

**RAPALA VMC CORPORATION**  
**CORPORATE GOVERNANCE**

**MARCH 31, 2009**

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## **1. INTRODUCTION**

The purpose of the Corporate Governance of Rapala VMC Corporation (the “Company”) is to determine the responsibilities of the management, the control of its operations and the rules of procedures to be followed to maintain a high level of management and transparent operations of the Rapala VMC Group. Rapala’s Corporate Governance is based on Finnish Companies Act, other regulations concerning publicly listed companies, Rapala’s articles of association and the rules and advice concerning listed companies of the NASDAQ OMX Helsinki. Rapala adheres also to the new Finnish Corporate Governance Code that was approved by the Finnish Securities Market Association in October 2008. The full version of Rapala’s Corporate Governance document is available at the website [www.rapala.com](http://www.rapala.com).

## **2. ETHICAL PRINCIPLES OF THE BUSINESS**

The Company recognizes its responsibility in relation to the shareholders, clients, employees and society as well those with whom the Company does business. The Company is committed to carry on business in an ethically correct manner and according to laws in Finland and abroad.

In its operations, the Company takes into account the environment as well as health and safety. The Company co-operates transparently and honestly with authorities, local societies and other relevant parties in environmental and health and safety matters.

## **3. ARTICLES OF ASSOCIATION**

The Company’s Articles of Association is published on the website of the Company and it is attached to this document. According to the Articles of Association, the financial year of the Company is the calendar year.

## **4. ADMINISTRATIVE BODIES**

### **4.1 General Meeting**

The General Meeting is the highest decision-making body of a limited company where the shareholders participate in the supervision and management of the Company.

The Annual General Meeting decides on the matters stipulated in the Companies Act such as the acceptance of the financial statements, increasing or decreasing share capital, amendments to the Articles of Association and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the Auditors, and the compensation paid to them.

The Group President, the Chairman of the Board and a sufficient number of directors shall attend the General Meeting. A person proposed for the first time to be elected as a member of the Board of Directors shall participate in the General Meeting where the election takes place unless there are well-founded reasons for the absence.

A proposal by the Board of Directors for the election of an external auditor shall be disclosed in the invitation to the General Meeting. A prospective auditor proposed after the delivery of the invitation to the General Meeting shall be disclosed separately.

The Annual General Meeting of the Company is held once a year, generally in April. According to the Articles of Association, the Annual General Meeting shall be held before the end of June. An extraordinary General Meeting is to be convened when necessary. The shareholders exercise their rights of vote and action at the General Meetings. At the General Meeting each share is entitled to one vote.

Under the Articles of Association the shareholders of the Company are invited to the General Meeting by publishing the invitation in a widely circulated daily paper and at Company's website as decided by the Board of Directors. The invitation to the General Meeting shall state the matters to be handled at the General Meeting.

#### **4.2 Board of Directors**

The Board of Directors' duties and responsibilities are principally based on the Finnish Companies Act and the Company's Articles of Association. The Board of Directors is responsible for the Company's management and for the proper arrangement of the operations of the Company. According to its Charter, the Board of Directors directs and controls the management of the Company, appoints and removes the Chief Executive Officer (CEO), approves the strategic guidelines and the principles of the risk management and ensures that the management is organized properly. The Board of Directors confirms the values of the Company. The Board of Directors is obliged to act in the best interest of the Company. The Board of Directors conducts annually a self-evaluation of its performance and working methods. For the Board of Director's Charter, see attachments.

The Articles of Association provide that the Board of Directors consists of no less than five and no more than ten members. The prospective candidates for the Board of Directors notified to the Board are disclosed in the invitation to the General Meeting if the candidate is supported by at least 10% of the total votes of all the shares of the Company and the candidate has given his/her consent to the election. The candidates proposed after the delivery of the invitation to the General Meeting are disclosed separately.

