inventories		-12.9	20.8
Change in liabilities		16.8	5.8
Total change in working capital		-2.9	20.4
Net cash generated from operating activities		24.4	42.5
Net cash used in investing activities			
Acquisition of intangible assets	11	-6.7	-0.4
Proceeds from sale of tangible assets	12	1.6	1.2
Acquisition of tangible assets	12	-7.4	-4.6
Transactions with non-controlling interests	3	-10.3	-
Change in interest-bearing receivables		0.2	0.0
Total net cash used in investing activities		-22.7	-3.8
Net cash generated from financing activities			
Purchase of own shares		-0.7	-
Directed issue of own shares		3.1	-
Non-current loan withdrawals		36.0	9.4
Current loan withdrawals		33.8	48.5
Non-current loan repayments		-27.2	-
Current loan repayments		-16.7	-71.1
Payments of right-of-use liabilities		-5.8	-5.5
Hybrid bond		-26.3	-1.3
Total net cash generated from financing activities		-3.9	-20.0
Change in cash and cash equivalents		-2.2	18.8
Cash and cash equivalents at the beginning of the period		27.9	12.3
Foreign exchange rate effect		2.0	-3.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	27.8	27.9

CHANGES IN LIABILITIES INCLUDED CASH FLOW FROM FINANCING ACTIVITIES

EUR MILLION

Liabilities Jan 1, 2021	67.8
Drawdowns	69.8
Repayments	-42.7
Other changes	-0.0
Liabilities Dec 31, 2021	94.8
Drawdowns and repayments of loans in statement of cash flows, net	
Drawdowns and repayments of loans	27.1
Derivatives and other realized foreign exchange on financial activities	-1.3
Drawdowns and repayments of loans, net	25.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

EUR MILLION	SHARE CAPITAL	SHARE PREMIUM FUND	HEDGING FUND	FUND FOR INVESTED NON-RESTRICTED EQUITY	OWN SHARES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	NON-CONTROLLING INTEREST	HYBRID BOND	TOTAL EQUITY
EQUITY ON JAN 1, 2020	3.6	16.7	0.0	4.9	-4.9	-7.6	109.2	4.6	25.0	151.6
Net profit for the period							2.5	1.0		3.4
Other comprehensive income *										
Translation differences						-10.2		-0.4		-10.7
Defined benefit plans							0.1			0.1
Net investment hedges						-1.1				-1.1
Total comprehensive income						-11.3	2.5	0.5		-8.3
Hybrid bond expenses							-1.1			-1.1
Share-based payments							0.7	0.0		0.8
EQUITY ON DEC 31, 2020	3.6	16.7	0.0	4.9	-4.9	-18.9	111.4	5.2	25.0	143.0
Net profit for the period							18.2	1.5		19.8
Other comprehensive income*										
Translation differences						7.6		0.3		7.9
Defined benefit plans							0.0			0.0
Net investment hedges						0.5				0.5
Total comprehensive income						8.1	18.2	1.8		28.2
Purchase of own shares					-0.7					-0.7
Directed issue of own shares					3.1					3.1
Transactions with non-controlling interests							-3.3	-7.1		-10.3
Repayment of hybrid bond									-25.0	-25.0
Hybrid bond expenses							-1.1			-1.1
Dissolvement of subsidiary						1.2				1.2
Share-based payments							0.9			0.9
Other changes							0.0	0.0		
EQUITY ON DEC 31, 2021	3.6	16.7	0.0	4.9	-2.5	-9.6	126.2	0.0		139.3

* Net of tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

Rapala VMC Corporation ("company") is a Finnish public limited liability company organized under the laws of Finland, domiciled in Asikkala and listed on the Nasdaq Helsinki stock exchange since 1998. The parent company Rapala VMC Corporation and its subsidiaries ("the Group") operate in around 40 countries and the company is one of the leading fishing tackle companies in the world.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2021. The Board of Directors of the company has approved these financial statements for publication at its meeting on February 9, 2021. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

A copy of the consolidated financial statements is available at the Group's website www.rapalavmc.com or from Mäkelänkatu 87, 00610 Helsinki, Finland.

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2021. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation. The Group has not early adopted any new, revised or amended standards or interpretations.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated.

CHANGES IN ACCOUNTING PRINCIPLES

The Group has taken into account in its accounting principles the IAS 38 Intangible Assets: Configuration or Customization Costs in a Cloud Computing Arrangement. The Group has paid focus on how a customer should account for the costs of configuring or customizing the supplier's application software in a SaaS arrangement. It includes guidelines when configuration and customization costs result in the recognition of an intangible asset, when expensed and when considered as a prepayment.

Amendments to IFRS 16 Leases. As a direct consequence of the continued Covid-19 pandemic, the IASB extended the period of a relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions. The Group has elected not to use this practical expedient.

Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The 2nd phase amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest ratio (RFR).

The changes in accounting principles do not have any material impact on the Group's consolidated financial statements or disclosures for the current or previous reporting periods.

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board has announced the following new or amended standards and interpretations, which the Group has not yet adopted. The Group will apply each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the accounting period, as of the beginning of the financial year following the effective date.

Amendments to **IFRS 3 Business Combinations** (effective for accounting periods beginning on or after 1 January 2022). The amendments add an exception to the recognition principle in IFRS 3 to avoid gains or losses on the acquisition of any liabilities after the acquisition date. The exception requires the Group to apply the criteria in IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendment also clarifies IFRS 3 to the extent that contingent assets do not qualify for recognition.

Amendments to **IAS 16 Property, Plant and Equipment** (effective for accounting periods beginning on or after 1 January 2022). The amendments prohibit deducting any proceeds received from the cost of Property, Plant and Equipment before the intended use.

Amendments to **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** (effective for accounting periods beginning on or after 1 January 2022). The amendments clarify which type of costs are included in the cost of fulfilling a contract when assessing whether a contract is onerous. The cost of fulfilling a contract include both incremental costs and an allocation of other direct costs.

Amendments to **IFRS 9 Financial Instruments** (effective for accounting periods beginning on or after 1 January 2022). The annual improvement clarifies the 10% fees in a test to determine whether new or modified financing qualifies for derecognition of financial liabilities. The fees include only those paid between the borrower and the lender.

Amendments to **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for accounting periods beginning on or after 1 January 2023). The amendment introduces a new definition of accounting estimates to distinguish them more clearly from changes in accounting policies and corrections of errors. An accounting estimate would be a change in input or valuation technique from a certain point in time.

Amendments to **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements** (effective for accounting periods beginning on or after 1 January 2023). Significant accounting principles will be replaced by material accounting principles. The amendment also includes guidance and examples for assessing materiality in the presentation of accounting principles.

Amendments to **IAS 12 Income taxes** (effective for accounting periods beginning on or after 1 January 2023). The amendment narrows the scope of the initial recognition exception of deferred taxes so that it no longer applies to transactions which give rise to an equal temporary difference between taxable and deductible

taxes. It would apply to assets and liabilities arising from individual transactions, such as right-of-use assets and lease liabilities or asset retirement obligations and corresponding asset components, if their deferred taxes are not equal.

Amendments to **IAS 1 Presentation of Financial Statements** (effective tentatively for accounting periods beginning on or after 1 January 2024). The amendments clarify that the Group has the right to defer settlement of a liability at the end of the reporting period if it meets the conditions specified on that date.

The standards listed above or other standards that take effect on January 1, 2022 or later are not expected to have a material impact on Rapala VMC's consolidated financial statements.

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the company and its subsidiaries in which it has control. The control is based either to governing power established through direct or indirect holding of over 50% of the voting rights and/or control established through other means. The financial statements of the subsidiaries are prepared for the same accounting period as the company, using consistent accounting policies.

Acquired subsidiaries are accounted for using the acquisition cost method, according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. The excess of the consideration over the fair value of net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through income statement. Goodwill on consolidation is not amortized but tested for impairment annually. Consideration includes the fair value of any contingent consideration arrangement. Also, cost directly related to acquisition were included in the cost of acquisition up to 1 January 2010. The consolidated financial statements include the results of acquired companies for the period from the completion of the acquisition. Conversely, divestments are included up to their date of sale.

Associated companies are companies where the Group holds voting rights of 20–50% and/or in which the Group has significant influence, but not control. Joint ventures are companies, over which the Group has contractually agreed to share control with another venturer. Currently associated companies and joint ventures are included in the consolidated financial statements using the equity method. Under the equity method, the Group's share of the profit or loss of an associate or a joint venture is recognized in the consolidated income statement before operating profit.

The Group's interest in an associated company or a joint venture is carried in the balance sheet at an amount that reflects the Group's share of the net assets of the associate or joint venture together with goodwill on acquisition, as amortized, less any impairment. Unrealized gains, if any, between the Group and the associated companies or joint ventures are eliminated to the extent of the Group's ownership. Associated companies' and joint ventures' financial statements have been converted to correspond with the accounting principles in use in the Group. If the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group has incurred obligations in respect

of the associated companies or joint venture.

The investments in subsidiaries have been eliminated using the acquisition cost method. All transactions between Group companies as well as assets and liabilities, dividends and unrealized internal margins in inventories and tangible assets have been eliminated in the consolidated financial statements. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity in accordance with the share of the non-controlling interest. All transactions with non-controlling interests are recorded in equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is recognized at fair value through the income statement.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items denominated in foreign currency, measured at fair value, are translated using the exchange rates at the date when the fair value was determined. Other non-monetary items have been translated into the functional currency using the exchange rate on the date of the transaction. Foreign exchange gains and losses for operating business items are recorded in the appropriate income statement account before operating profit. Foreign exchange gains and losses from the translation of monetary interest-bearing assets and liabilities denominated in foreign currencies are recognized in financial income and expenses. Exchange differences arising on a monetary item that forms a part of a net investment in a foreign operation are recognized in the statement of other comprehensive income and recognized in profit or loss on disposal of the foreign operation.

The consolidated financial statements are presented in euros, which is the company's functional and reporting currency. Income statements of subsidiaries, whose functional and reporting currencies is not euro, are translated into the Group reporting currency using the average exchange rate for the year. Their balance sheets are translated using the exchange rate of balance sheet date. All exchange differences arising on the translation are entered in the statement of other comprehensive income and presented in equity. The translation differences arising from the use of the purchase method of accounting and after the date of acquisition as well as fair value changes of loans which are hedges of such investments are recognized in statement of other comprehensive income and presented in equity. On the disposal of a subsidiary, whose functional and reporting currency is not euro, the cumulative translation difference for that entity is recognized in the income statement as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated using the exchange rate of balance sheet date. Goodwill and fair value

adjustments arising from the acquisition prior to January 1, 2004 have been treated as assets and liabilities of the Group, i.e. in euros.

REVENUE RECOGNITION

Net sales comprise of consideration received less indirect sales taxes, discounts and exchange rate differences arising from sales denominated in foreign currency. Sales of goods are recognized after the significant risks and rewards of ownership of the goods have passed to the buyer and no significant uncertainties remain regarding the consideration, associated costs and possible return of goods. The costs of shipping and distributing products are included in other operating expenses. Revenues from services are recorded when the service has been performed.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Royalty income is recorded according to the contents of the agreement. Interest income is recognized by the effective yield method. Dividend income is recognized when the company has acquired a right to receive the dividends.

INCOME TAXES

The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in other comprehensive income are similarly recognized. The current tax expense for the financial year is calculated from the taxable profit based on the valid tax rate of each country. The tax is adjusted with possible taxes related to previous periods. The share of results in associated companies is reported in the income statement as calculated from net profit and thus including the income tax charge.

Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit plans, inventory allowances and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as they are incurred, unless they relate to a clearly defined project that meets certain criteria. Development costs for such projects are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the aggregate deferred and future development costs and related production, selling and administrative expenses, and if adequate resources exist or will be available to complete the project. Capitalized development costs include all directly attributable material, employee benefit and testing costs necessary to prepare the asset to be capable of operating in the manner intended. Research and development costs that were initially recognized as

an expense are not to be capitalized at a later date.

Amortization of such a product is commenced when it is available for use. Unfinished products are tested annually for impairment. Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after January 1, 2004. Until 31.12.2009, any costs directly attributable to the business combination, such as professional fees, were included to the cost of an acquisition. From 1.1.2010 onwards, costs related to acquisitions are recognized directly to income statement. Goodwill from the combination of operations acquired prior to January 1, 2004 corresponds to the carrying amount according to the previous financial statement standards, which has been used as the assumed acquisition cost according to IFRS.

Goodwill is tested annually for impairment. For this purpose, goodwill has been allocated to cash generating units. Goodwill is measured at cost less any accumulated impairment loss, and is not amortized.

INTANGIBLE ASSETS

Intangible assets include customer relations, trademarks, capitalized development expenses, patents, copyrights, licenses and software. An intangible asset is recognized in the balance sheet only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets are stated at cost, amortized on a straight-line basis over the expected useful lives which vary from 3 to 15 years and adjusted for any impairment charges.

Trademarks and other intangible assets whose useful life is estimated to be indefinite are estimated to affect cash flow accumulation for an undefined period of time. The expected useful life for most trademarks is indefinite and therefore they are not amortized. These intangibles are measured at cost less any accumulated impairment loss and not amortized. Intangible assets with indefinite useful lives are tested for impairment annually. The valuation of intangible assets acquired in a business combination is based on fair value as at the date of acquisition.

Expected useful lives and indefinite lives of intangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, amortization periods are changed accordingly.

TANGIBLE ASSETS

Tangible assets are stated at historical cost, amortized on a straight-line basis over the expected useful life and adjusted for any impairment charges. The valuation of tangible assets acquired in a business combination is based on fair value as at the date of acquisition. Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is based on the following expected useful lives:

Buildings and structures	10–25 years
Machinery and equipment	5–10 years
Other tangible assets	3–10 years

Expected useful lives of tangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary maintenance and repair costs are expensed as incurred. The cost of significant renewals and improvements are capitalized and depreciated over the remaining useful lives of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in the income statement in other operating income and expenses.

Depreciation of a tangible asset is discontinued when the tangible asset is classified as being held-for-sale in accordance with IFRS 5 standard Non-Current Assets Held-for-sale and Discontinued Operations.

BORROWING COSTS

Borrowing costs, that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of that asset. Other borrowing costs are expensed when incurred.

ACCOUNTING TREATMENT OF GOVERNMENT GRANTS (IAS 20) DUE TO COVID-19

As a response to the COVID-19 pandemic, governments around the world implemented support measures to help businesses and economies. Government assistance comes in many forms and therefore Rapala VMC Corporation specified its accounting policy concerning grants received in 2020.

The Group continues to recognize government grants or subsidies when there is reasonable assurance that it will comply with all conditions attached and the grant will be received. Government grants are recognised in statement of income over the periods in which Group recognises the expenses which the grants are intended to compensate. However, the accounting treatment for grants depends on nature and type of the grant.

Due to the COVID-19 situation, Rapala VMC Corporation has received 0.2 MEUR (1.4) of governmental subsidies related to salaries and other personnel expenses, which are shown as deduction of personnel expenses in statement of income. No general business subsidies were received during 2021 (0.6 in 2020). These were shown as other income in statement of income in 2020.

In 2020 the Group was granted government-backed loans which amounted to 12.2 MEUR and for which the terms differ from market-based terms. The Group accounts for the benefit of government-backed loans at a below-market interest rate as a government grant. The difference between the fair value of the loan on initial recognition and the amount received is accrued and recognized as grant in other operating income. This totaled to EUR 0.3 (0.2) million.

Additionally, rent reliefs of 0.1 MEUR were received during 2020 but none during 2021. These were granted by private lessors and are therefore outside of the scope of IAS 20. In 2020 the Group performed impairment assessment due to COVID-19 situation and there was no indication that assets may be impaired.

IMPAIRMENTS OF TANGIBLE AND INTANGIBLE ASSETS

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If indication exists, the recoverable

amount is measured. Indications of potential need for impairment may be for example changes in market conditions and sales prices, decisions on significant restructurings or change in profitability.

Goodwill, intangible assets with indefinite useful lives and unfinished intangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows.

An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. Discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss is immediately recognized in the income statement.

Impairment losses attributable to a cash-generating unit are used to deducting first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit on an equal basis. The useful life of the asset to be depreciated is reassessed in connection with the recognition of the impairment loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

ACCOUNTING FOR LEASES

Group as a lessee

Group's capitalised lease agreements consist mainly of buildings as production facilities, office premises and warehouses, also the Group has several vehicle lease agreements. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost. The Group applies the two available exemptions, which relate to short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are expensed to other operating expenses.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments are discounted using the lessee's incremental borrowing rate. The incremental borrowing rates used are relevant interbank rates and the Group's internal finance margins. The incremental borrowing rates are currency specific.