A person elected as a member of the Board of Directors shall have the qualifications required to perform the directors' duties and the possibility to devote sufficient time for the work. The current Board of Directors comprises seven members: the Company's CEO, the Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office, and five non-executive independent members: Mr. Emmanuel Viellard, Mr. Eero Makkonen, Mr. Jan-Henrik Schauman, Mr. Marc Speeckaert and Mr. Christophe Viellard. In addition, all members of the Board of Directors, other than Mr. Emmanuel Viellard, Mr. Christophe Viellard and Mr. Marc Speeckaert, are independent of significant shareholders of the Company. Rapala does not follow the Corporate Governance Code (2008) for the independency of Board members to the extent that the Group President & CEO as well as the Head of Group's Chinese Manufacturing Operations and Hong Kong Office are members of the Board of Directions in addition to their executive positions. Their membership in the Board of Directors is based on their significant shareholding in the Company as well as a broad know-how and long-term experience in fishing tackle industry. Board of Director does not have deputy members.

The members of the Board of Directors are elected by the Annual General Meeting. The term of a member of the Board of Directors lasts until the date of the next Annual General Meeting. The Board of Directors elects a Chairman to serve until the date of the next Annual General Meeting. During the financial year 2008 the Board of Directors met 15 times. The average attendance rate at these meetings was 95.2%. Meetings of the Board of Directors usually take place in Helsinki or at the Group's other offices when the Board of Directors is visiting the Group companies.

The most important matters considered by the Board of Directors are:

- annual and interim financial statements and reports,
- matters to be put before General Meetings of shareholders,

- appointment of the President and CEO,
- organization of financial supervision in the Company.

The Board of Directors is also responsible for matters that are so far-reaching with respect to the area of the Group's operations that they cannot be considered to fall within the scope of the Group's day-to-day administration and management. Examples of these matters are:

- approval of the Group's strategic plan and long-term goals,
- approval of the Group's annual business plan and budget,
- decisions concerning investments, acquisitions or divestments,
- decisions to raise loans and the granting of security or similar collateral commitments when their size is significant,
- risk management principles,
- the Group's organizational structure,
- appointment of the members of the Executive Committee,
- monitoring and assessing the performance of the President and CEO,
- approval of the Company's management principles and steering systems,
- appointment of the Board of Directors' committees,
- approval of stock exchange releases

In addition to matters requiring its decision, the Board of Directors is also given updates at its meetings on the Group's operations, financial position and risks.

The Board of Directors elects a chairman from among its members.

The current members of the Company's Board of Directors are:

**Emmanuel Viellard**

Chairman

Chairman of the Rapala Board since 2005-

B.A., CPA

Year of birth: 1963

Vice Chairman and Executive Vice President of Lisi Industries

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 100 000

Options\*: 10 000

**Jorma Kasslin**

President and Chief Executive Officer (CEO)

Rapala Board member since 1998-

M.Sc. (Eng.)

Year of birth: 1953

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 680 000

Options\*: 57 000

**Eero Makkonen**

Rapala Board member since 1998-

Chairman of the Rapala Board during 1999-2005

B.Sc. (Eng.)

Year of birth: 1946  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 100 000  
Options\*: 10 000

**Jan-Henrik Schauman**

Rapala Board member since 1999-  
M.Sc. (Econ.), MBA  
Year of birth: 1945  
Shareholding\*: -  
Options\*: 10 000

**Christophe Viellard**

Rapala Board member since 2000-  
Diploma ESCP  
Year of birth: 1942  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 100 000  
Options\*: 10 000

**King Ming (William) Ng**

Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office  
Rapala Board member since 2001-  
B.Sc. (Eng.)  
Year of birth: 1962  
Shareholding\*: 890 580  
Options\*: 15 000

**Marc Speeckaert**

Rapala Board member 1999  
MBA  
Year of birth: 1951  
Sofina, General Manager  
Shareholding and options\*: -

\* Shareholdings and options on March 31, 2009. Options include also synthetic options.

The term of notice of the employment of King Ming (William) Ng is dependent on the cause for termination of the employment and local legislation in force. If the service agreement is terminated by the Company without a cause, the King Ming (William) Ng is entitled to severance compensation corresponding to 6-12 months' salary (excluding profit bonuses). The retirement age and pension of King Ming (William) Ng are determined in accordance with the local legislation in force.

#### **4.3 Remuneration Committee**

The Board of Directors has appointed a Remuneration Committee that is chaired by the Chairman of the Board, Mr. Emmanuel Viellard. Its members are drawn from the Company's non-executive and independent directors and currently consist of Mr. Jan-Henrik Schauman and Mr. Eero Makkonen.

Committee members' appointments run concurrently with a director's term as a member of the Board of Directors. In 2008, the Committee met two times. The average attendance rate at these meetings was 100%.