The initial measurement of the lease payments does not include possible variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income. The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgment based on realistic estimates is used when determining the lease term, especially concerning lease agreements containing termination and purchase options and lease agreements with indefinite lease terms.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets and variable payments are presented in the cash flow from operating activities. Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification and a termination of a lease agreement is recognised in other operating income or other operating expenses in the statement of income.

Group as a lessor

IFRS 16 did not modify substantially how a lessor recognizes lease agreements. Those leases under which the Group is a lessor are classified as operating leases. Leased assets are presented in the balance sheet under tangible assets according to the nature of the asset. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognized in the income statement on a straight-line basis over the lease term. The Group acting as a lessor is not material to the Group consolidated financial statements.

FINANCIAL ASSETS

Financial assets are initially measured at fair value at trade date. Subsequently, financial assets are classified and measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit and loss.

Financial assets are measured at amortized cost when business model is hold-to-collect and cash flows are solely payments of principal and interest. Financial assets at amortized cost include non-derivative financial assets such as cash and cash equivalents, trade receivables and loan receivables.

Loan and trade receivables are measured at amortized cost using the effective interest rate method less any expected credit losses. Initially recognized amount includes directly attributable transaction costs. Gains and losses are recognized in the income statement when loans and receivables are derecognized, impaired, and through the amortization process.

Financial assets measured at fair value through profit and loss are assets which are derivatives not in hedge accounting.

Financial assets measured at fair value through other comprehensive income are equity instruments where entity has done an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss.

Impairment of financial assets is assessed regularly and when the carrying value exceeds the fair value or recoverable value of discounted cash flows, appropriate impairment is recognized in the income statement.

For trade receivables Rapala VMC applies IFRS 9 expected credit loss assessment. See note 22.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

When hedge accounting is applied it is fulfilled according to IFRS 9. The Group is exposed to financial risks related especially to changes in foreign currency exchange rates and interest rates for

loans and borrowings. Derivative financial instruments are used, from time to time, to hedge financial risk. All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models. The fair values of these instruments are received from the respective bank or calculated to match the current market price. Currently, the Group does not have embedded derivatives.

Derivatives may be designated as hedging instruments, in which case hedge accounting is applied. At the inception of a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. In the case hedge accounting is applied, the accounting for hedging instruments is dependent on the particular nature of the hedging relationship.

In cash flow hedges, changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized as other comprehensive income and the ineffective portion is recognized immediately in the income statement. Accumulated fair value changes recognized in the statement of other comprehensive income are reclassified into income statement in the period when the hedged cash flow affects income. Changes in fair value of derivative instruments are recognized in the income statement based on their nature either in the operative costs if the hedged item is an operative foreign currency transaction or as financial income or expenses, if the hedged item is a monetary transaction.

Changes of the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The changes in the fair values of derivatives that are designated as hedging instruments but are not accounted for according to the principles of hedge accounting are recognized in the income statement based on their nature either in the operative costs, if the hedged item is an operative transaction, or as financial income or expenses, if the hedged item is a monetary transaction.

In principal, the fair values of derivative instruments are presented in the statement of financial position under short-term or long-term non-interest bearing assets or liabilities based on their maturity. Derivative instruments that are designated and qualify as fair value hedges of monetary assets or liabilities, are presented in the same group of interest-bearing assets or liabilities as the hedged instrument.

Effective portion of changes in the fair values of foreign currency hedges used against the translation differences arising from the consolidation of net investments in foreign subsidiaries are recognized in translation differences in the statement of other comprehensive income. The ineffective portion is recognized in financial income and expenses. Accumulated fair value changes

recognized in the items of other comprehensive income are reclassified into income statement if the hedged subsidiary is disposed of partially or in its entirety.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at fair value at trade date. After initial recognition, the financial liabilities are subsequently measured and categorized at amortized cost, at fair value through profit and loss, or as derivatives designated at hedging instruments in an effective hedge. Financial liabilities, except derivatives, are initially recognized at the fair value of the consideration received plus directly attributable transactions costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. Also commercial paper programs are measured at amortized cost. Gains and losses are recognized in the income statement when the liabilities are derecognized, impaired and through the amortization process.

Financial liabilities include current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Contingent considerations of business combinations are classified as non-interest-bearing financial liabilities.

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognized at trade date. A financial asset or a financial liability is recognized on the balance sheet only when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset, so that all the risks and rewards of ownership of the financial asset are substantially transferred. A financial liability or a part of a financial liability is removed from the balance sheet only when it is extinguished, that the obligation specified in the contract is discharged or cancelled or expires.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method or, alternatively, weighted average cost where it approximates FIFO. The cost of finished goods and work in progress comprises raw materials, direct labor, depreciation, other direct costs and related production overheads, but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are presented net of net realizable value allowance recognized for obsolete and slow-moving inventories.

TRADE RECEIVABLES

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance. A credit loss allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency)

that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for credit loss allowances is done locally in each business unit on case-by-case basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current interest-bearing loans.

HYBRID BOND

A hybrid bond is an instrument which is presented under equity in the consolidated financial statements. A hybrid bond is subordinated to the company's other debt obligations, but has seniority over other equity items. The yield on a hybrid bond is paid if the Group distributes a dividend. If no dividend is distributed, the Group will make a separate decision on whether to pay the yield. Unpaid yields are accumulated. The holders of a hybrid bond do not possess the same rights as shareholders concerning control or voting at General Meetings of shareholders.

OWN SHARES

Own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity on the day of trading in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view of the time value of the money and the risk relating to the obligation at the time of examination.

A warranty provision is recognized when a product containing a warranty clause is sold. The size of the sum involved is determined on the basis of what is known about past warranty costs. A restructuring provision is recognized when the Group has compiled a detailed restructuring plan, launched its implementation or has informed the parties concerned.

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

The Group is a distributor of electrical equipment that falls under the EU Directive on Waste Electrical and Electronic Equipment. Expected costs are recognized as part of other operating expenses and as a current non-interest-bearing payable.

EMPLOYEE BENEFITS

Employee benefit obligations

Throughout the Group operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

For defined benefit plans, costs are assessed using the projected unit credit actuarial valuation method, in which the cost of providing benefit is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan. The benefit obligation is measured as the present value of estimated future cash outflows. Defined benefit liability comprises of the present value of the defined benefit obligation less the fair value of plan assets. All actuarial gains and losses are recognized in other comprehensive income immediately as they occur. The past service cost is recognized as an expense in the income statement.

Share-based payments

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. In the cash settled option program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payments programs is recognized in employee benefit expenses.

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. 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. The options are valued at fair value using Black-Scholes option-pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement with a corresponding adjustment to the equity or liability.

When the share options are exercised, the proceeds received, net of any transaction costs, are credited in the fund for invested non-restricted equity.

DIVIDEND

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to the shareholders of the company by the weighted average number of shares in issue during the year, excluding

shares purchased by the Group and held as treasury shares, if any.

Diluted earnings per share amounts have been calculated by applying the "treasury stock" method, as if the options were exercised at the beginning of the period, or on the issuance of options, if that occurs later during the period, and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the options. The assumption of exercise is not reflected in earnings per share when the exercise price of the options exceeds the average market price of the shares during the period. The share options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the options.

OPERATING PROFIT

The IAS 1 (Presentation of Financial Statements) standard does not define operating profit. The Group has defined it as follows: Operating profit is the net amount arising from adding other operating income and share of results in associates and joint ventures to net sales, deducting cost of sales corrected for changes in inventories and cost of production for own use, deducting costs related to employee benefits, depreciation and possible impairments as well as other operating expenses. Foreign exchange differences and changes in the fair value of derivative financial instruments are included in operating profit in case they originate from operative business items; otherwise they are booked in financial income and expenses.

CASH FLOW STATEMENT

Cash and cash equivalents presented in the cash flow statement comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash generated from operating activities has been reported using the indirect method. All income taxes paid during the financial year are presented in Net cash generated from operating activities, unless they can be particularly allocated to net cash from (used in) investing or financing activities. Unrealized exchange gains and losses from cash and cash equivalents denominated in foreign currencies are presented on a separate row before cash and cash equivalents at the end of period, separate from cash generated from (used in) operating, investing and financing activities.

COMPARABLE OPERATING PROFIT AND ITEMS AFFECTING COMPARABILITY

In order to reflect the underlying business performance and to enhance comparability between financial periods, the Group presents alternative performance measures. Comparable operating profit is operating profit excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability, which include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational

items. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain estimates and assumptions that affect the amounts recognized in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates. In addition, judgment has to be exercised in applying the accounting principles of the financial statements. Management's estimates and assumptions are based on historical experience and plausible future scenarios, which are continually evaluated. Possible changes in estimates and assumptions are recognized in the accounting period during which estimates and assumptions were fixed and in all subsequent accounting periods.

The key assumptions concerning the future and other key sources of uncertainty related to estimations at the balance sheet date, that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next accounting period, are discussed below.

Determining fair value of acquisitions

The fair values of acquired working capital and tangible assets were evaluated by the Group and when needed external appraisal personnel before the acquisition. The fair value of intellectual property rights (trademarks, patents and technology) and customer relations are established with discounting the related cash flows.

Impairment testing

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill, intangible assets with indefinite useful lives and unfinished tangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. These calculations require the use of estimates.

Income taxes

The Group reviews at each balance sheet date especially the carrying amount of deferred tax assets. Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main

temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance. At each balance sheet date the Group reviews whether distribution of earnings in subsidiaries is in its control and probable, and books a deferred tax accordingly.

Defined benefit obligations

Costs for defined benefit plans are assessed using the projected unit credit actuarial valuation method. Several statistical and other actuarial assumptions are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, future salary increase and annual inflation rate. Statistical information used may differ from actual results. Changes in actuarial assumptions are recognized in other comprehensive income immediately as they occur which could have a slight impact on the Group's statement of comprehensive income.

Provisions

The timing of the recognition of a provision is based on management's estimate of the moment when the Group has a present legal or constructive obligation, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Hyperinflation

The Group may have operations in hyperinflationary economies. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated in accordance of IAS 29 (Financial Reporting in Hyperinflationary Economies) in case the adjustments are material in relation to the Group's consolidated financial statements.

ROUNDING OF FIGURES

The consolidated financial statements are presented in millions of euros. 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.

In the financial statements, EUR 0.0 million means the figure is less than EUR 50 000. If the amount is EUR 0, the cell is left empty or a line.

2 SEGMENT INFORMATION

The Rapala VMC Group is led as a whole, as an integrated chain of units engaged in manufacturing, sourcing and distributing of mainly fishing tackle equipment as well as outdoor and winter sports equipment. The base unit of the Group's management is a single subsidiary engaged in one or several activities within the integrated supply chain. Each subsidiary and business is represented by a member in the Executive committee. The Group does not have any structure of independently led divisions, but the Group is managed as a whole. The Group's CEO, together with the Board is the ultimate decision maker.

Despite the integrated nature of the Group's operations, the type and source of products being processed by the units creates difference in the Group's management approach. There is a distinction in the strategic and operative role of the products depending on whether the product sold is being manufactured by the Group itself; whether the product is sourced by the Group externally, but sold under one of the Group's own brands; whether the product is a third party product represented and distributed by the Group; or whether the product is part of Group's core fishing tackle business or some supporting product category outside of fishing. This distinction between the type and source of products is the basis for the Group's operating segments.

The Group's operating segments are Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products and Other Group Products have been combined to reportable segment Group Products. Group Fishing Products are fishing tackle products manufactured or sourced by the Group itself and sold under the Group's brands. Group Fishing Products include Lures and Baits, Fishing Hooks, Fishing Lines and Fishing Accessories. Other Group Products include Group manufactured and/or branded products for winter sports and some other non-fishing businesses. Third Party Products include non-Group branded fishing products and third party products for outdoor and winter sports, which are distributed by the Group utilizing the same supply channel as Group Fishing Products and Other Group Products.

The Group has changed the measurements of segment performance by excluding items affecting comparability from operating profit. The Group measures segment performance based on sales, comparable operating profit and assets. Comparable operating profit is adjusted by mark-to-market valuations of operative currency derivatives and other items affecting comparability including material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items. Definitions of the alternative performance measures are presented in Definitions of Key Figures on page 46. All the other segment reporting is consistent with IFRS accounting principles. Reportable segments are consistent with those in the financial statements 2020.

Pricing of inter-segment transactions is based on market prices.

REPORTABLE SEGMENTS

2021

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL REPORTABLE SEGMENTS
Net Sales	227.7	66.6	294.3
Depreciation, amortization and impairment losses	-8.6	-1.4	-9.9
Share of results in associates and joint ventures (included in OP)	0.0	0.2	0.2
Comparable operating profit	29.5	3.2	32.7
Segment assets			
Non-interest-bearing assets	252.5	24.1	276.6
Investments in associates and joint ventures	0.0	3.6	3.6
Total segment assets	252.5	27.7	280.1
Investments	13.6	0.4	14.0

2020

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL REPORTABLE SEGMENTS
Net Sales	187.5	73.8	261.3
Depreciation, amortization and impairment losses	-11.9	-3.5	-15.5
Share of results in associates and joint ventures (included in OP)	0.0	-0.8	-0.8
Comparable operating profit	23.4	-1.9	21.5
Segment assets			
Non-interest-bearing assets	212.7	21.7	234.4
Investments in associates and joint ventures	0.0	3.4	3.4
Total segment assets	212.7	25.1	237.8
Investments	4.7	0.3	5.0

RECONCILIATIONS

EUR MILLION	2021	2020
Net sales		
Total sales for reportable segments	294.3	261.3
Group net sales	294.3	261.3
Comparable operating profit		
Total comparable operating profit for reportable segments	32.7	21.5
Mark-to-market valuations of operative currency derivatives	-0.2	-0.1
Other items affecting comparability	-0.4	-10.7
Group total operating profit	32.1	10.7
Group financial income and expenses	-4.1	-4.2
Group profit before taxes	28.0	6.6
Other items affecting comparability		
Restructurings*	0.4	10.7
Total other items affecting comparability	0.4	-10.7
*In 2021 the restructuring costs consist of European and other restructurings and in 2020 of European, management, Indonesian manufacturing and other restructurings.		
Assets		
Total assets for reportable segments	280.1	237.8
Unallocated interest-bearing assets	35.4	35.1
Group total assets	315.5	272.9

GEOGRAPHICAL AND GROUP-WIDE INFORMATION

The Group operates in four geographical areas which are North America, Nordic, Rest of Europe and Rest of the World. External net sales and non-current assets are presented separately in the countries which proportion is significant.

The non-current assets exclude non-current financial assets and deferred tax assets.

The Group's customer base consists of a large number of customers in several market areas and no single customer represent by itself a significant part of the Group's net sales.

External net sales by unit location

EUR MILLION	2021	2020
Finland	30.9	21.2
Other Nordic Countries	14.6	20.4
Nordic total	45.5	41.6
Russia	12.8	12.7
France	32.4	30.9
Other European Countries	35.4	36.2
Rest of Europe total	80.6	79.8
USA	116.6	93.4
Other North America	18.2	16.8
North America total	134.8	110.2
Rest of the World total	33.4	29.7
TOTAL	294.3	261.3

Non-current assets by unit location

EUR MILLION	2021	2020
Finland	28.5	21.3
Other Nordic Countries	1.8	1.9
Nordic total	30.3	23.2
Rest of Europe total	21.5	21.6
USA	34.1	30.2
Other North America	3.2	2.8
North America total	37.4	33.0
China (incl. Hong Kong)	27.1	26.5
Other countries	3.2	3.6
Rest of the World total	30.3	30.0
TOTAL	119.5	107.8

3 ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS IN 2021

The Group acquired the non-controlling interest from Shimano regarding joint ownership Rapala VMC distribution companies situated in Russia, Kazakhstan, Czech Republic, Belarus, Hungary, Romania and Croatia. The non-controlling interest acquired was 50% from Russia, Kazakhstan, Czech Republic and Belarus, and 33% regarding Hungary, Romania and Croatia. The acquisition was due to negotiations with Shimano Europe BV to end the distribution of Shimano branded products and joint ownership. The acquisition date was November 8, 2021 and now the Group has 100% stake from the mentioned companies. The purchase price totaled EUR 10.3 million.

ACQUISITIONS IN 2020

No acquisitions were carried out in 2020.

DIVESTMENTS IN 2021

No divestments were carried out in 2021.

DIVESTMENTS IN 2020

No divestments were carried out in 2020.

4 OTHER OPERATING INCOME

EUR MILLION	2021	2020
Royalty income	0.0	0.2
Rental income	0.2	0.1
Covid-19 subsidies	-	0.6
Gains from sale of intangible and tangible assets	0.6	0.1
Insurance compensations	0.1	0.0
Other income	0.8	0.5
TOTAL	1.6	1.6

5 OTHER OPERATING EXPENSES

EUR MILLION	2021	2020
Selling and marketing expenses	-9.0	-7.8
Rents paid (outside of IFRS 16)	-0.9	-0.9
Freight out	-7.7	-6.2
Maintenance and utility expenses	-7.7	-5.9
Traveling expenses	-1.8	-2.1
Sales commissions	-4.6	-3.6
Consulting expenses	-1.9	-1.4
IT and telecommunication	-3.1	-2.8
Auditors' fees and services	-0.8	-0.9
Outsourced logistics	-0.9	-1.1
Currency derivatives	-0.7	0.4
Other expenses	-9.2	-8.7
TOTAL	-48.4	-41.0

AUDITORS' FEES AND SERVICES

EUR MILLION	2021	2020
Audit fees	-0.6	-0.7
Fees for tax services	-0.2	-0.2
Non-audit fees	0.0	0.0
TOTAL	-0.8	-0.9

6 MATERIALS AND SERVICES

EUR MILLION	2021	2020
Materials, goods and supplies		
Purchases during the period	-148.3	-104.5
Change in inventory	2.3	-2.1
External services	-2.8	-1.4
TOTAL	-148.8	-108.0

7 EMPLOYEE BENEFIT EXPENSES

EUR MILLION	2021	2020
Wages and salaries	-56.4	-54.9
Pension costs - defined contribution plans	-4.5	-4.0
Pension costs - defined benefit plans	-0.1	-1.6
Other long-term employee benefits	-0.4	-0.1
Option programs to be settled in shares	-0.9	-0.8
Other personnel expenses	-9.2	-8.1
TOTAL	-71.6	-69.4

The employee benefit expenses in 2021 included EUR 0.5 million employee related restructuring expenses (2020: EUR 2.8 million). For more details on employee benefits for top management and possible share-based incentive plans, see notes 28 and 29.

AVERAGE PERSONNEL

PERSONS	2021	2020
North America	136	130
Nordic	314	330
Rest of Europe	1 009	860
Rest of the World	306	785
TOTAL	1 765	2 105

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 1.2 million recognized as an expense in 2021 (2020: EUR 1.1 million). Group has not capitalized development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR MILLION	2021	2020
Foreign exchange gains and losses		
From financial assets	2.3	-4.4
From financial liabilities measured at amortized cost	-3.7	2.7
From right-of-use liabilities	0.0	-0.1
Interest and other financial income		
Interest income from financial assets measured at amortized cost	0.5	0.6
Interest rate derivatives - non-hedge accounted	0.0	-0.1
Other financial income	0.0	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-1.8	-2.2
Currency derivatives - non-hedge accounted	-0.5	0.8
Interest expenses on right-of-use liabilities	-0.4	-0.4
Other financial expenses	-0.7	-1.1
TOTAL	-4.1	-4.2

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2021	2020
Gains and losses on hedges of net investments, net of tax	0.5	-1.1
TOTAL	0.5	-1.1

EXCHANGE GAINS AND LOSSES IN OPERATING PROFIT

EUR MILLION	2021	2020
In net sales	1.3	0.3
In purchases	-0.6	-0.5
In other operating expenses		
Currency derivatives, non-hedge accounted	-0.7	0.4
TOTAL	-0.1	0.2

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR MILLION	2021	2020
Income taxes	-7.5	-6.2
Deferred taxes	-0.8	3.0
TOTAL	-8.2	-3.2

INCOME TAX RECONCILIATION

EUR MILLION	2021	2020
Profit before taxes	28.0	6.6
Income taxes at Finnish statutory tax rate (20%)	-5.6	-1.3
Difference between Finnish and foreign tax rates	-0.7	-0.3
Prior year income taxes	0.8	-0.1
Foreign withholding taxes	-0.1	-0.0
Effect of deferred taxes not recognized	-0.3	-1.0
Benefit arising from previously unrecognized deferred tax asset	0.9	0.4
Income taxes on undistributed earnings	-3.1	-
Effect of changes of tax rates	0.2	-0.0
Other items	-0.3	-0.8
INCOME TAXES IN THE INCOME STATEMENT	-8.2	-3.2

TAXES IN OTHER COMPREHENSIVE INCOME

2021

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Translation differences	7.9		7.9
Remeasurements of defined benefit liabilities	0.0	0.0	0.0
Net investment hedges	0.7	-0.1	0.5
TOTAL	8.5	-0.1	8.4

2020

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Translation differences	-8.0		-8.0
Remeasurements of defined benefit liabilities	0.0	0.0	0.1
Net investment hedges	-1.4	0.1	-1.2
TOTAL	-9.3	0.1	-9.1

DEFERRED TAXES

EUR MILLION	2021	2020
Tax losses and credits carried forward	5.0	3.1
Provisions	1.4	1.3
Employee benefits	0.5	0.6
Depreciation difference	1.1	1.0
Inventories	3.8	2.5
Other temporary differences	0.4	0.2
Total	12.2	8.7
Offset against deferred tax liabilities	-1.7	-0.9
TOTAL DEFERRED TAX ASSETS	10.5	7.8
Depreciation difference and other untaxed reserves	2.1	1.9
Fair value allocations for acquired net assets	4.3	3.9
Undistributed earnings	3.3	-
Other temporary differences	0.4	0.0
Total	10.1	5.8
Offset against deferred tax assets	-1.7	-0.9
TOTAL DEFERRED TAX LIABILITIES	8.4	5.0
NET DEFERRED TAX ASSETS (+) / LIABILITIES (-)	2.1	2.8

MOVEMENT IN THE NET DEFERRED TAX BALANCE

EUR MILLION	2021	2020
Net deferred tax assets (+) and liabilities (-) at Jan 1	2.8	-0.8
Recognized in income statement	-0.8	3.0
Recognized in other comprehensive income	-0.1	0.1
Recognized in equity	0.3	0.3
Translation differences	-0.1	0.2
NET DEFERRED TAX ASSETS (+) AND LIABILITIES (-) DEC 31	2.1	2.8

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2021, the Group had tax losses carried forward of EUR 25.9 million (2020: EUR 29.7 million), for which deferred tax assets have not been recognized in the consolidated financial statements because the realization of the tax benefit is not probable. EUR 2.1 million of these tax losses will expire during the next five years (2020: EUR 0.1 million).

Deferred tax liability on undistributed earnings of subsidiaries has been recognized in the consolidated balance sheet to the extent that distribution is probable within the foreseeable future.

The consolidated balance sheet includes deferred tax assets of EUR 2.3 million (2020: EUR 2.7 million) in group companies, which have generated losses in financial year 2021 or 2020. The recognition of these assets is based on profit estimates, which indicate that the realization of these deferred tax assets is probable.

11 INTANGIBLE ASSETS

2021

EUR MILLION	GOODWILL	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan 1	47.0	23.8	3.8	8.8	83.4
Additions		6.6		0.3	6.9
Disposals		0.0		-0.6	-0.6
Reclassifications ¹⁾		0.0		0.0	0.0
Translation differences	1.9	1.3	0.2	0.1	3.4
ACQUISITION COST DEC 31	48.9	31.7	4.0	8.6	93.2
Accumulated amortization Jan 1		-0.9	-3.5	-7.9	-12.2
Disposals				0.6	0.6
Amortization during the period			0.0	-0.5	-0.5
Translation differences		0.0	-0.2	-0.1	-0.3
ACCUMULATED AMORTIZATION DEC 31		-0.9	-3.7	-7.8	-12.4
CARRYING VALUE JAN 1	47.0	23.0	0.3	1.0	71.2
CARRYING VALUE DEC 31	48.9	30.8	0.3	0.8	80.8

2020

EUR MILLION	GOODWILL	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan 1	49.1	25.2	4.0	8.4	86.7
Additions				0.4	0.4
Disposals				0.0	0.0
Reclassifications ¹⁾				0.2	0.2
Translation differences	-2.1	-1.3	-0.3	-0.1	-3.8
ACQUISITION COST DEC 31	47.0	23.8	3.8	8.8	83.4
Accumulated amortization Jan 1		-0.9	-3.6	-6.7	-11.2
Disposals				0.0	0.0
Amortization during the period			-0.1	-0.5	-0.6
Translation differences		0.0	0.2	0.1	0.3
ACCUMULATED AMORTIZATION DEC 31		-0.9	-3.5	-7.9	-12.2
CARRYING VALUE JAN 1	49.1	24.2	0.4	1.7	75.5
CARRYING VALUE DEC 31	47.0	23.0	0.3	1.0	71.2

¹⁾ Includes reclassifications between intangible and tangible assets.

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR MILLION	GROUP FISHING PRODUCTS	OTHER GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL
2021				
Goodwill	47.3	0.0	1.6	48.9
Trademarks with indefinite lives	30.4		0.4	30.8
Discount rate, %	9.2	9.2	11.0	
2020				
Goodwill	45.4	0.1	1.6	47.0
Trademarks with indefinite lives	22.5		0.4	23.0
Discount rate, %	9.2	9.2	11.0	

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

The Group is led as a whole and not organized nor managed in independent divisions. Most of the units are also strongly interlinked i.e. some units do not have a sales or a production organization or some other functions or operations needed to operate on a stand-alone basis. However, according to IFRS, the lowest cash-generating unit (CGU) cannot be larger than an operating segment in the Group's segment reporting. As a consequence, goodwill and trademarks with indefinite lives are tested on the operating segment level.

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections, which were used in these calculations, were based on most recent 5-year financial forecasts prepared by the management and approved by the Board. The estimated sales and production volumes are derived from the utilization of existing property, plant and equipment. The most important assumptions on which management has based its cash flow projections are the sales and profitability. Discount rate is the weighted average pre-tax cost of capital (WACC) which is defined for each cash-generating unit separately. The components of WACC are the risk-free yield rate, market risk premium, industry

specific beta, cost of debt, and target capital structure. In the impairment tests prepared in 2021 and 2020, the growth rate used to extrapolate the cash flow beyond the five-year period is 0%. As a result of the performed impairment tests, no impairment losses have been recognized in 2021 or 2020.

Key assumptions

Sales – The Group's estimated sales are based on present and future product assortment and utilization of distribution and manufacturing capacity. In addition, estimated sales are based on long-term growth of industry and further implementation of Group's strategic objectives.

EBITDA margin – The Group's estimated EBITDA margin, operating profit before depreciation and impairments compared to net sales, is based on past years actual margins and management's view on sales and gross margin development. The increase in general cost level has also been taken into account in the development of EBITDA margin.

Discount rate – Discount rate is the weighted average pre-tax cost of capital (WACC). Weighted average cost of capital represents the total cost of Group's equity and debt taken into account specific risks related to assets.

Growth rate – Compared to historical sales growth development, management has been conservative in determining the growth rate for impairment purposes.

Sensitivity analysis

The key sensitivity factors for the impairment test are the estimated EBITDA margin and the discount rate. According to the Group's management in the main business segments Group Fishing Products and Third Party Products no probable change in any of the key sensitivity factors would lead to a situation where the carrying amount would exceed the recoverable amount. Even if the discount rate would be 8.6 percentage points higher in Group Fishing Products and 28.0 percentage points in Third Party Products or EBITDA 46.9 percentage lower than used in the management's estimates in Group Fishing Products and 73.0 percentage points in Third Party Products, it would not lead to an impairment loss in these main cash generating units.

12 TANGIBLE ASSETS

2021

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	1.9	25.7	61.1	20.5	1.3	110.5
Additions		0.4	1.7	1.1	4.4	7.6
Disposals		-0.9	-4.7	-5.2	-0.7	-11.5
Reclassifications ¹⁾		0.9	1.4	0.3	-2.6	0.0
Translation differences	0.1	0.6	0.6	0.7	0.0	2.1
ACQUISITION COST DEC 31	2.0	26.7	60.1	17.4	2.5	108.6
Accumulated depreciation Jan 1		-18.4	-51.6	-17.9		-87.9
Disposals		0.6	4.2	5.1		9.9
Reclassifications ¹⁾		0.0	0.1	0.0		0.0
Depreciation during the period		-0.8	-2.7	-1.1		-4.6
Impairments			-0.1			-0.1
Translation differences		-0.3	-0.5	-0.7		-1.5
ACCUMULATED DEPRECIATION DEC 31		-19.0	-50.6	-14.6		-84.2
CARRYING VALUE JAN 1	1.9	7.3	9.5	2.6	1.3	22.6
CARRYING VALUE DEC 31	2.0	7.7	9.5	2.8	2.5	24.4

2020

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	2.0	26.3	60.6	22.1	1.2	112.2
Additions		0.2	1.3	0.9	2.0	4.6
Disposals		-0.2	-0.7	-1.4		-2.3
Reclassifications ¹⁾		0.1	1.0	0.2	-1.4	-0.2
Translation differences	-0.1	-0.7	-1.0	-1.3	-0.5	-3.6
ACQUISITION COST DEC 31	1.9	25.7	61.1	20.5	1.3	110.6
Accumulated depreciation Jan 1		-18.3	-49.8	-17.2		-85.2
Disposals		0.2	0.4	1.1		1.7
Reclassifications ¹⁾			0.0	0.0		0.0
Depreciation during the period		-0.8	-2.9	-2.8		-6.5
Impairments			-0.2			-0.2
Translation differences		0.4	0.8	1.1		2.2
ACCUMULATED DEPRECIATION DEC 31		-18.4	-51.6	-17.9		-88.0
CARRYING VALUE JAN 1	2.0	8.1	10.8	4.9	1.2	26.9
CARRYING VALUE DEC 31	1.9	7.3	9.5	2.6	1.3	22.6

¹⁾ Includes reclassifications between intangible and tangible assets and inventories.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group owns 49% of the share capital and voting rights of DQC International Corp, an unlisted company domiciled in the USA. DQC International Corp. is known for its 13 Fishing -branded rods and reels.

The Group has a 33.3% interest in associate Lanimo Oü, an unlisted company domiciled in Estonia. Its main activity is producing leather-haberdashery. The carrying amount does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the period ending on September 30, due to differences in reporting time schedule.

Associated companies are consolidated according to the equity method.

EUR MILLION	2021	2020
Acquisition cost Jan 1	3.4	4.2
Share of profit/loss	0.2	-0.8
Translation differences	-0.1	0.1
ACQUISITION COST DEC 31	3.6	3.4

Information on associates and joint ventures

MILJ. EUR	LANIMO OÜ		DQC INTERNATIONAL CORP.	
	2021	2020	2021	2020
Net sales	0.2	0.1	20.5	12.6
Purchases and other expenses	-0.2	-0.1	-19.2	-9.4
Depreciation	0.0	0.0	-0.3	-0.7
Interest income and expenses	0.0	0.0	-0.3	-4.0
Net profit for the period	0.0	0.0	0.7	-1.4
Non-current assets	0.0	0.0	1.6	1.9
Current assets	0.1	0.1	12.6	6.5
Of which cash and cash equivalents	0.0	0.0	0.3	0.0
Non-current liabilities	0.0	0.0	12.1	10.3
Of which financial liabilities	0.0	0.0		
Current liabilities	0.0	0.0	5.2	1.5
Net assets of associate/ joint venture	0.0	0.0	-3.1	-3.5
Net assets belonging to Rapala Group	0.0	0.0	-1.5	-1.7

14 MATERIAL PARTLY OWNED SUBSIDIARIES

The Rapala VMC Group included until November 15, 2021 one company, where non-controlling interest was material based on the Group's consolidated net profit for the period. The Group owned 50% of JSC Normark domiciled in Russia. The other 50% was owned by Shimano Inc. JSC Normark distributes the Rapala VMC Group's and Shimano's products in Russia. The Group had control over the company, based on operative leadership model and a shareholder contract, which gave majority of the voting power to Rapala VMC in the board of a holding company directly owning JSC Normark. The company has been treated as a subsidiary and has been fully consolidated to the figures of the Rapala VMC Group. On November 15, 2021 Rapala VMC acquired from Shimano Inc. the remaining 50% non-controlling interest and at the end of the year non-controlling interest is zero in the company.

Financial information below is based on JSC Normark's reported figures before intra-Group eliminations.

EUR MILLION	PROFIT (LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		EQUITY BELONGING TO NON-CONTROLLING INTERESTS	
	2021	2020	2021	2020
JSC Normark	1.2	0.7	-	1.8
Other partly-owned subsidiaries	0.4	0.2	-	3.4
TOTAL	1.5	1.0	-	5.2

Summarized financial information

JSC Normark

EUR MILLION	UNTIL 15 NOVEMBER 2021	2020
Net sales	12.3	12.2
Purchases and other expenses	-9.5	-10.2
Depreciation	-0.5	-0.5
Interest income and expenses	-0.1	-0.1
Net profit for the period	2.3	1.4
Non-current assets	-	0.2
Current assets	-	4.5
Non-current liabilities	-	0.2
Current liabilities	-	0.9
Equity	-	3.6
Cash flows from operating activities	2.6	3.0
Cash flows from investing activities	-0.6	-0.6
Cash flows from financing activities	-0.1	-1.0

15 OTHER SHARES

EUR MILLION	2021	2020
Carrying value Jan 1	0.2	0.2
Translation differences	0.0	0.0
CARRYING VALUE DEC 31	0.2	0.2

Other shares comprise of unlisted shares. The most significant is As Oy Tahkon Eagle.