The Remuneration Committee operates under its charter. The Committee's main responsibility is to prepare the decisions of the Board of Directors relating to the remuneration of key employees of the Group. The Committee's other tasks include reviewing and making recommendations with respect to the terms of employment of the CEO and reviewing the remuneration packages of the Executive Committee members. For the Remuneration Committee's Charter, see attachments.

#### **4.4 Other Committees**

In December 2008, the Board decided that since the Company does not have a separate Audit Committee, the entire Board is responsible for the tasks of an Audit Committee. These include the control of the financial reporting, external accounting, internal control and risk management issues. Of the seven Board members, at least three have the necessary financial expertise to assume these duties. The Board is regularly in contact with the auditors of the Company.

The Board has not appointed a Nomination Committee due to the size of the Group and the significant shareholding represented by the current members of the Board. Nomination issues are managed by the Board of Directors.

#### **4.5 CEO and President**

The CEO acts as the Group's President. The duties and responsibilities of the President are set forth in the Finnish Companies Act. The President and CEO is responsible for the day-to-day management of the Company in accordance with the instructions and rules given by the Board of Directors. Unless separately authorized by the Board of Directors, the CEO shall not take actions, which may be considered unusual or far-reaching in the view of the scope and nature of the Company's business. The CEO shall ensure that the accounting of the Company complies with the law and that the financial management of the Company has been arranged in a reliable manner.

The CEO is entitled to represent the Company in any matter within his/her authority. The CEO chairs the Executive Committee.

The CEO and his/her deputy, if any, are appointed by the Board of Directors. The CEO's service terms and conditions have been specified in writing in a service agreement approved by the Board of Directors. Since 1998 Mr. Jorma Kasslin has acted as the Company's CEO and as a member of the Board of Directors.

The monthly salary of the CEO is EUR 23 619.50. The CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2008 totaled EUR 110 000. In addition to the mandatory pension insurance, the CEO has a right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and the CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, the CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

#### **4.6 Executive Committee of the Group**

The Executive Committee assists the CEO in planning and managing the operations of the Group. The members of the Executive Committee report to the CEO. The Executive Committee convenes under the leadership of the CEO and is composed of different Executive Committee members depending on the matter at hand. Compensation for members of the Executive Committee comprises a basic salary and a profit bonus, based on the Group's senior management bonus scheme. The current members of the Executive Committee are:

##### **Jorma Kasslin**

President and Chief Executive Officer (CEO)  
Rapala Executive Committee member since 1998-  
See information above  
(Board of Directors)

##### **Jouni Grönroos**

Chief Financial Officer (CFO)  
Rapala Executive Committee member since 2005-  
Shareholding\*: 17 001  
Indirect shareholding through controlled corporation\*: 30 000  
Options\*: 33 250

##### **King Ming (William) Ng**

Head of Chinese Manufacturing Operations and Hong Kong Office  
Rapala Executive Committee member since 2001-  
See information above  
(Board of Directors)

##### **Olli Aho**

Company Counsel and Secretary of the Board, Investor Relations  
Rapala Executive Committee member since 1998-  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 70 000  
Options\*: 32 000

##### **Juhani Pehkonen**

Head of Lure Business  
Rapala Executive Committee member since 1998-  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 30 000  
Options\*: 32 000

##### **Stanislas de Castelnau**

Head of Fishing Hook Business  
Rapala Executive Committee member since 2002-  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 10 000  
Options\*: 29 500

##### **Tom Mackin**

President of Rapala USA

Rapala Executive Committee member since 2007-  
Shareholding\*: 3000  
Indirect shareholding through a controlled corporation\*: 10 000  
Options\*: 32 000

### **Lars Ollberg**

Head of Fishing Line and Accessory Business  
Rapala Executive Committee member since 2008-  
Shareholding\*: 2475  
Indirect shareholding through a controlled corporation\*: 30 000  
Options\*: 20 500

\* Shareholdings and options on March 31, 2009. Options also include synthetic options.

## **4.7 Group Companies**

The Rapala VMC Group comprises the parent company and the manufacturing and distribution subsidiaries. All subsidiaries report to the Company. The head office of the Rapala VMC Group is located in Helsinki and Brussels. The stock of the Company is quoted on the NASDAQ OMX Helsinki.