16 RECEIVABLES

EUR MILLION	2021	2020
Non-current receivables		
Interest-bearing		
Loan receivables	7.6	7.2
Other interest-bearing receivables	0.0	0.0
Non-interest-bearing		
Trade receivables	0.0	0.0
Derivatives	0.0	-
Other receivables	0.1	0.1
Current receivables		
Non-interest-bearing		
Trade receivables	48.0	43.5
Derivatives	0.1	0.2
VAT receivable	1.8	1.4
Other prepaid expenses and accrued income	8.2	3.5
Other receivables	4.6	3.3
TOTAL	70.5	59.2

Fair values of financial assets are presented in the note 23.

The average interest rate of non-current loan receivables was 4.87% (2020: 4.87%).

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR MILLION	2021	2020
Allowance for trade receivables Jan 1	3.1	2.0
Additions	0.4	2.2
Deductions	-1.6	-0.3
Recovery	-0.5	-0.7
Translation differences	0.0	-0.1
ALLOWANCE FOR TRADE RECEIVABLES DEC 31	1.5	3.1

In most cases allowances are determined individually, when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables.

17 INVENTORIES

EUR MILLION	2021	2020
Raw material	13.3	12.0
Work in progress	9.6	8.4
Finished products	68.6	55.6
Net realizable value allowance	-5.4	-7.1
TOTAL	86.2	68.8

18 CASH AND CASH EQUIVALENTS

EUR MILLION	2021	2020
Cash at bank and in hand	27.8	27.9
TOTAL	27.8	27.9

19 SHARE CAPITAL AND EQUITY FUNDS

EUR MILLION	2021	2020
Share capital Jan 1	3.6	3.6
SHARE CAPITAL DEC 31	3.6	3.6
Share premium fund Jan 1	16.7	16.7
SHARE PREMIUM FUND DEC 31	16.7	16.7
Fund for invested non-restricted equity Jan 1	4.9	4.9
FUND FOR INVESTED NON-RESTRICTED EQUITY DEC 31	4.9	4.9

SHARES AND SHARE CAPITAL

SHARES	2021	2020
Number of shares Jan 1	39 000 000	39 000 000
NUMBER OF SHARES DEC 31	39 000 000	39 000 000
Own shares Jan 1	452 208	677 208
Purchase of own shares	86 043	-
Directed issue of own shares	-488 015	-225 000
OWN SHARES DEC 31	50 236	452 208

On December 31, 2021, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 000 000.

For more information on shares and share capital, see the section Shares and Shareholders.

EQUITY FUNDS

Share premium fund includes the premiums received on exercise of share options and other share issues under the old Finnish Companies Act. Fund for invested non-restricted equity includes subscription prices for shares to the extent that it is specifically not to be credited to share capital and other types of equity investments.

Translation differences contain exchange differences arising from the currency translation of foreign subsidiaries' financial statements and exchange differences arising from monetary items that form part of net investments in foreign companies.

HYBRID BOND

On November 15, 2021, Group redeemed its hybrid loan of 25 MEUR, issued in November 2019, following the permitting conditions of the bond. Accrued interest 1.1 MEUR was recognized as a deduction from Group's equity.

DIVIDENDS

No dividend was paid for 2020. The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on March 23, 2022 that for 2021 a dividend of 0.15 EUR per share will be distributed from Group's distributable equity and that remaining distributable funds are carried forward to retained earnings.

BOARD'S AUTHORIZATIONS

For information on the Board's authorizations and acquisition of own shares, see section Shares and Shareholders.

20 EMPLOYEE BENEFIT OBLIGATIONS

Most of the Group's pension plans are defined contribution plans. The Group has defined benefit pension plans in France and in some Rest of the World countries. The plans in Rest of the World countries are immaterial as a whole. The retirement benefits are determined based on salary and period of employment. These obligations are unfunded. The Group has no other post-employment benefit obligations. The pension security of the personnel of the Group's Finnish companies is arranged under the Finnish statutory employee pension plan (TYEL) through an external pension insurance company. Employee benefit obligations also include a long-term profit-sharing payable to the employees in France and in some Rest of the World countries.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR MILLION	2021	2020
Current service cost	-0.1	-0.2
Interest cost	-0.2	0.0
TOTAL	-0.4	-0.3

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR MILLION	2021	2020
Rest of Europe	2.3	2.2
Rest of the World	0.0	1.3
PRESENT VALUE OF UNFUNDED OBLIGATIONS	2.4	3.5

BALANCE SHEET RECONCILIATION

EUR MILLION	2021	2020
Obligations Dec 31	3.5	2.9
Restatement of actuarial calculation method	-0.3	-
Obligations Jan 1	3.3	2.9
Current service cost	0.4	0.3
Interest cost	0.0	0.0
Actuarial gains and losses		
Changes in demographic assumptions	-0.1	0.0
Changes in financial assumptions	-0.1	0.1
Changes in experience assumptions	0.2	-0.1
Effect of any curtailments or settlements	-1.2	-0.1
Paid contributions	-0.1	-0.1
Translation differences	0.0	0.4
OBLIGATIONS DEC 31	2.4	3.5

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation.

EUR MILLION	2021	2020
Within one year	0.3	0.1
1-5 years	0.1	0.3
5-10 years	0.5	0.8
Later than 10 years	1.5	2.4
TOTAL	2.4	3.5

ASSUMPTIONS

Rest of Europe		
%	2021	2020
Discount rate	0.8	0.4
Future salary increase	2.5-3.0	2.5-3.0
Annual inflation rate	1.8	1.8
Rest of the World		
%	2021	2020
Discount rate	2.0	1,4-7,8
Future salary increase	3.0	8.0

21 PROVISIONS

EUR MILLION	2021	2020
Warranty provisions		
Provisions Jan 1	0.3	-
Additions	-	0.3
Reversal of unutilized provisions	-0.2	-
Acquisitions	-0.1	-
Translation differences	0.0	-
PROVISIONS DEC 31	0.1	0.3
Other provisions		
Provisions Jan 1	1.1	0.6
Additions	0.1	0.8
Unused amounts reversed	0.0	-
Utilized provisions	-0.7	-0.5
Translation differences	0.0	-
PROVISIONS DEC 31	0.5	1.1
Non-current	0.1	0.1
Current	0.4	1.3
TOTAL PROVISIONS	0.5	1.4

22 FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The main objective of the Group's financial risk management is to reduce the impacts of price fluctuations in financial markets and other factors of uncertainty on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity. The Board has approved the Group's risk management principles and CEO is responsible, together with the Chief Financial Officer, for development and implementation of financial risk management procedures.

Group Risk Management review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. Group Risk Management continued monitoring and management of foreign exchange, interest rate, liquidity and counterparties' solvency risks.

Financial risks consist of market risks, credit and default risks and liquidity risks. This note also presents the Group's capital management.

MARKET RISKS

The Group's market risks are mainly caused by changes in foreign exchange and interest rates. These changes may have a significant impact on the Group's earnings, cash flows and balance sheet. The Group is also exposed to market price changes of certain raw materials, mainly metals and plastics, which are priced on commodity markets.

1. Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense is denominated in a foreign currency, financing, when debt is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries.

The Group's foreign exchange risk is managed by the business units and Group Risk Management in accordance with the Foreign Exchange Risk Management policy approved by the Board of Directors.

Foreign exchange transaction risk

Foreign Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or noncurrent.

As a result of sales and purchases in foreign currencies as well as operations in several jurisdictions, the Group has foreign currency denominated receivables and payables that are exposed to movements in foreign exchange rates. Income and expenses within different currencies net each other out to some extent, creating thus an effective natural hedge. The remaining, estimated 12-15 month commercial net exposure is then systematically hedged by using derivative instruments. Depending on whether foreign currency monetary receivables and payables relate to sales and purchases or financial items, the foreign exchange gains and losses are recognized in the income statement either above or below operating profit.

The Group has also intra-group loans denominated in currencies that exposes the Group to currency risk that is not fully eliminated on consolidation. Depending on whether these loans are classified as net investments on foreign operations or loan receivables, the foreign exchange gains and losses are recognized in the other comprehensive income or income statement. The connections possibly prevailing between different currencies are not taken into account, e.g. US dollar and Hong Kong dollar are considered as separate currencies in this analysis.

Group Risk Management is responsible for monitoring the Group's consolidated currency risk exposure and when needed, enters into derivative transactions with group external counterparties.

Derivative instruments that are used for hedging purposes are mainly short term and can include forward contracts, option contracts and structured instruments. Because the Group does not apply hedge accounting on currency derivatives, the income statement effect arising from fair value changes of derivative instruments is recognized partly or entirely in different financial periods than exchange rate gains and losses arising from the hedged cash flows.

In 2021 currency derivatives that are used for operative hedging purposes had an income statement effect of EUR -0.7 million (2020: EUR 0.4 million). Fair values and nominal values of currency derivatives are summarized under section 4. Derivatives.

At the end of 2021 and 2020 the following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

Transaction risk position

2021

EUR MILLION	USD	RUB	IDR	CAD	ZAR
Transaction risk and hedging					
Transaction exposure *	-0.5	9.2	-9.3	9.5	4.6
Hedges	-15.9	0.0	0.9	-2.6	-2.7

2020

EUR MILLION	USD	RUB	IDR	CAD	ZAR
Transaction risk and hedging					
Transaction exposure	6.2	11.8	1.4	8.7	5.8
Hedges	-3.9	-2.7	-0.8	-2.4	-2.1

* If US dollar and Hong Kong dollar peg would be taken into account in this analysis, the USD transaction exposure would be 17.7 MEUR.

Foreign exchange translation risk

The group is exposed to currency translation risk through its investments in foreign subsidiaries, joint ventures and associated companies with equities' denominated in foreign currencies. The most significant translation exposures are in USD, IDR, CAD, SEK and DKK, which comprise approximately 77.1% of the total translation exposure. In the Group consolidation equity changes resulting from movements in foreign exchange rates are presented as translation differences within the equity.

The Group Risk Management monitors regularly the amounts of net investments denominated in foreign currencies and when needed, enters into hedging transactions in order to reduce the volatility in equity in the consolidated balance sheet. During 2021 the Group did not hedge any equity exposure.

The total non-euro denominated equity excluding net income of the Group's subsidiaries and associated companies was EUR 90.4 million as of December 31, 2021 (2020: EUR 139.4 million). The most significant exposures are summarized in the following table.

EUR MILLION	Group translation exposure	
	2021 NET INVESTMENTS	2020 NET INVESTMENTS
USD	47.5	84.5
IDR	9.5	9.4
CAD	6.3	5.3
SEK	3.4	5.9
DKK	2.9	3.2
TOTAL	69.7	108.3

Sensitivity analysis

Sensitivity analysis is based on the following assumptions and factors:

- The sensitivity analysis is based on change of value in a single analyzed currency and assumes other variables (including values of other currencies) to remain unchanged. The connections possibly prevailing between some currencies are not taken into account.
- The sensitivity is analyzed against balance sheet conversion rates prevailing at December 31, 2021.
- The analysis includes the effect of income statement transactions made in the analyzed currency between January 1 and December 31 in Group companies, whose functional currency is other than the analyzed currency (so called transaction impact) as well as in Group companies, whose functional currency equals to the analyzed currency (so called translation impact). The analysis takes into account the currency forward contracts in place at December 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per December 31 in subsidiaries, whose reporting currency equals to the analyzed currency.

Group transaction risk sensitivity analysis

The effect of a 10% weakening of most significant foreign currencies (against euro) in euros:

2021

EUR MILLION	USD	RUB	IDR	CAD	ZAR
Operating profit	-2.5	-0.9	0.1	-1.5	-0.7
Equity *	-4.7	-0.3	-1.0	-0.6	-0.3

2020

EUR MILLION	USD	RUB	IDR	CAD	ZAR
Operating profit	-2.6	-0.8	1.3	-1.1	-0.3
Equity *	-8.5	-0.3	-0.9	-0.5	-0.3

* Without the effect of net income.

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's interest-bearing liabilities have mainly an interest period length shorter than one year.

The Group's funding, and consequently also interest rate risk, is managed centrally by the Group's parent company. Interest rate risk, covering cash flow and fair value risk, is analyzed regularly by the Group Risk Management who is also responsible of taking the actions needed to change the Group's risk position. These actions include changing the currency split of the external loan portfolio, selection between different sources of financing, changing the interest rate duration as well as entering into transactions in derivative financial instruments.

Derivative instruments that are used for hedging purposes consist of interest rate swaps, where the Group pays fixed rate interest and receives a variable rate interest. Fair values and nominal values of interest rate swaps are presented under section 4. Derivatives.

Interest rate sensitivity analysis

Below is presented the effect of liabilities with variable interest rate and interest rate swaps on net income and equity if there was a one percentage point increase in interest rates. The sensitivity analysis is based on following assumptions and factors:

- All other variables, in particular foreign exchange rates, are assumed to remain unchanged.
- The sensitivity is analyzed against interest rates applicable on December 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on December 31.

EUR MILLION	2021		2020	
	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) *	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) *
Loans with variable interest rate	0.3	-	0.1	-

* Without the effect of net income.

3. Other market price risks

The Group purchases certain raw-materials, which are priced on global financial markets. The value of purchases is relatively low and actions regarding the management of price risk are decided on an performed locally in each manufacturing unit. Group Risk Management also monitors the development of these raw-material prices. The Group does not currently hedge commodity price risk.

The amount of the Group's investments in available-for-sale financial assets is insignificant and consists of investments in real estate and other unquoted shares for which reliable market values are not obtainable.

4. Derivatives

The Group uses derivative instruments, such as forward contracts, option contracts, interest rate swaps and structured instruments, to manage foreign exchange and interest rate risk in accordance with the guidelines set by the The Group's Risk Management policy.

Foreign currency derivatives are used to reduce the uncertainty in the fair value of future cash flows that is created by changes in foreign exchange rates. The fair values of the foreign currency derivatives that do not qualify as hedging instruments in accordance with IFRS 9, are recognized based on their nature either in operative costs, if the hedge item is an operative transaction, or in financial income and expenses, if the hedged item is a monetary transaction. Because hedge accounting is not applied, the P&L effect arising from foreign currency derivatives is recognized partly or entirely in different financial period than exchange rate gains and losses arising from the hedged cash flows.

Interest rate derivatives, consisting of interest rate swaps, are used to reduce the volatility of interest expenses in the income statement and to adjust the duration of the debt portfolio.

Cash flow hedges

Following tables summarizes the nominal values and fair values of the Group's derivative instruments as at December 31, 2021.

EUR MILLION	2021		NOMINAL VALUE	2020 FAIR VALUE
	NOMINAL VALUE	FAIR VALUE		
Non-hedge accounting derivative financial instruments				
Interest rate swaps, less than 12 months	-	-	16.0	-0.1
Interest rate swaps, 1 to 5 years	25.0	0.0	5.0	-0.1
Currency forwards, less than 12 months	34.9	-0.1	26.9	-0.2
TOTAL	59.9	-0.1	47.9	-0.3

LIQUIDITY RISK

Liquidity risk is defined as financial distress or extraordinarily high financing cost arising due to a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value, or not being able to execute the transaction at all, within a specific period of time.

The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value, in order to avoid uncertainty related to financial distress at all times.

Generally, the seasonality of the Group's cash flow is fairly predictable and Group Treasury monitors Group's liquidity position using the cash pooling system as well as regular cash flow and liquidity reporting.

The Group's interest bearing funding is mainly managed centrally by the Group Treasury. The Group seeks to reduce liquidity and refinancing risks with balanced maturity profile of loans as well as by keeping sufficient amount of credit lines available. The Group has a EUR 80 million domestic commercial paper program, which together with Group's credit limits is utilized to balance the seasonality of the Group's cash flow. The size and maturity of issued commercial papers is decided by Group Treasury, based on forecasted cash flows, status of commercial paper markets and applicable interest rates. The renewal of commercial papers upon maturity creates certain liquidity risk, which is managed by maintaining sufficient other liquidity reserves available at the maturity dates. During 2021 the commercial paper program was used as part of Group funding and competitively priced debt was acquired through this market.

Group's loan facilities include ordinary gearing ratios and net debt to EBITDA ratio covenants. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group expects to fulfill the requirements of the financiers in 2021.

Below are presented the Group's unutilized credit limits as of December 31, 2021. Group's domestic commercial paper program not sold at December 31, 2021 was EUR 48 million (2020 EUR 80.0 million).