Responsibility for the management of these subsidiaries rests with each company's Board of Directors, which typically comprises, the Group CEO, the Group CFO, and the Company Counsel and the subsidiary's President. In addition, they have management teams of their own.

Product distribution is organized through sales companies, which the Group has in 27 countries. In other countries independent importers and distributors undertake product distribution.

## **5. REMUNERATION**

### **5.1 Compensation of the Members of the Board of Directors**

In 2009, the annual fees to Board members are EUR 30,000 and EUR 60,000 to the Chairman of the Board. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are paid a daily travel allowance and reimbursed for travel expenses corresponding to the maximum tax-exempt travel allowance corresponding to the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 240 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2008.

### **5.2 Principles of the Bonus Scheme**

The CEO and senior management of the Group participate in the Group's senior management bonus scheme. The Group establishes every second year a profit bonus scheme for the following two years. The amount and payment of the bonus requires that established EBITDA and cash flow targets, set by the Board of Directors, are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the relevant financial year are known and the second after a predetermined vesting period of a few months, to encourage retention of senior management.

### **5.3 Share-Based Incentive Plans for Key Personnel**

On March 31, 2009, the exercise period for options issued under the Share Option Program 2004A expired. The following option schemes were in place on March 31, 2009 for senior and middle management and the Board (2006 program is not for non-executive Board members):

#### ***The 2004 Share Option Program***

In the 2004 Share Option Program a total of 1 000 000 options were issued to 106 managers: 500 000 options exercisable between March 31, 2007 and March 31, 2009 at an exercise price of EUR 6.16 per share (2004A), and 500 000 options exercisable between March 31, 2008 and March 31, 2010 at a price of EUR 6.41 per share (2004B). The exercise price of 2004B option represents the weighted average share price in March 2006. The subscription price shall be reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the share subscription period. The outstanding 2004B options represented 1.1% of the company's outstanding shares on March 31, 2009.

#### ***The 2006 Synthetic Option Program***

In the 2006 Synthetic Option Program a maximum of 1 000 000 options were issued to 116 managers: 500 000 options exercisable between March 31, 2009 and March 31, 2011 at an exercise price of EUR 6.44 per share (2006A), and 500 000 options exercisable between March 31, 2010 and March 31, 2012 at an exercise price of EUR 6.44 per share (2006B). Exercise price represents the weighted average share price during period January 1 –March 31, 2006. The subscription price shall be reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the share subscription period. The share-specific cash value will be determined in accordance with the end price on the test date (i.e. vesting date) or, as the case may be, on an additional test date. End price is the volume weighted average price of the share during the ten trading days before the test date. If at test date the difference between the exercise price and the end price (including the dividend adjustment) is positive, the reward will be paid. If the difference between the exercise price and end price on the test date (including the dividend adjustment) is negative, the end price will be determined again on an additional test date, which is the six months', twelve months', eighteen and twenty-four months' anniversary of the test date. If the difference between the exercise price and the end price is positive on any of the additional test dates, the reward will be paid and this incentive scheme shall automatically expire.

#### ***The 2009 Share-Based Incentive Plan***

In March 2009, Rapala announced that its Board had approved a new share-based incentive plan (Plan) for the Group's key personnel. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares. The Plan includes one earning period, which commenced on January 1, 2009 and will end on December 31, 2010. The potential reward from the Plan will be based on the Rapala's earnings per share (EPS) in 2010. The potential reward from the Plan will be paid as the Company's shares in 2011. The target group of the Plan consists of some 20-40 key employees. The gross rewards to be paid on the basis of the Plan will correspond to the value of a maximum total of 200 000 Rapala shares. The grant date for the Plan was not before the end of March 2009.

Non-executive Board members have not participated in any share based remuneration programs granted after June 8, 2004.

## **6. INTERNAL CONTROLS, FINANCIAL RISK MANAGEMENT AND AUDIT**

### **6.1 Internal Controls**

The Board of Directors monitors the business activities of the Company and is responsible for ensuring that accounting, reporting and asset management are appropriately organized.

The CEO, the members of Executive Committee, and the president of each Group company are responsible for ensuring that the accounting and administration in their respective areas of responsibility are in compliance with the local laws, the Group's operating principles, and the instructions and rules issued by the Board of Directors of the Company.