Committed unutilized credit facilities

EUR MILLION	2021	2020
Overdraft facilities, expiring within one year	22.0	18.6
Revolving credit facility, expiring within one year	-	49.9
Revolving credit facility, expiring beyond one year	59.9	10.0
TOTAL	81.9	78.5

its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk is limited to the carrying value of the financial assets as included in the consolidated statement of financial position. The carrying value of financial assets is disclosed in note 23.

CREDIT AND DEFAULT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from

The Group follows actively credit and default risks associated with customers and other counterparties. The Group's credit and default risk portfolio did not significantly change during the course of the financial period. The proportional amount of Group's trade receivables which are past due, stayed close to 2020 levels. Net allowance for credit losses related to trade receivables decreased by EUR 1.7 million from 2020.

Maturity of the group's financial liabilities

The following are the contractual maturities of financial liabilities, including the possible interest payments.

2021

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES ⁴⁾	CONTRACTUAL CASH FLOWS	2022	2023	2024	2025 ONWARDS	TOTAL
Interest-bearing liabilities								
Loans from financial institutions	62.8	62.8	64.6	11.9	11.0	41.6	0.1	64.6
Commercial paper program	32.0	32.0	32.0	32.0				32.0
Right-of-use liabilities	11.1	11.1						
Non-interest-bearing liabilities								
Trade and other non-interest-bearing payables	56.5	23.2	23.2	23.2				23.2
Derivative liabilities and receivables								
Interest rate derivatives, non-hedge accounted	0.0	0.0	0.0	-0.0	0.0	0.0		0.0
Currency derivatives, non-hedge accounted	0.1	0.1						
TOTAL	162.5	129.2	119.8	67.0	11.0	41.6	0.1	119.8

2020

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES ⁴⁾	CONTRACTUAL CASH FLOWS	2021	2022	2023	2024 ONWARDS	TOTAL
Interest-bearing liabilities								
Loans from financial institutions	67.8	67.8	70.3	16.4	26.7	10.2	17.0	70.3
Right-of-use liabilities	12.5	12.5						
Non-interest-bearing liabilities								
Trade and other non-interest-bearing payables	37.3	13.2	13.2	13.2				13.2
Derivative liabilities and receivables								
Interest rate derivatives, non-hedge accounted	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1
Currency derivatives, non-hedge accounted	0.2	0.2						
TOTAL	117.9	93.8	83.6	29.7	26.7	10.2	17.0	83.6

⁴⁾ The proportion of the carrying values which are classified as financial liabilities according to IFRS 9.

Business related credit risk

The Group's accounts receivables are generated by a large number of customers worldwide and do not include any significant concentrations of credit risk by customer or by geographical area.

The management of credit risk is allocated to each operative business unit. Before providing credit to any new customer, background checks are carried out. Cash, advance payments and letters of credit are also applied with new and existing customers. Each business unit is responsible for setting credit limits and monitoring its credit customers' financial situation. Customers' payment behavior is monitored regularly and delays in payments can trigger payment reminders, stopping the shipments, requirements for advance payments for future shipments and eventually legal collection procedures. In significant cases, business units consult with the Group's finance management before taking final decisions. In exceptional cases, payment terms may be renegotiated.

Group recognizes credit loss of trade receivables by applying simplified approach of expected credit loss according to IFRS 9, which uses a lifetime expected loss allowance. Group has estimated based on previous year's credit losses by aging category and nature as well as macroeconomic outlook in the near future, the expected credit loss provision. Trade receivables are monitored in client segment and location information.

Estimate on expected credit losses is based on management's best judgement.

More information on allowance for trade receivables is presented in note 16.

In the table below is presented analysis of trade receivables that were past due but not impaired.

Analysis of trade receivables that were past due, but not impaired

EUR MILLION	2021	2020
Neither past due nor impaired	39.1	35.3
Past due but not impaired		
Less than 1 month	5.4	5.0
1-3 months	2.6	1.9
3-6 months	0.8	0.9
Over 6 months	0.1	0.3
TOTAL	48.0	43.5

Trade loss provision from expected credit loss model

%	2021
Neither past due or impaired	0.2
Past due but not impaired	
Less than 1 month	0.9
1-3 months	6.0
3-6 months	11.0
Over 6 months	20-100

Financial credit risk

Financial instruments contain an element of risk resulting from changes in market price of such instruments due to counterparties becoming less creditworthy or risk of loss due to counterparties being unable to meet their obligations. This risk is measured and monitored centrally by the Group Risk Management.

Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions and monitoring the credit worthiness and exposure size continuously as well as through entering into collateral agreements with certain counterparties. The Group reduces credit risk by executing treasury transactions only with approved counterparties. All significant counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance, the Group does not have investments in commercial papers.

CAPITAL MANAGEMENT

The objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and to maximize shareholder value.

The Group manages its capital structure and makes adjustments to it taking into account changes in economic conditions and requirements of strategy implementation. To maintain or develop the capital structure, the Group may adjust the dividend payments and repayments of capital to shareholders by buying back shares, issue new shares and/or increase/decrease the amount of borrowings.

Group's objective for capital management is to keep:

1. Gearing ratio below 150% and
2. Net interest-bearing debt to EBITDA (rolling 12 months) below 3.8.

The Group capital structure is reviewed by the Board regularly.

The achievement of the objectives for capital management are presented in the table below.

For definitions of key figures, see page 46.

	TARGET	2021	2020
Gearing %	below 150%	50.7	31.6
Net interest-bearing debt to EBITDA	below 3.8	1.7	1.7

Definitions of the alternative performance measures are presented on page 46.

23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR MILLION	NOTE	CARRYING VALUE	2021		CARRYING VALUE	2020	
			FINANCIAL ASSETS AND LIABILITIES ¹⁾	FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES ¹⁾		FINANCIAL ASSETS AND LIABILITIES ¹⁾	FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES ¹⁾
FINANCIAL ASSETS							
Financial liabilities measured at amortized cost ²⁾							
Non-current financial assets							
Loan receivables	16	7.6	7.6	7.6	7.2	7.2	7.2
Other interest-bearing receivables	16	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other non-interest-bearing receivables	16	0.1	0.0	0.0	0.2	0.0	0.0
Current financial assets							
Cash and cash equivalents	18	27.8	27.8	27.8	27.9	27.9	27.9
Trade and other non-interest-bearing receivables	16	62.6	48.0	48.0	51.7	43.5	43.5
Fair value through other comprehensive income							
Other shares	15	0.2	0.2	0.2	0.2	0.2	0.2
Financial assets at fair value through income statement							
Currency and interest derivatives - non-hedge accounted	16, 22	0.2	0.2	0.2	0.2	0.2	0.2
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement							
Interest rate and currency derivatives - non-hedge accounted	22, 25	0.3	0.3	0.3	0.5	0.5	0.5
Financial liabilities measured at amortized cost ²⁾							
Non-current financial liabilities							
Loans from financial institutions	24	51.8	51.8	51.9	52.7	52.7	52.7
Other non-interest-bearing liabilities	25	0.0	0.0	0.0	0.0	0.0	0.0
Current financial liabilities							
Loans from financial institutions	24	11.0	11.0	11.0	15.1	15.1	15.1
Commercial paper program	24	32.0	32.0	32.0	-	-	-
Trade and other non-interest-bearing payables	25	56.5	23.2	23.2	37.3	13.2	13.2

¹⁾ The proportion of the carrying value which is classified as financial assets and liabilities according to IFRS 9.

²⁾ Fair value hierarchy level 2.

FAIR VALUE HIERARCHY OF THE FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

EUR MILLION	TOTAL	2021			TOTAL	2020		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS AT FAIR VALUE								
Fair value through other comprehensive income								
Other shares	0.2			0.2	0.2			0.2
Financial assets at fair value through income statement								
Currency and interest derivatives - non-hedge accounted	0.2		0.2		0.2		0.2	
TOTAL	0.4		0.2	0.2	0.4		0.2	0.2
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement								
Currency and interest derivatives - non-hedge accounted	0.3		0.3		0.5		0.5	
TOTAL	0.3		0.3		0.5		0.5	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy levels

The fair values of the financial assets and liabilities on the hierarchy level 1 are based on quoted market prices of similar financial instruments traded in an active market. Currently there are no financial instruments on level 1.

The fair values of the financial assets and liabilities on the hierarchy level 2 are based on other price information than quoted market prices for a significant part of the valuation. This information is supported by observable market inputs either directly (i.e. prices) or indirectly (i.e. derived from prices).

The fair values of the financial assets and liabilities on the hierarchy level 3 are calculated using a valuation technique based on assumptions that are not supported by available observable market data. For example management estimates are utilized in generally accepted valuation models of the financial instruments on the level 3.

The fair value hierarchy level, into which the entire financial asset or liability is classified, is determined based on the lowest-hierarchy-level information being significant for the valuation of that particular financial asset or liability. The significance of the information is estimated considering the financial asset or liability in its entirety.

No significant transfers between the hierarchy levels took place during the financial period.

Other shares

Other shares comprise of unlisted shares that are measured at fair value. Certain unlisted shares for which fair values cannot be measured reliably are measured at cost less possible impairment.

Derivatives

All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date.

Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Current financial assets and liabilities

Due to their short maturity, the fair value of current financial assets and liabilities is regarded as corresponding to their original carrying amount.

Non-current financial assets

The fair value of non-current financial assets is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current interest-bearing liabilities

On December 31, 2021, 0.0% (2020: 0.0%) of non-current loans based on floating rates was connected to one-month euribor or similar and the rest to maximum six-month euribor or similar. Therefore, the fair value of non-current loans based on floating rates is regarded as equaling their book value. A part of non-current loans on floating rates is hedged with separate interest rate derivatives which are described in note 22. The fair value of non-current loans on fixed rates is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current non-interest-bearing liabilities

Contingent considerations of business combinations and other acquisitions are recognized at fair value on the date of acquisition. Determination of fair values is based on discounted future cash flows.

24 INTEREST-BEARING LIABILITIES

EUR MILLION	AVERAGE INTEREST RATE 2021 % ¹⁾	2021	2020
Non-current interest-bearing liabilities			
Loans from financial institutions	1.34	51.8	52.7
Right-of-use liabilities	4.12	7.4	8.0
Current interest-bearing liabilities			
Loans from financial institutions	0.97	11.0	4.7
Current portion of non-current loans from financial institutions		-	10.3
Commercial paper program	0.60	32.0	-
Right-of-use liabilities	4.15	3.7	4.5
TOTAL		105.9	80.3

¹⁾ Average interest rates are calculated without the effect of the interest rate swaps. More information in note 22.

Fair values of financial liabilities are presented in note 23.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR MILLION	2021		2020	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Loans from financial institutions				
EUR	51.8	11.2	52.9	14.2
ZAR				0.8
Commercial paper program				
EUR		32.0		
TOTAL	51.8	43.2	52.9	15.0

25 NON-INTEREST-BEARING LIABILITIES

EUR MILLION	2021	2020
Non-current non-interest-bearing liabilities		
Derivatives	0.0	0.1
Other non-current liabilities	0.0	0.0
Current non-interest-bearing liabilities		
Trade payables	23.2	13.2
Accrued employee-related expenses	12.6	12.2
Other accrued expenses and deferred income	14.7	6.9
Derivatives	0.3	0.4
Advances received	0.6	0.5
VAT payable	0.6	2.4
Other current liabilities	4.8	2.1
TOTAL	56.7	37.8

Fair values of financial liabilities are presented in note 23.

26 COMMITMENTS AND CONTINGENCIES

Since Rapala VMC Online Oy (earlier Normark Logistics Europe Oy), a 100% owned subsidiary of Rapala VMC Corporation, was until 15 November 2021 the legal shareholder of the distribution joint venture with Shimano, the parent company did guarantee to Shimano the fulfillment of its subsidiary's obligations related to the joint venture. The mentioned commitment did lapse 15 November 2021 when Rapala VMC did acquire the non-controlling interests from Shimano.

Group's lease commitments are presented in note 27.

DISPUTES AND LITIGATIONS

The Group's management does not have knowledge of any open disputes or litigations, which would have a significant impact on the company's financial position.

27 LEASE CONTRACTS

RIGHT-OF-USE ASSETS

2021			
EUR MILLION	LAND AND BUILDINGS	OTHER ASSETS	TOTAL
Acquisition cost Jan 1	21.4	2.0	23.3
Additions	4.1	0.6	4.7
Disposals	-1.5	0.0	-1.5
Translation differences	0.7	0.1	0.8
ACQUISITION COST DEC 31	24.6	2.6	27.3
Accumulated depreciations Jan 1	-11.8	-1.1	-12.9
Disposals	1.2	0.0	1.2
Impairments	0.3	-	0.3
Depreciations during the period	-4.1	-0.6	-4.7
Translation differences	-0.4	0.0	-0.4
ACCUMULATED DEPRECIATIONS DEC 31	-14.8	-1.7	-16.5
CARRYING VALUE JAN 1	9.6	0.9	10.4
CARRYING VALUE DEC 31	9.8	1.0	10.7
2020			
EUR MILLION	LAND AND BUILDINGS	OTHER ASSETS	TOTAL
Acquisition cost Jan 1	18.1	1.5	19.6
Additions	5.2	0.6	5.8
Disposals	-1.1	0.0	-1.1
Translation differences	-0.9	0.0	-0.9
ACQUISITION COST DEC 31	21.4	2.0	23.3
Accumulated depreciations Jan 1	-5.6	-0.6	-6.2
Disposals	0.3	-	0.3
Impairment	-1.8	-	-1.8
Depreciations during the period	-5.1	-0.5	-5.7
Translation differences	0.4	0.0	0.5
ACCUMULATED DEPRECIATIONS DEC 31	-11.8	-1.1	-12.9
CARRYING VALUE JAN 1	12.5	0.9	13.3
CARRYING VALUE DEC 31	9.6	0.9	10.4

Group's most material right-of-use assets capitalised consist of buildings as production facilities, offices and warehouses. Right-of-use asset section other assets consists mainly of vehicles.

OFF-BALANCE SHEET LEASE COMMITMENTS

EUR MILLION	2021	2020
The group as a lessee		
Minimum future lease payments on leases	0.4	0.4
TOTAL	0.4	0.4

The non-cancellable lease agreements include short-term and other lease contracts that are not included in right-of-use liabilities. Other rents include IT equipment leases, that are not material.

OFF-BALANCE SHEET LEASE ASSETS

EUR MILLION	2021	2020
The group as a lessor		
Future minimum rental receivable under non-cancellable leases	0.0	-
TOTAL	0.0	-

Some of the currently unused storage and office space has been rented out. The terms and conditions of the agreements vary. Some leases include a reform option.

28 RELATED PARTY TRANSACTIONS

The Group's related parties include members of the Board, CEO, members of the Executive Committee, family members of the above-mentioned individuals, entities controlled by the above-mentioned individuals, Rapala VMC Corporation's subsidiaries, associated companies and joint ventures and entities with significant influence. Subsidiaries owned directly or indirectly by the parent company as well as associates and foreign branches are listed in note 32. Related party transactions between Group companies have been eliminated. Entities with significant influence are specified in section 'Shares and Shareholders'.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR MILLION	SALES AND OTHER INCOME	PURCHASES	PAID RENTS	OTHER EXPENSES	RECEIVABLES	PAYABLES
2021						
DQC International Corp.	12.5	-0.4			7.1	
Associated company Lanimo Oü	0.0	-0.1			0.0	
Entity with significant influence over the Group ¹⁾			-0.2		0.0	
Management	0.0		-0.2	0.0	0.7	
2020						
DQC International Corp.	7.3	-0.5		0.0	6.5	
Associated company Lanimo Oü	0.0	-0.1			0.1	
Entity with significant influence over the Group ¹⁾			-0.2	0.0	0.0	
Management	0.0		-0.3	0.0	0.6	0.0

¹⁾ Lease agreement for the real estate for the consolidated operations in France and a service fee. Entity with significant influence is Viellard Migeon & Cie, who's shareholding alone and together with its subsidiary is presented in section 'Shares and Shareholders'.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR MILLION	2021	2020
Salaries and other employee benefits	-7.1	-5.4
TOTAL	-7.1	-5.4

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee.

On December 31, 2021, the members of the Board and the Executive Committee held (shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies) a total of 272 937 Rapala VMC Corporation shares (on December 31, 2020: 112 678). Top management owned 0.7% (0.3%) of the issued share capital and voting rights of the company on December 31, 2020. Details of top management shareholdings are given in the section 'Board and Management'.

In 2021 share-based long-term incentive plans were granted to the CEO and other members of the executive committee. Salaries and other employee benefits include a provision for share-based incentives in total of EUR 1.3 million for 2021. Details of the long-term incentive plan are given in the section 'Shared-based payments'.

The Group's business transactions or outstanding balances with top management or close members of their family are presented in the table 'Transactions and balances with related parties'.

EMPLOYEE BENEFITS FOR CHIEF EXECUTIVE OFFICER

EUR MILLION	2021	2020
Salaries and other employee benefits		
Nicolas Cederström Warchalowski, CEO starting from Mar 1, 2020	-0.9	-0.6
Louis d'Alançon, CEO from Sep 27, 2019 to Mar 1, 2020 ²⁾	-	-0.1
TOTAL	-0.9	-0.7

²⁾ Excluding compensation for being a member of the Board which is presented in section employee benefits for Board of Directors.

In 2021 annual base salary and benefits as CEO amounted to EUR 359 thousand. Nicolas Cederström Warchalowski was also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued in 2021 totaled EUR 240 thousand. His pension security was arranged under the statutory Finnish contribution based employee pension plan and in addition EUR 44 thousand supplementary pension did accrue on payment basis. The above salaries and other employee benefits include an accrued cost of the long-term incentive plan.

Louis d'Alançon was paid in 2020 under the CEO agreement in total a compensation of EUR 61 thousand. He did not have any pension agreement.

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR MILLION	2021	2020
Salaries and other employee benefits	-6.1	-4.4
TOTAL	-6.1	-4.4

In addition to the monthly salary, CEO and other members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the financial and strategic targets are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Principally the bonus can be no more than 100 percent of the annual salary. In 2021, salaries and other employee benefits included a provision for share-based incentives in total of EUR 1.1 million.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR MILLION	2021	2020
Salaries and other employee benefits		
Louis d'Alançon, Chairman of the Board	-0.1	-0.1
Other Board members	-0.2	-0.2
TOTAL	-0.3	-0.3

In 2021, the annual fee to the Chairman of the Board was EUR 80 thousand and the fee to other Board members was EUR 30 thousand. In addition a reward of EUR 1000 was paid of a Board of its Committee meeting. Members of the Board are reimbursed for travel expenses corresponding to the corporation's traveling compensation principles. In 2020 Louis d'Alançon had as the CEO of the Group a separate CEO agreement, which remuneration is presented under the employee benefits to the CEO.

29 SHARE-BASED PAYMENTS

The Board of Directors of Rapala VMC Corporation conveyed on 22 March 2021 a total of 173 015 of Rapala VMC Corporation's treasury shares without consideration and according to the plan terms to the Group key employees participating in the Performance Share Plan 2018–2020.

The Board of Directors of Rapala VMC Corporation announced 25 March 2021 two new Performance Share Plans for the Group key employees. The aim of the plans is to align the objectives of the shareholders and the plan participants for increasing the value of the company in the long-term, to retain the participants at the company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

Matching Share Plan 2021–2023 for the President and CEO

The President and CEO's Matching Share Plan 2021–2023 consists of one matching period, covering the financial years of 2021–2023. In the plan, the President and CEO (CEO) is given an opportunity to receive matching shares for his personal investment in Rapala

VMC Corporation shares. The reward based on the plan will be paid after the end of the matching period.

The reward will be paid partly in Rapala VMC Corporation shares and partly in cash. The cash proportion of the reward is intended for covering taxes and tax-related expenses arising from the reward to the CEO. In general, no reward is paid if the CEO's director contract terminates before the reward payment.

The reward to be paid on the basis of the CEO plan correspond to the value of a maximum total of 28 800 Rapala VMC Corporation shares, including also the proportion to be paid in cash.

Performance Share Plan 2021–2023 for Key Employees

The key employees' Performance Share Plan 2021–2023 includes one three-year performance period, covering the financial years 2021–2023. The potential reward from the performance period will be based on the Group's financial performance criteria, which will be measured during the financial year 2023 and the Company's share price criterion which will be measured during 2023. The financial performance criteria for the performance period are the Group Product Sales in 2023, the Group's Comparable Earnings before Interest and Taxes (comparable EBIT) in 2023 and the Group's Average Working Capital Ratio in 2023.

The rewards to be paid on the basis of the key employee plan correspond to the value of an approximate maximum total of 800 000 Rapala VMC Corporation shares including also the proportion to be paid in cash. The potential rewards from the performance period 2021–2023 will be paid partly in the Company's shares and partly in cash in 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. In general, no reward will be paid, if a participant's employment or service terminates before the reward payment.

The key employee's Performance Share Plan is directed to approximately 19 individuals, including the President and CEO and other members of the Executive Committee of the Group.

FAIR VALUE DETERMINATION

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period

Share price at grant, €	7.1
Share price at reporting period end €	8.72
Expected volatility *	36.35%
Risk-free rate	-0.65%
Expected dividends, €	0.39
Valuation model	Monte Carlo
Fair value 31 Dec 2021, €	4 670 457

* Expected volatility was determined by calculating the historical volatility of the Group's share using monthly observations over corresponding maturity

Effect of Share-based Incentives on the result and financial position during the period

Expenses for the financial year, share-based payments	1 447 304
Liabilities arising from share-based payments 31 December 2021	577 557
Estimated amount of cash to be paid under these plans €	2 902 641

SHARE BASED INCENTIVES DURING THE REPORTING PERIOD 1.1.2021 - 31.12.2021

Plan	Long-Term Incentive Plan	Share-based incentive plan	Matching Share Plan
Type	SHARE	SHARE	SHARE
Instrument	PSP Earning Period 2018-2020	PSP Earning Period 2021-2023	Matching Share Plan 2021-2023
Issuing date	16.2.2018	25.3.2021	25.3.2021
Initial amount, pcs	900 000	800 000	28 800
Dividend adjustment	No	No	No
Grant date	9.3.2018	1.4.2021	1.4.2021
Beginning of earning period	1.1.2018	1.1.2021	1.1.2021
End of earning period	31.12.2020	31.12.2023	31.12.2023
End of restriction period	30.4.2021	30.4.2024	31.1.2024
Performance criteria	Total share return, Group product sales, EBIT margin in 2020, Group's average working capital ratio in 2020	Total share return, Group product sales, EBIT margin in 2023, Group's average working capital ratio in 2023	Continued employment
Maximum contractual life, yrs	3.1	3	2.6
Remaining contractual life, yrs	0	2.3	2.1
Number of persons at the end of the reporting year	0	17	1
Payment method	Cash & Equity	Cash & Equity	Cash & Equity
Changes during the period 2021	PSP Earning Period 2018-2020	PSP Earning Period 2021-2023	Matching Share Plan 2021-2023
Outstanding at the beginning of the reporting period Jan 1	573 000	0	0
Changes during the period			
Granted	0	721 667	28 800
Forfeited	18 500	0	0
Earned (gross)	295 556	0	0
Delivered (net)	173 015	0	0
Outstanding at the end of the period Dec 31	0	721 667	28 800

30 EARNINGS PER SHARE

	2021	2020
Earnings per share		
Net profit for the period attributable to the equity holders of the parent company, EUR million	18.2	2.5
Accrued interest on the hybrid bond	-1.1	-1.1
Tax effect	0.2	0.2
Net effect	-0.9	-0.8
TOTAL	17.3	1.6
Weighted average number of shares, 1000 shares	38 732	38 548
Earnings per share, EUR	0.45	0.04
Earnings per share, diluted		
Effect of dilution based on share-based payments, 1000 shares*	268	-
Diluted weighted average number of shares, 1000 shares	39 000	38 548
Diluted earnings per share, EUR	0.44	0.04

*The maximum amount of shares issued through the share-based payments program is 828 800 shares. The dilution impact is anyhow limited to average number of treasury shares held by the Group during the year.

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders less the tax-adjusted interest on hybrid bond by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. For more details on the calculation of earnings per share, see accounting principles for the consolidated accounts.

31 EVENTS AFTER THE BALANCE SHEET DATE

The Group has no knowledge of any significant events after the balance sheet date that would have a material impact on the financial statements for 2021.

32 GROUP COMPANIES

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Nordic				
Normark Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Rapala VMC Online Oy	*	Finland	100	Sourcing
Rapala VMC North Europe Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	100	Manufacturing
Rapala VMC East Europe Oy		Finland	100	Administration
Rapala VMC Iceland ehf	*	Iceland	100	Distribution
Normark Norway AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Normark Scandinavia AB	*	Sweden	100	Distribution
Rest of Europe				
FLLC Normark		Belarus	100	Distribution
Ltd. Normark-Bel		Belarus	100	Distribution
Normark Adriatik D.o.o.		Croatia	100	Distribution
Normark S.r.o.		Czech Republic	100	Distribution
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Normark France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Normark Deutschland Gmbh		Germany	100	Distribution
Normark Hungary Ltd	*	Hungary	100	Distribution
Normark Italia S.R.L.		Italy	100	Distribution
Normark Kazakhstan LLP		Kazakhstan	100	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Normark UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Normark Polska Sp.z.o.o.	*	Poland	100	Distribution
Normark Portugal SA		Portugal	100	Distribution
SC Normark Sport Romania S.r.l.		Romania	100	Distribution
JSC Normark		Russia	100	Distribution
Normark LLC		Russia	100	Distribution
OOO Raptech	*	Russia	100	Manufacturing
Normark Spain SA	*	Spain	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
Normark UK Sport Ltd.		UK	100	Distribution
Dynamite Baits Ltd.	*	UK	100	Manufacturing
Normark Fishing Ltd.		UK	100	Administration
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing
VMC Inc.		USA	100	Distribution

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Rest of the World				
Rapala VMC Australia Pty Ltd	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Normark Chile Ltd		Chile	100	Distribution
Rapala VMC China Co.	*	China	100	Distribution
Rapala VMC (ShenZhen) Ltd		China	100	Sourcing
Willtech (PRC) Ltd.		Hong Kong	100	Sourcing
PT Rapala Indonesia	*	Indonesia	100	Distribution
PT Rapala VMC Batam		Indonesia	100	Administration
PT VMC Fishing Tackle Indonesia		Indonesia	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC Mexico S. de R.L. de C.V		Mexico	100	Distribution
Rapala VMC Africa (Pty) Ltd.	*	South Africa	100	Distribution
Rapala VMC Korea Co., Ltd	*	South Korea	100	Distribution
Rapala VMC Singapore Pte. Ltd.		Singapore	100	Administration
Rapala VMC (Thailand) Co., Ltd.	*	Thailand	100	Distribution
Rapala MENA FZE		United Arab Emirates	100	Distribution

ASSOCIATED COMPANIES AND JOINT VENTURES		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Lanimo Oü		Estonia	33.3	Manufacturing
DQC International Corp.		USA	49	Distribution

FOREIGN BRANCHES

Rapala VMC (Hong Kong) Ltd, branch office in Taiwan
 Normark S.r.o., branch office in Slovak Republic

* Shares owned by the parent company.

DEFINITIONS OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	= Operating profit + depreciation and impairments
Items affecting comparability	= Change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Other items affecting comparability	= Restructuring costs + impairments +/- gains and losses on business combinations and disposals - insurance compensations +/- other non-operational items
Comparable operating profit	= Operating profit +/- change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Net interest-bearing debt	= Total interest-bearing liabilities - total interest-bearing assets - cash and cash equivalents
Capital employed (average for the period)	= Total equity (average for the period) + net interest-bearing debt (average for the period)
Working capital	= Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	= Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	= Total liabilities - interest-bearing liabilities
Net interest-bearing debt to EBITDA	= $\frac{\text{Net interest-bearing debt}}{\text{Operating profit before depreciation and impairments}}$
Return on capital employed (ROCE), %	= $\frac{\text{Operating profit} \times 100}{\text{Capital employed (average for the period)}}$
Return on equity (ROE), %	= $\frac{\text{Net profit (loss) for the period} \times 100}{\text{Total equity (average for the period)}}$
Net debt-to-equity ratio (Gearing), %	= $\frac{\text{Net interest-bearing liabilities} \times 100}{\text{Total equity}}$
Equity-to-assets ratio, %	= $\frac{\text{Total equity} \times 100}{\text{Total shareholders' equity and liabilities - advances received}}$
Earnings per share, EUR	= $\frac{\text{Net profit for the period attributable to the equity holders of the parent company - hybrid capital accrued unrecognised interests after tax}}{\text{Adjusted weighted average number of shares}}$
Dividend per share, EUR	= $\frac{\text{Dividend for the period}}{\text{Adjusted number of shares at the end of the period}}$
Dividend/earnings ratio, %	= $\frac{\text{Dividend for the period} \times 100}{\text{Net profit for the period attributable to the equity holders of the parent company}}$
Equity per share, EUR	= $\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares at the end of the period}}$
Effective dividend yield, %	= $\frac{\text{Dividend per share} \times 100}{\text{Adjusted share price at the end of the period}}$
Price/earnings ratio	= $\frac{\text{Adjusted share price at the end of the period}}{\text{Earnings per share}}$
Average share price, EUR	= $\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Year-end market capitalization, EUR	= Number of shares at the end of the period (excluding own shares) x share price at the end of the period
Average number of personnel	= Calculated as average of monthly end personnel amounts

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT

EUR	NOTE	2021	2020
Net sales	2	44 401 996	33 316 496
Other operating income	3	6 276 690	1 714 629
Change in inventory of finished products and work in progress		1 003 892	-1 179 223
Production for own use		56 097	186 188
Materials and services	5	-23 772 001	-16 399 490
Employee benefit expenses	6	-13 208 998	-10 054 765
Other operating expenses	4	-11 233 489	-9 914 597
Operating profit before depreciation and impairments		3 524 188	-2 330 762
Depreciation and impairments	7	-1 463 096	-1 123 859
Operating profit		2 061 093	-3 454 621
Financial income and expenses	8	15 263 331	9 663 710
Profit before appropriations and taxes		17 324 423	6 209 090
Appropriations	9	2 425 826	170 120
Income taxes	10	-6 813	-16 188
NET PROFIT FOR THE PERIOD		19 743 436	6 363 022

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	NOTE	2021	2020
Non-current assets			
Intangible assets	11	6 130 654	71 001
Tangible assets	12	4 848 403	4 471 809
Investments	13	121 247 503	151 336 603
Interest-bearing receivables	15	16 737 675	26 724 797
Non-interest-bearing receivables	15	439 108	409 464
Total non-current assets		149 403 343	183 013 675
Current assets			
Inventories	14	6 165 084	4 878 516
Current financial assets			
Interest-bearing	15	71 196 481	25 151 567
Non-interest-bearing	15	12 089 701	7 353 803
Cash and cash equivalents		2 399 173	2 245 787
Total current assets		91 850 438	39 629 674
TOTAL ASSETS		241 253 781	222 643 349

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	NOTE	2021	2020
Shareholders' equity			
Share capital		3 552 160	3 552 160
Share premium fund		16 680 961	16 680 961
Fund for invested non-restricted equity		4 914 371	4 914 371
Own shares		-2 471 138	-4 889 643
Retained earnings		30 045 145	23 682 123
Net income for the period		19 743 436	6 363 022
Total shareholders' equity	16	72 464 935	50 302 995
Appropriations		152 658	888 484
Provisions		1 071 973	468 839
Non-current liabilities			
Interest-bearing		51 000 000	66 000 000
Non-interest-bearing		6 416	51 868
Total non-current liabilities	17	51 006 416	66 051 868
Current liabilities			
Interest-bearing		94 403 793	91 727 949
Non-interest-bearing		22 154 005	13 203 214
Total current liabilities	17	116 557 798	104 931 164
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		241 253 781	222 643 349

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR THOUSAND	NOTE	2021	2020
Net profit for the period		19 743	6 363
Adjustments			
Income taxes	10	7	16
Financial income and expenses	8	-15 263	-9 664
Reversal of non-cash items			
Depreciation and impairments	7	1 463	1 124
Dissolvement of subsidiary		-5 997	267
Other items		-1 954	-86
Total adjustments		-21 744	-8 342
Financial items			
Interest paid		-1 946	-3 190
Interest received		1 207	615
Income taxes paid/received	10	-107	-18
Other financial items, net		-277	-122
Total financial items		-1 123	-1 856
Change in working capital			
Change in receivables		-2 347	-1 727
Change in inventories		-1 368	916
Change in liabilities		8 796	7 408
Total change in working capital		5 081	6 598
Net cash generated from operating activities		1 957	1 904
Net cash used in investing activities			
Purchases of intangible assets	11	-6 356	-23
Proceeds from sale of tangible assets	12	409	120
Purchases of tangible assets	12	-1 468	-919
Investments to subsidiaries	13	-	-5 855
Transactions with non-controlling interests	13	-520	-
Change in interest-bearing receivables		-15 079	-736
Dividends received	8	17 863	24 346
Total net cash used in investing activities		-5 151	16 933
Net cash generated from financing activities			
Purchase of own shares		-700	-
Directed issue of own shares		3 119	-
Hybrid bond		-26 314	-1 314
Loan withdrawals		68 737	61 198
Loan repayments		-43 080	-76 967
Group contributions received		-	2 010
Total net cash generated from financing activities		1 762	-15 073
Change in cash and cash equivalents		-1 432	3 764
Cash and cash equivalents at the beginning of the period		2 246	305
Foreign exchange rate effect		1 585	-1 823
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2 399	2 246

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The financial statements of Rapala VMC Oyj have been prepared according to Finnish Accounting Standards (FAS).