The Board of Directors monitors the Group's business risks on an ongoing basis. The management prepares for the Board of Directors a monthly management report, which explains the main recent developments in the business of the Group and the major Group companies.

### **6.2 Risk Management**

The objective of Rapala'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. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by Group management.

The Board of Directors evaluates Group's strategic risks on annual basis as part of the strategy process, operational risks at least once a year as part of the operational plans and budgets and financial risks several times during the year. The CEO and Group Risk Management continuously monitor changes in business environment and coordinate the management of Group's strategic, operational and financial risks. Group Risk Management consists of Group CFO, Group Treasurer and Group Risk Manager and convenes on a regular basis.

The daily risk management activity is primarily allocated to the management of the business units, who are responsible to manage the local strategic, operational and financial risks.

### **6.3 Internal and External Audit**

The Group does not have a separate Internal Audit organization due to the size of the Group operations. The Group Finance, lead by the CFO, is responsible for regular reviews of financial performance and internal control procedures at all Group companies and reporting significant findings to the CEO and the Board of Directors. From time to time, the management conducts or buys external services, if needed, to conduct specific and limited internal audits. In 2008, three such internal audits were performed. The absence of an internal in-house audit organization is also taken into account in the external audit.

An external audit is performed annually in each of the Group companies and for the consolidated Group. These audits are executed principally by Ernst & Young, a company of authorized Public Accountants. The auditor in charge of the audit of the Company is Mr. Mikko Järventausta. The auditors were paid a total of EUR 0.7 million in fees for the audit work and EUR 0.0 million in fees for the non-audit work in the financial year 2008.

The President and the controller of each subsidiary meet annually the local auditor at least once a year to discuss internal control and statutory compliance issues.

The auditors of each subsidiary provide an audit opinion to the auditors of the Company at the conclusion of each annual audit. Each annual audit may also give rise to the preparation of a management letter to the Company outlining their audit findings in greater detail and recommending any improvements in internal controls.

The Group financial management meets with the Group auditor at least twice a year to establish audit scope, to monitor financial performance and its disclosure and to review the results of audits. The Group auditor also reviews the Group's quarterly financial reports but does not issue an opinion thereon.

At the conclusion of the annual audit of the consolidated Group, the Group auditors meet with the Board of Directors of the Company to communicate the major findings of all audits that have taken place as part of the annual reporting process. In 2008, the Group arranged a competitive bidding for providing audit services for the Group. Based on the results of this process, the Annual General Meeting held in April 2009 elected Ernst & Young as the Group auditor for the financial year 2009.

## **7. INSIDER ADMINISTRATION**

The Group's guidelines on insider administration follow the Guidelines for Insiders issued by the NASDAQ OMX Helsinki. Under the Group's guidelines on insider administration both permanent and project specific insiders are subject to trading restrictions regarding the Company's securities. The permanent insiders as well as persons under their custody and the corporations controlled by them are prohibited from trading with the securities three weeks prior to the publication of an annual or quarterly report of the Company. The project specific insiders are prohibited from trading with the securities during their project participation. The Company arranges internal informing, training and supervision of insider issues.

## **8. SHARES AND SHAREHOLDERS**

On March 31, 2009 the share capital fully paid and reported to the Trade Register was EUR 3.552 million. On March 31, 2009, the number of shares was 39 468 449. The book value of a share is EUR 0.09. Each share is entitled to one vote. On February 6, 2009 the Board decided to continue buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. The repurchasing of shares ended on March 30, 2009. At March 31, 2009 Rapala held 221 936 of its own shares, representing 0.6% of the total number of Rapala shares and the total voting rights. The average price for the repurchased own shares in January-March 2009 was EUR 3.82.

On March 31, 2009 non-Finnish shareholders owned 60.5% and the nominee-registered shareholders owned 20.8% of the Group's share capital.

## **9. SHAREHOLDER AGREEMENTS**

Viellard Migeon & Cie and Utavia S.à.r.l entered into a shareholders' agreement on 29 June 2006 with respect to their shares in Rapala VMC Corporation, and the shareholders of Utavia S.à.r.l have agreed to be bound by the said shareholders' agreement. The main shareholder of Utavia S.à.r.l is the Chief Executive Officer of Rapala VMC Corporation, Mr. Jorma Kasslin, with approximately 43 % shareholding. The other shareholders are board members or managers of Rapala VMC Corporation. In total, Utavia S.à.r.l. has some 40 shareholders.