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into euros using the exchange rates at the balance sheet date and exchange differences arising from translation are recognized in the income statement.

Revenue recognition

Sales of goods and services are recognized on accrual basis when the significant risks related to goods and services sold have passed to the buyer and it is not probable that the client would return the goods. Net sales comprise of gross sales less cash discounts and sales taxes.

Research and development costs

Research and development costs are expensed as they are incurred, unless they clearly relate to developing new business areas. Such development costs are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the accrued and future development costs and related production, selling and administrative expenses, and other possible costs related to the project. Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

Inventories

Inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises of raw materials, direct labor costs including social costs and other direct costs. Inventories are shown net of a reserve for obsolete or slow-moving inventories.

Tangible and intangible assets

Tangible and intangible assets are stated at historical cost excluding accumulated depreciation according to plan. Planned depreciation is based on historical cost and expected useful life.

Land is not depreciated. Depreciation is based on the following expected useful lives:

Intangible assets	3–15 years
Buildings	10–20 years
Machinery and equipment	5–10 years
Other tangible assets	3–10 years

Pension arrangements

All of the company's pension arrangements are defined contribution plans, with the majority being local statutory arrangements. Pension costs are expensed as incurred.

Valuation of financial derivatives

All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Fair value of standard foreign currency forwards are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the foreign currency using spot rates. Determination of fair values of other derivative instruments are based on quoted market prices and rates, discounting of cash flows and option valuation models. The fair values of these instruments are received from the respective bank or calculated to match the current market price.

In cash flow hedges, changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the income statement as well as the change in fair value of the contracts that are not designated to hedge accounting.

Own shares

Own shares acquired by the company, including directly attributable costs, are presented as a deduction from the total equity on the day of trading. Purchases or subsequent sales of treasury shares are presented as changes in equity.

Cash flow statement

Changes in financial position are presented as cash flows from operating, investing and financing activities.

8 FINANCIAL INCOME AND EXPENSES

EUR THOUSAND	2021	2020
Dividend income	17 863	24 346
Foreign exchange gains	3 563	3 748
Foreign exchange losses	-3 826	-4 435
Impairment losses		
Investments in Group companies	-	-5 855
Non-current loan receivables	-200	-5 362
Interest and other financial income		
Interest income	1 727	931
Other financial income	464	1 037
Interest and other financial expenses		
Interest expenses	-2 957	-3 891
Other financial expenses	-1 370	-857
TOTAL	15 263	9 664

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR THOUSAND	2021	2020
Dividend income from subsidiaries	17 863	24 346
Interest and other financial income		
Interest income	1 401	759
Other financial income	92	227
Interest and other financial expenses		
Interest expenses	-169	-531
TOTAL	19 187	24 802

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR THOUSAND	2021	2020
Translation differences recognized in net sales	1 072	99
Translation differences included in purchases and other expenses	53	23
Foreign exchange gains and losses in financial income and expenses	-263	-686
TOTAL	862	-564

9 EXTRAORDINARY ITEMS

EUR THOUSAND	2021	2020
Change in depreciation difference	736	170
Group contribution	1 690	-
TOTAL	2 426	170

CHANGE IN DEPRECIATION DIFFERENCE

EUR THOUSAND	2021	2020
Intangible assets	-97	35
Buildings	83	-1
Machinery and equipment	750	137
TOTAL	736	170

10 INCOME TAXES

EUR THOUSAND	2021	2020
Income taxes	-19	-18
Taxes from previous financial years	12	2
INCOME TAXES IN THE INCOME STATEMENT	-7	-16

Deferred tax assets and liabilities of the parent company are not presented in the parent company's balance sheet.

11 INTANGIBLE ASSETS

EUR THOUSAND	TRADE-MARKS	OTHER INTANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	930	2 448		3 378
Additions	6 608	23		6 631
Reclassifications		13		13
ACQUISITION COST DEC 31	7 538	2 484		10 022
Accumulated amortization Jan 1	-928	-2 380		-3 308
Amortization during the period	-551	-32		-583
ACCUMULATED AMORTIZATION DEC 31	-1 479	-2 412		-3 891
Book value Jan 1	2	68		71
Book value Dec 31	6 059	72		6 131

EUR THOUSAND	TRADE-MARKS	OTHER INTANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	930	2 425		3 355
Additions		23		23
Amortization during the period			-174	-174
Reclassifications			174	174
ACQUISITION COST DEC 31	930	2 448		3 378
Accumulated amortization Jan 1	-927	-2 312		-3 239
Amortization during the period	-1	-68		-69
ACCUMULATED AMORTIZATION DEC 31	-928	-2 380		-3 308
Book value Jan 1	3	113		116
Book value Dec 31	2	68		71

12 TANGIBLE ASSETS

2021

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	106	4 967	20 550	1 698	489	27 810
Additions		16	77	27	1 348	1 468
Disposals			-15	-24	-159	-198
Reclassifications		102	363	91	-569	-13
ACQUISITION COST DEC 31	106	5 085	20 975	1 792	1 110	29 067
Accumulated depreciation Jan 1		-4 268	-17 619	-1 452		-23 339
Depreciation during the period		-83	-705	-55		-843
Impairments			-37			-37
ACCUMULATED DEPRECIATION DEC 31		-4 351	-18 361	-1 507		-24 219
Book value Jan 1	106	699	2 931	246	489	4 472
Book value Dec 31	106	734	2 614	284	1 110	4 848

2020

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan 1	106	4 927	19 854	1 641	602	27 130
Additions			156	39	724	919
Disposals					-65	-65
Reclassifications		40	540	18	-772	-174
ACQUISITION COST DEC 31	106	4 967	20 550	1 698	489	27 810
Accumulated depreciation Jan 1		-4 188	-16 880	-1 390		-22 457
Depreciation during the period		-80	-740	-62		-881
ACCUMULATED DEPRECIATION DEC 31		-4 268	-17 619	-1 452		-23 339
Book value Jan 1	106	739	2 974	251	602	4 673
Book value Dec 31	106	699	2 931	246	489	4 472

13 INVESTMENTS

2021

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	SHARES IN ASSOCIATES	OTHER SHARES	TOTAL
Book value Jan 1	146 769	4 387	181	151 337
Additions	520			520
Disposals	-30 609			-30 609
BOOK VALUE DEC 31	116 679	4 387	181	121 248

2020

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	SHARES IN ASSOCIATES	OTHER SHARES	TOTAL
Book value Jan 1	174 593	4 387	181	179 162
Additions	5 855			5 855
Disposals	-27 825			-27 825
Impairment losses	-5 855			-5 855
BOOK VALUE DEC 31	146 769	4 387	181	151 337

14 INVENTORIES

EUR THOUSAND	2021	2020
Raw material	1 391	245
Work in progress	3 069	2 096
Finished products	1 705	2 538
TOTAL	6 165	4 879

15 RECEIVABLES

EUR THOUSAND	2021	2020
Non-current receivables		
Interest-bearing		
Loan receivables	16 738	26 725
Non-interest-bearing		
Other receivables	439	409
Current receivables		
Interest-bearing		
Loan receivables	71 196	25 152
Non-interest-bearing		
Trade receivables	5 798	4 220
Prepaid expenses and accrued income	2 915	663
Other receivables	3 242	2 275
Derivatives	135	196
TOTAL	100 463	59 640

RECEIVABLES FROM SUBSIDIARIES

EUR THOUSAND	2021	2020
Non-current receivables		
Interest-bearing		
Loan receivables	16 067	26 105
Current receivables		
Interest-bearing		
Loan receivables	71 196	25 152
Non-interest-bearing		
Trade receivables	5 793	4 194
Prepaid expenses and accrued income	1 962	255
Other receivables	3 242	2 275
TOTAL	98 260	57 982

16 SHAREHOLDERS' EQUITY

EUR THOUSAND	2021	2020
Share capital Jan 1	3 552	3 552
SHARE CAPITAL DEC 31	3 552	3 552
Share premium fund Jan 1	16 681	16 681
SHARE PREMIUM FUND DEC 31	16 681	16 681
Fund for invested non-restricted equity Jan 1	4 914	4 914
FUND FOR INVESTED NON- RESTRICTED EQUITY DEC 31	4 914	4 914
Own shares Jan 1	-4 890	-4 890
Purchase of own shares	-700	-
Directed issue of own shares	3 119	-
OWN SHARES DEC 31	-2 471	-4 890
Retained earnings Jan 1	30 045	23 682
RETAINED EARNINGS DEC 31	30 045	23 682
Net income for the period	19 743	6 363
TOTAL SHAREHOLDERS' EQUITY	72 465	50 303

DISTRIBUTABLE FUNDS

EUR	2021	2020
Fund for invested non-restricted equity	4 914 371	4 914 371
Retained earnings	30 045 145	23 682 123
Own shares	-2 471 138	-4 889 643
Net income for the period	19 743 436	6 363 022
TOTAL DISTRIBUTABLE FUNDS	52 231 814	30 069 874

PARENT COMPANY SHARE CAPITAL

	2021	2020
Shares	39 000 000	39 000 000
EUR	3 510 000	3 510 000

Each share is entitled to one vote. Information on Board's authorizations and own shares is available in the section Shares and shareholders.

17 LIABILITIES

EUR THOUSAND	2021	2020
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	51 000	41 000
Non-interest-bearing		
Derivatives	6	52
Current liabilities		
Interest-bearing		
Loans from financial institutions	1	13 835
Hybrid bond	-	25 000
Commercial paper program	32 000	-
Other current liabilities	62 403	77 893
Non-interest-bearing		
Derivatives	258	438
Advances received	1	1
Trade payables	6 115	4 258
Accrued liabilities and deferred income	15 780	8 507
TOTAL	167 564	170 983

LIABILITIES TO SUBSIDIARIES

EUR THOUSAND	2021	2020
Current liabilities		
Interest-bearing		
Other non-current liabilities	62 403	77 893
Non-interest-bearing		
Trade payables	5 140	3 769
Accrued liabilities and deferred income	4 045	4 454
TOTAL	71 588	86 116

All loans included in non-current liabilities mature in less than 5 years.

18 LEASE CONTRACTS

PARENT COMPANY AS A LESSEE

Repayment schedule of non-cancellable operating lease commitments

EUR THOUSAND	2021	2020
Within one year	577	464
1-3 years	311	547
TOTAL	887	1 011

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR THOUSAND	2021	2020
On own behalf and on behalf of subsidiaries		
Guarantees	2 037	2 481
TOTAL	2 037	2 481

Guarantees consist of subsidiaries' lease agreements and of other guarantees given on behalf of subsidiaries. The company's loan facilities are unsecured and include normal financial covenants.

20 DERIVATIVES

EUR THOUSAND	2021	2020
Currency derivatives with bank		
Fair value	-123	-178
Nominal value	34 880	26 907
Interest rate derivatives		
Fair value	29	-116
Nominal value	25 000	21 000

In 2021, changes in fair value of currency derivatives had an income statement effect of EUR 55 thousand (2020: EUR 262 thousand) and interest rate derivatives EUR 145 thousand (2020: EUR -33 thousand).

RISK MANAGEMENT

The objective of Rapala VMC Corporation's risk management is to support the implementation of the Group's strategy and execution of business targets. This is done by monitoring and mitigating the related threats and risks and simultaneously identifying and managing opportunities.

APPROACH TO RISK MANAGEMENT

The Board evaluates the Group's financial, operational and strategic risk position regularly and establishes related policies and instructions to be implemented and coordinated by Group management. The daily risk management activities are primarily delegated to the management of business units.

Risk management continued to receive management attention in 2021. The focus of Group level risk management in 2021 was on foreign exchange risk management as well as risk management activities on liquidity, interest rate and hazard risks. Other emphasized areas were account receivables, Group wide insurance programs and strategic supply chain management.

Below is a summary of key strategic, operational and financial risks as well as the main actions to mitigate these risks.

STRATEGIC RISKS

Sport fishing is a form of leisure hobby and the Group's products are competing against a wide range of other hobbies. The Group is promoting the attractiveness of sport fishing through active sales and marketing as well as brand management. By utilizing its unique research and development processes and resources, the Group is constantly developing new products to meet consumer needs and creating new needs for the consumers.

Brand portfolio and corporate reputation are among the most valuable intangible assets of the Group. The Rapala VMC Group is actively managing its brands and their identity and securing that the value of the brands or corporate reputation are not jeopardized or violated by any means. The Group's brands are also legally protected.

Consumers relate the Group's brands to high quality, unique fishing experience, special functional features and trustworthy distribution channel. Consumers are able to differentiate illegal copy products and they don't constitute a strategic threat for the Group. The Group protects vigorously its intellectual property rights and acts against illegal copiers and distributors.

Sport fishing is dependent on availability of fresh fishing waters for fishes to live and breed. Pollution and potential

environmental catastrophes are concerns for the Group. The Rapala VMC Group is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce environmental impacts of its operations and products. The Group is also acting in the forefront to develop products, e.g. catch-and-release equipment, to comply with fish protection initiatives. For more details on environmental actions, see the "Corporate Responsibility and Sustainable Development" report available on corporate website (www.rapalavmc.com).

The Group faces competition in all markets where its products are sold. Due to the uniquely wide distribution network, the Group's geographical market risk is truly globally spread, evening out seasonal and local market fluctuations.

The Rapala VMC Group has a limited amount of global competitors. The biggest competitors have significant power in their home markets, but globally the geographical scope of their operations is smaller. The Group's global distribution network is unique in the industry. Within each market, the Group's competitors are often local fishing tackle producers and distributors operating with a limited range of products and narrow geographical scope. In some countries, competition is created by fishing tackle retailers selling private label products. Established fishing tackle brands' expansion into new product categories is also creating competition in some product segments. The strength of the Group's product development and brand portfolio, as well as flexibility to serve different markets with market-specific products ranges, is essential in succeeding in market competition.

The Group's production is spread out in several countries. Some of these countries have higher political risks but simultaneously provide access to competitive labor cost. The Group monitors country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs.

Manufacturing of sport fishing products is not dependent on any proprietary manufacturing technologies or patents. The Group's manufacturing units are actively monitoring the development of generic manufacturing technologies and considering different production applications.

Distribution of third party fishing and outdoor products creates a material part of the Group's sales. Making new distribution agreements or terminating old agreements or changes in product offering made by the principal may affect sales and profitability of Third Party Products. The Group has several factories and various raw material and finished good suppliers. Different factories produce for the most part separate product categories and the

Group is not critically dependent on any single product or raw material supplier.

The Group's customer base is geographically and quantitatively well diversified. Customers are mostly country-specific and not operating globally. The Group is not critically dependent on any single customer: even the biggest single customer represents moderate share of the Group's net sales. The Group is not largely engaged in direct consumer retailing. This is not considered to be a risk as consumer demand is largely driven by brand consciousness and alternative routes to market can be established when needed.

The Board evaluates the Group's strategic risks annually and the Group management continuously monitors changes in the business environment. Strategic risk management in local jurisdictions is delegated to the management of each business unit.

OPERATIONAL AND HAZARD RISKS

The fishing tackle business has traditionally been relatively resilient to increased uncertainties and downturns in the general economic climate. The truly global nature of the Group's sales and operations spreads the market risks caused by uncertainties in the global economy.

The underlying consumer demand for the Group's products is seasonal and also impacted by unforeseeable factors such as weather. To offset and balance the seasonality, the Group is engaged in production and distribution of winter fishing and winter sports equipment. To mitigate the effects of seasonality, the Group is also operating with own distribution in the southern hemisphere and is developing its production planning to better respond to changes in the market demand.

Due to the seasonality in demand, the Group's product shipments concentrate annually to relatively short time periods, where supply problems could endanger the sales of the season. Similarly, lower than expected sales volumes may lead to excess inventories, as it is difficult to cancel committed orders within short notice.

There is a high level of dependency between the Group's manufacturing and distribution units and interruption at earlier stage of the supply chain could have knock-on effects throughout the rest of the Group. The importance of proper order forecasting and production planning has increased. The related risks are managed with high level of co-operation between manufacturing and distribution units, safety stocks and extensive insurance

coverage. The Group-wide supply chain and logistics initiatives continued in 2021 and mitigated these risks relating to operational efficiencies.

The Group's sales prices are primarily fixed annually or bi-annually, normally before each season. Sudden changes in raw material prices or foreign exchange rates may have significant impact on costs of some products. The Group aims to push increases in costs to the sales prices immediately or during a period of time. The Group's market risks and mitigation actions are analyzed in more detail in the section "Financial Risks" and in note 22 to the consolidated financial statements.

In respect of manufacturing activities, the Group is not critically dependent on any single external production factor supplier. Availability of competent production labor is essential and the Group aims to maintain good employer reputation and labor relations.

There are significant dependencies between the Group's manufacturing units, which could cause supply challenges e.g. in case of fire or other hazard. Such hazard could lead to property damages but also to business interruption losses throughout the supply chain. Therefore, the Group emphasizes hazard risk management. The Group has together with its property and business interruption insurer continued to conduct annually hazard prevention reviews to Group's key factories and distribution warehouses. Group management has also continued to maintain risk awareness throughout the organization.

The Group constantly develops its global insurance programs, which cover most of the Group companies. Global insurance policies, which take into account the Group's interdependency, are in place for property damage and business interruption, transportation as well as general and product liability. The Group has increased its focus also on mitigating fraud risk.

The Board evaluates the Group's operational risks at least once a year. Group management monitors and coordinates the continuous management of operational risks, which is the responsibility of the management of each business unit.

FINANCIAL RISKS

The Group's financial risks consist of market risks, credit and default risks and liquidity risks. The Board evaluates financial risks during the year and Group management monitors and manages them continuously. Financial risks are discussed in detail, as required by IFRS 7, in note 22 of the consolidated financial statements.

SHARES AND SHAREHOLDERS

Rapala VMC Corporation's shares have been traded on the Nasdaq Helsinki since 1998. In 2021, the shares traded between EUR 10.95 and 4.36 with an average price of EUR 7.82.

Shares and Voting Rights

On December 31, 2021, the share capital fully paid and reported in the Trade Register was EUR 3 552 160.41 and the total number of shares was 39 000 000. The average number of shares during the financial year was 39 000 000. Each share is entitled to one vote.

There were no changes in the share capital in 2021.

Board's Authorizations

The AGM 25 March 2021 authorized the Board of Directors to resolve to repurchase a maximum of 2 000 000 own shares by using funds in the unrestricted equity. The proposed number of shares corresponds to approximately 5.1 per cent of the company's registered total number of shares at the time of the proposal. The shares may be repurchased for developing the company's capital structure, for financing or carrying out potential corporate acquisitions or other business arrangements, to be used as a part of the company's remuneration or incentive plan or to be otherwise transferred further, retained by the company as treasury shares, or cancelled, for example. The shares may be repurchased otherwise than in proposition to the existing shareholdings of the company as directed repurchases at the market price of the shares quoted on the trading venues where the company's shares are traded or at the price otherwise established on the market at the time of the repurchase. The Board of Directors shall resolve on all other matters related to the repurchase of the company's own shares, including on how the shares will be repurchased. The authorization is in force for 18 months from the close of the Annual General Meeting i.e. until 25 September 2022.

The AGM authorized the Board of Directors to decide on a share issue and the issue of special rights entitling to shares as defined in Section 1 of Chapter 10 of the Companies Act, against or without consideration, as follows. By virtue of the authorization the Board is entitled to issue up to 3 900 000 shares corresponding at present to approximately 10 per cent of all current shares. The authorization can also be used for incentive arrangements for the management and key persons, however, not more than 900 000 shares in total. The Board would decide on all terms and conditions of share issues and the issues of special rights. The authorization covers both the issuance of new shares and the transfer of own shares. A share issue or the issue of special rights may be executed in deviation of the shareholders pre-emptive rights to subscribe for new shares. This authorization shall be effective until 25 September 2022.

Own Shares

In 2021, a total of 86 043 own shares were repurchased based on the authorization granted by the Annual General Meeting. In addition to this, a directed issue of 488 015 treasury shares was conducted in 2021, of which 173 015 as part of management's share-based incentive plan and 315 000 as part of the purchase price of Okuma Fishing Tackle's ("Okuma") European and Russian trademarks and related intangible assets. The average share price of repurchased own shares in 2021 was EUR 8.14. At the end of the year, the company held 50 236 own shares, representing 0.13% of the total number and voting rights of shares. The cumulative

average share price of all repurchased own shares held by the company was EUR 8.59.

Shareholder Register

The shares of the company belong to the Book Entry Securities System. Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to ownership of shares.

Share-Based Incentive Plans

On March 25, 2021, the Board of Directors of Rapala VMC Corporation decided to establish two new share-based incentive plans. The aim of the plans is to align the objectives of the shareholders and the plan participants for increasing the value of the company in the long-term, to retain the participants at the company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

Matching Share Plan 2021–2023 for the President and CEO

The President and CEO's Matching Share Plan 2021–2023 consists of one matching period, covering the financial years of 2021–2023. In the plan, the President and CEO (CEO) is given an opportunity to receive matching shares for his personal investment in Rapala VMC Corporation shares. The reward based on the plan will be paid after the end of the matching period. The reward will be paid partly in Rapala VMC Corporation shares and partly in cash. The cash proportion of the reward is intended for covering taxes and tax-related expenses arising from the reward to the CEO. In general, no reward is paid if the CEO's director contract terminates before the reward payment. The reward to be paid on the basis of the CEO plan correspond to the value of a maximum total of 28 800 Rapala VMC Corporation shares, including also the proportion to be paid in cash.

Performance Share Plan 2021–2023 for Key Employees

The key employees' Performance Share Plan 2021–2023 includes one three-year performance period, covering the financial years 2021–2023. The potential reward from the performance period will be based on the Group's financial performance criteria, which will be measured during the financial year 2023 and the Company's share price criterion which will be measured during 2023. The financial performance criteria for the performance period are the Group Product Sales in 2023, the Group's Comparable Earnings before Interest and Taxes (comparable EBIT) in 2023 and the Group's Average Working Capital Ratio in 2023. The rewards to be paid on the basis of the key employee plan correspond to the value of an approximate maximum total of 800 000 Rapala VMC Corporation shares including also the proportion to be paid in cash. The potential rewards from the performance period 2021–2023 will be paid partly in the Company's shares and partly in cash in 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. In general, no reward will be paid, if a participant's employment or service terminates before the reward payment. The key employee's Performance Share Plan is directed to approximately 19 individuals, including the President and CEO and other members of the Executive Committee of the Group.

Details of share-based incentive plans are given on note 29.

Management Shareholding

On December 31, 2021, the members of the Board and the Executive Committee held directly a total of 272 937 company shares, corresponding to 0.7% of all shares and voting rights. Details of management shareholdings are given on page 60–61.

Trading and Performance of the Company's Shares

The company share (RAP1V) is quoted on the Nasdaq Helsinki. The closing price on December 31, 2021 was EUR 8.72. The highest price in 2021 was EUR 10.95, the lowest price EUR 4.36 and the average price EUR 7.82. A total of 5 217 447 company's shares

were traded in 2021. This represents 13.4% of all shares on December 31, 2021.

At the end of 2021, the market capitalization of all outstanding shares, excluding own shares, was EUR 339.6 million. Earnings per share (basic) were EUR 0.45 (EUR 0.04 in 2020). For more share related key figures see page 9.

Dividend

The Board proposes to the AGM that a dividend of EUR 0.15 per share will be paid for the financial year 2021.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2021

SHAREHOLDERS	NUMBER OF SHARES	%
Viellard Migeon & Cie *	15 000 088	38.5
Nordea Funds	5 120 470	13.1
The State Pension Fund	1 290 000	3.3
Shimano Singapore Private Limited	889 680	2.3
eQ Nordic Small Cap	364 752	0.9
Ilmarinen Mutual Pension Insurance	292 007	0.7
Coble James Jay	225 000	0.6
Aktia Capital Fund	220 000	0.6
Taaleri Funds	200 000	0.5
S-Bank Fenno Equity Fund	181 995	0.5
Elo Mutual Pension Insurance	155 000	0.4
Other shareholders total	15 061 008	38.6
TOTAL NUMBER OF SHARES	39 000 000	100.0

* Viellard Migeon & Cie's holds together with its subsidiary De Pruines Industries 15 105 398 shares, representing 38.7% of total number and the total voting rights of shares.

SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2021

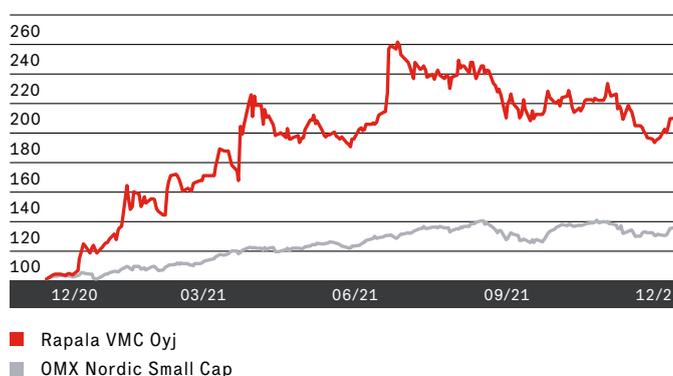
SHAREHOLDER CATEGORY	NUMBER OF SHARES	%
Private and public corporations	1 101 072	2.8
Financial and insurance companies	5 640 847	14.5
Public institutions	1 737 307	4.5
Non-profit organizations	219 972	0.6
Individuals	2 931 669	7.5
International shareholders	16 146 950	41.4
Administrative registrations	11 222 183	28.8
TOTAL	39 000 000	100.0

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2021

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	TOTAL SHARES	%
1 - 100	2 984	47.4	132 854	0.3
101 - 500	2 167	34.4	559 441	1.4
501 - 1 000	581	9.2	456 883	1.2
1 001 - 10 000	498	7.9	1 304 898	3.3
10 001 - 1 000 000	66	1.0	4 892 740	12.5
1 000 001 -	4	0.1	31 653 184	81.2
TOTAL	6 300	100.0	39 000 000	100

Number of shares includes 50 236 own shares held by the parent company.

SHARE PRICE IN 2021, %



SHARE PRICE DEVELOPMENT IN 2017–2021, EUR



BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

LOUIS D'ALANÇON

Chairman of the Board since 2018

Board member since 2017

M.Sc. Civil Engineering, Major in Economy and Finance

Year of birth: 1959

Shareholding*: 7 700

JORMA KASSLIN

Board member since 1998

Chairman of the Board 2016-2018

M.Sc. (Eng.)

Year of birth: 1953

Shareholding*: 26 878

EMMANUEL VIELLARD

Board member since 2000

Chairman of the Board 2005-2016

President of Viellard Migeon & Cie

CEO of LISI

MBA, CPA

Year of birth: 1963

Shareholding*: 2 000

MARC SPEECKAERT

Board member since 2005

MBA

Year of birth: 1951

Shareholding*: 4 500

JULIA AUBERTIN

Board Member since 2014

M.Sc. (EDHEC)

Year of birth: 1979

Shareholding*: -

VESA LUHTANEN

Board Member since 25.3.2020

Bachelor of Science in Business Administration

Year of birth: 1961

Shareholding*: -

* Shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies.

EXECUTIVE COMMITTEE

Marcus Twidale was appointed as Executive Vice President, Head of Distribution in USA effective from January 1, 2022 and Executive Committee member since 11.5.2021.

NICOLAS CEDERSTRÖM WARCHALOWSKI

President and Chief Executive Officer since March 1, 2020

M.Sc. In Business and Economics

Year of birth: 1971

Shareholding*: 15 308

OLLI AHO

Executive Vice President, General Counsel, Investor Relations and Secretary of the Board

Executive Committee member since 1998

Master of Laws

Year of birth: 1959

Shareholding*: 26 625

STANISLAS DE CASTELNAU

Executive Vice President, Head of Operations

Executive Committee member since 2002

Engineer

Year of birth: 1963

Shareholding*: 21 771

TOM MACKIN

Executive Vice President, Distribution and Brands in North America

Executive Committee member until 1.1.2022

Bachelor of Fine Arts

Year of birth: 1961

Shareholding*: 6 934

LARS OLLBERG

Chief Operating Officer

Executive Committee member since 2008

Vocational Qualification in Business and Administration

Year of birth: 1956

Shareholding*: 26 625

VICTOR SKVORTSOV

Executive Vice President Distribution in Russia, Belarus, Kazakhstan

Executive Committee member since 2013

Engineer

Year of birth: 1962

Shareholding*: 38 853

CYRILLE VIELLARD

Executive Vice President, and President of VMC Peche

Executive Committee member since 2015

MBA, ESSEC

Year of birth: 1977

Shareholding*: 26 625

ARTO NYGREN

Executive Vice President, Lure Manufacturing

Executive Committee member since 2017

Bachelor's degree in mechanical engineering

Year of birth: 1965

Shareholding*: 36 540

JAN-ELOF CAVANDER

Chief Financial Officer

Executive Committee member since 2017

Master of Science (Technology)

Year of birth: 1985

Shareholding*: 26 625

JEAN-PHILIPPE NICOLLE

Executive Vice President, Head of European Distribution

Executive Committee member since 2020

Executive MBA, Business School ICS, Paris and CPA

Year of birth: 1968

Shareholding*: 3 279

DAVID NEILL

Executive Vice President, Product Development & Innovation

Executive Committee member since 9.9.2020

Bachelor of Commerce

Year of birth: 1973

Shareholding*: 1 101

ENRICO RAVENNI

Executive Vice President, Head of Distribution in APAC countries and Global Rods, Reels and Lines Product Development & Innovation

Executive Committee member since 30.10.2020

Year of birth: 1966

Shareholding*: 1 573

MARCUS TWIDALE

Executive Vice President, Head of Distribution in USA

Executive Committee member since 11.5.2021

Year of birth: 1965

Shareholding*: -

* Shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies.

SIGNATURES FOR THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, February 10, 2022

Louis d'Alançon,
Chairman of the Board

Emmanuel Viellard

Jorma Kasslin

Marc Speeckaert

Vesa Luhtanen

Julia Aubertin

Nicolas Cederström Warchalowski,
President and CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.
Helsinki, March 2, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant

AUDITOR'S REPORT

TRANSLATION OF THE FINNISH ORIGINAL

TO THE ANNUAL GENERAL MEETING OF RAPALA VMC OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Rapala VMC Corporation (business identity code 1016238-8) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Revenue Recognition

We refer to accounting principles for the consolidated accounts and note 2 (Segment information).

The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognized before the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Due to the subsidiaries being relatively independent, management may also have an opportunity to overstate revenues.

Correct timing of revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included, among others:

- Assessing the Group's accounting policies over revenue recognition and assessing compliance with applicable accounting standards.
- Testing of the Group's controls over correct timing of revenue recognition. These controls comprised of a combination of transaction level prevent controls and detect controls.
- We tested the cut-off of revenue with analytical procedures supplemented with tests on a transaction level either side of the balance sheet date as well as credit notes prepared after the balance sheet date.
- Considering the Group's disclosures in respect of revenues.

Valuation of goodwill and intangible assets

We refer to accounting principles for the consolidated accounts and note 11 (Intangible assets).

At the balance sheet date, the value of goodwill and intangibles amounted to 80,8 M€ (71,2 M€) representing 25.6% (26.1%) of the total assets.

Procedures regarding management's annual impairment test were a key audit matter because the valuation includes estimates. The Group management use assumptions in respect of future market and economic conditions such as revenue and margin developments.

Our audit procedures included among others:

- Involvement of EY valuation specialists to assist us in evaluating methodologies, impairment calculations and underlying assumptions applied by the management in impairment testing.
- Testing of the mathematical accuracy of the impairment calculations.
- We focused on how much recoverable amounts exceed the carrying amounts of cash-generating units, and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.
- We also assessed the adequacy of the Group's disclosures in note 11 (Intangible assets) in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.

Valuation of inventories

We refer to accounting principles for the consolidated accounts and note 17 (Inventories).

Inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss recognized for obsolete and slow-moving inventories. At the balance sheet date, the total value of inventory and related provision for obsolete goods amounted to 91,6 M€ and 5,4 M€, respectively (net 86,2 M€).

Valuation of inventories was a key audit matter because the carrying value of inventories and related provisions are material to the financial statements, and because valuation of inventories requires management judgment relating to future sales and the level of provision for obsolete goods.

Our audit procedures included among others:

- Assessing the Group's accounting policies regarding inventory allowances and assessing compliance with applicable accounting standards.
- Evaluating, amongst others, the analyses and assessments made by management with respect to obsolete and slow-moving inventories, the expected demand and market value related to the items.
- Assessing the adequacy of the Group's disclosures in notes 17 (Inventories) in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be

communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication..

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 5.4.1995, and our appointment represents a total period of uninterrupted engagement of 27 years. Rapala VMC Corporation has been a public interest entity since 4.12.1998.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, March 2, 2022

Ernst & Young Oy

Authorized Public Accountant Firm

Mikko Ryttilahti

Authorized Public Accountant



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