Utavia S.à.r.l. purchased, on June 29, 2006, from De Pruines Industries 1,610,000 shares representing approximately 4.08 % of the issued share capital and voting rights in Rapala VMC Corporation. De Pruines Industries is a subsidiary of Viellard Migeon & Cie. After the deal, Viellard Migeon & Cie owns directly or

through its subsidiaries approximately 28.1 % of the issued share capital and voting rights of Rapala VMC Corporation.

In the shareholders' agreement Utavia S.à.r.l. has undertaken to vote in Rapala VMC Corporation's general meetings of shareholders in favour of the resolutions approved and/or submitted by Viellard Migeon & Cie and authorised Viellard Migeon & Cie to exercise the voting rights attached to the Rapala VMC Corporation shares held by it. Utavia S.à.r.l. has undertaken not to sell more than 50 % of the shares it owns in Rapala VMC Corporation during the period of first two years after the execution of the shareholders' agreement. Viellard Migeon & Cie has a right of first refusal to any shares sold by Utavia S.à.r.l.

The parties to the shareholders' agreement undertake to use and exercise the votes that they control at the general meetings of shareholders of Rapala VMC Corporation so that two persons designated by Viellard Migeon & Cie and one person designated by Utavia S.à.r.l. (the first person appointed being Jorma Kasslin in this respect) are appointed as members of the board of directors. The parties to the shareholders' agreement have agreed to support Jorma Kasslin as the CEO of Rapala VMC Corporation for a period of three years from the execution of the shareholders' agreement and the election of Emmanuel Viellard as the chairman of the board during the same period.

## **10. COMMUNICATIONS**

Rapala pursues an open, reliable and up-to-date disclosure practice. Rapala has Finnish and English internet web-sites at [www.rapala.com](http://www.rapala.com), which presents the information that has been made public based to the disclosure obligations of listed companies.

## **11. APPENDICES**

Articles of Association

Charter of the Board of Director

Charter of the Remuneration Committee

Resumes of the members of the Board of Directors

Resumes of the members of the Executive Committee members

Disclosed notifications on major holdings in the past 12 months

10 major shareholders on March 31, 2009

Employee benefits for Board of Directors and Executive Committee members

# **ARTICLES OF ASSOCIATION OF RAPALA VMC CORPORATION**

## **1 Trade name and domicile of the company**

The trade name of the company is Rapala VMC Oyj and in English Rapala VMC Corporation. The domicile of the company is Asikkala.

## **2 Line of business of the company**

The line of business of the company is the design, development, manufacture, marketing, distribution and sales of fishing lures and baits as well as that of other recreational accessories and equipment and products related to sports and outdoor activities. The company may also own and obtain shares and other securities and real property.

## **3 Book-entry system**

The shares of the company are incorporated in the book-entry system.

## **4 Board of directors**

The company has a board of directors consisting of at least five (5) and at most ten (10) members who are elected in the general shareholders' meeting and their term of office lasts until the closing of the following general shareholders' meeting.

The board of directors elects one of its ordinary members chairman.

## **5 The President and CEO**

The company has a President and CEO elected by the board of directors.

The company may have one or more Deputy CEO elected by the board of directors.

## **6 Signing of the company**

The President and CEO and the Chairman of the Board of Directors, each alone, and two members of the Board of Directors jointly, are authorized to sign for and on behalf of the company.

The Board of Directors may authorize other specifically named persons to sign for and on behalf of the company either any two of them jointly, or any one of them together with a member of the Board of Directors or with the President and CEO.

## **7 Accounting period**

The accounting period of the company begins on 1 January and ends on 31 December. The documents of the financial statements shall be prepared in good time and they shall be submitted to the auditors for the annual audit at least one (1) month prior to the general shareholders' meeting.

## **8 Auditors**

The company has one ordinary auditor, who shall be a public authorized accounting firm chartered by the Central Chamber of Commerce. The term of office of the auditors ends at closing of the general shareholders' meeting following their election.

## **9 Summons to the meetings and place of meeting**

The shareholders of the company are summoned to the shareholders' meeting by publishing the summons in a widely circulated daily paper decided by the board of directors. The summons shall be published no earlier than three (3) weeks and no later than seventeen (17) days before the last day for notification. A shareholder, who wishes to participate the shareholders' meeting, shall register himself in advance at the place mentioned in the summons and no later than on the date mentioned in the summons, which may not be earlier than ten (10) days prior to the date of the meeting. The shareholders' meeting may be held in the domicile of the company or in Helsinki.

## **10 General shareholders' meeting**

At the general shareholders' meeting, which shall be held before the end of June, the shareholders shall be presented with

1. the financial statements of the company and the consolidated financial statements and the report by the Board of Directors;
  2. the auditors' report;
- resolve on
3. the adoption of the financial statements of the company including the consolidated financial statements;
  4. the use of the profits shown on the balance sheet;
  5. the granting of discharge from liability of the members of the board of directors and the President and CEO;
  6. the remunerations of the members of the board of directors and the auditors;
  7. the number of the board of directors;
- elect
8. the members of the board of directors;
  9. the auditor and a deputy auditor if needed;
- handle
10. other matters mentioned in the summons to the meeting.

# CHARTER OF THE BOARD OF DIRECTORS

## General

The duties and responsibilities of Rapala's Board of Directors are defined on the basis of the Finnish Companies Act and other applicable legislation. The Board of Directors has general authority in all such matters that the law or the Articles of Association do not stipulate to be decided or performed by other bodies. The Board of Directors is responsible for attending to the administration of the Company and duly organizing its operations. The Board of Directors must act in the Company's interests in all circumstances. The Board of Directors has set as its goal to guiding the Company's operations with a view to generating maximum enduring added value to shareholders without neglecting other interest groups.

The Board of Directors draws up an annual plan and each year assesses its own activities by carrying out an internal self-appraisal. The annual plan extends until the subsequent Annual General Meeting and includes the schedule of meetings, the major issues to be discussed at each meeting, the schedule of the dates when the Board members are to familiarize themselves with the operations of the Company and its partners and the annual evaluation of its own performance at the end of the period. All matters of wide-ranging importance for the Company's operations are dealt with by the Board of Directors.

A decision of the Board of Directors must be supported by more than half of the members present or when voting is split, the Chairman has the casting vote.

## Composition of the Board of Directors

The current Board of Directors comprises seven members: the Group CEO, the Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office, and five non-executive members: Mr. Emmanuel Viellard, Mr. Eero Makkonen, Mr. Jan-Henrik Schauman, Mr. Marc Speeckaert and Mr. Christophe Viellard.

## Duties of the Board of Directors

Direction of Rapala's business operations and strategies

- Confirm the Company's strategy and ensure that it is up-to-date
- Confirm the business plan on the basis of its strategy, annual budget and monitor its achievement
- Adopt the annual investment plan
- Decide on significant, strategically important investments or acquisitions and the sale of assets

Organization of Rapala's administration and functions

- Appoint and dismiss the President and CEO and the Company's Executive Committee
- Decide on the terms of employment, including incentive reward programs, of the President and CEO and his immediate subordinates
- Keep track of issues related to succession in management
- Adopt the duties and responsibilities of the Board of Directors and evaluate its performance once a year
- Decide on Group organizational structure
- Approve stock exchange releases
- Appoint Board of Directors' committees

Supervision of Rapala's financial administration and risk management

- Approve interim reports, annual reports and financial statements
- Hold a meeting with the Company's auditors at least once a year

- Supervise risk management and significant risks connected with the Company's operations
- Make decisions to raise loans and granting of security or collateral when their size is material

Preparation of matters to be decided on at the General Meeting of Shareholders

- Draft the Company's dividend payout policy and submit a proposal on the dividend to the General Meeting
- Submit other proposals to the General Meeting

### **Chairman of the Board**

According to Board procedures, the Chairman of the Board, in addition to leading the work of the Board of Directors, continuously monitors the Group's operations and development through contact with the President and CEO. The Chairman of the Board of Directors ensures that the work of the Board of Directors is evaluated annually, and that the Board of Directors continuously updates and deepens its knowledge of the Group's operations and business.

# **CHARTER OF THE REMUNERATION COMMITTEE**

## **General**

The tasks and responsibilities of the Remuneration Committee are defined in the Rapala VMC Corporations' Corporate Governance principles and in this Charter, which is approved by the Board of Directors.

## **Composition of Remuneration Committee**

The Remuneration Committee consists of three members elected by the Board of Directors among its members. The committee members will elect the Chairman.

Current composition of the Remuneration Committee is as follows: Mr. Emmanuel Viellard (Chairman), Mr. Jan-Henrik Schauman and Mr. Eero Makkonen.

## **Duties of Remuneration Committee**

The Remuneration Committee reviews and monitors the competitiveness of the remuneration and incentive systems and schemes within Rapala.

The Remuneration Committee prepares and makes proposals to the Board of Directors for the compensation of the CEO. The Board approves the compensation of the CEO.

The Remuneration Committee prepares and makes proposals to the Board of Directors also regarding the compensation of the members of the Executive Committee.

The Remuneration Committee prepares and makes proposal to the Board of Directors also regarding the Group annual and long-term management incentives, such as bonuses and other incentives.

## **Meetings of Remuneration Committee and reporting to the Board**

The Remuneration Committee meets regularly and at least twice a year.

Regular participants in the Remuneration Committee's meetings are the CEO (save when matters relating to him are on the agenda) and the Company Counsel acting as secretary to the Committee.

The Chairman of the Remuneration Committee, the CEO and the Company Counsel as secretary to the Committee prepare the matters on the agenda of the Remuneration Committee.

The Chairman presents a report on each Remuneration Committee meeting to the Board of Directors.

## RESUMES OF THE BOARD MEMBERS

### EMMANUEL VIELLARD

Chairman of the Board, Rapala VMC Corporation  
Vice Chairman and Chief Executive Officer of Lisi Industries

**Year of birth** 1963

#### **Education**

Degree from the Ecole de Hautes Etudes Commerciales du Nord (Lille) – major in entrepreneurship  
Qualified chartered accountant

#### **Work experience**

2000 Vice Chairman and CEO, GFI Industries, LISI Group  
1998 CEO, Blanc Aero Industries  
1996 Deputy CEO, Blanc Aero  
1995 Group Financial Controller, LISI Group (ex GFI Industries)  
1986 Financial Consultant, Audit Manager, Arthur Andersen

#### **Other**

CEO of VMC family holding Company  
Director for Lisi, Welding Group, Fromagers+, Hi Shear Corporation  
Judge at the Belfort commercial court  
Member of the Cercle de l'Ill

### JORMA KASSLIN

President and Chief Executive Officer, Rapala VMC Corporation

**Year of birth** 1953

#### **Education**

Master of Science in Technology, Helsinki University of Technology

#### **Work experience**

1998 – President, CEO, Member of the Board of Directors, Rapala VMC Corporation  
1989 – 1998 Vice President, COO, Member of the Board of Directors, Rapala Corporation, Finland  
1988 – 1989 Managing Director, Karto Oy, Finland  
1985 – 1988 Business Unit Manager, prefabricated houses, Rauma Repola Oy, Finland  
1978 – 1985 Manager, door factory, Schauman Oy, Finland

### EERO MAKKONEN

Member of the Board, Rapala VMC Corporation

**Year of Birth** 1946

#### **Education**

Engineer, Oulu Institute of Technology

#### **Work experience**

2002-2004 Deputy Chairman of the Board of Directors, Skanska Oy  
2001-2002 Chairman of the Board of Directors, Skanska Oy  
1994-2001 CEO, Skanska Oy  
1992-1994 CEO, Haka Oy  
1985-1991 CEO, Insinöörirakentajat Oy  
1983-1985 Manager / House factory of Kauhajoki, Rauma Repola Oy  
1979-1983 Manager / construction industry, Oy Wilhelm Schauman Ab  
1977-1978 District Manager, OMP-Yhtymä Oy, Saudi Arabia  
1976-1977 District Manager, Vise Ky, Saudi Arabia  
1973-1975 Work Manager, Vesi-Seppo Ky

**Confidential Posts**

2002- Member of the Board of Directors, Rapala VMC Corporation  
1999-2005- Chairman of the Board of Directors, Rapala VMC Corporation  
2008 - Member of the Board of Directors, Thorsvik Invest Oy  
2007- Chairman of the Board of Directors, Elematic Oy  
2007 - Member of the Board of Directors, Vicus Oy  
2008- Member of the Supervisory Board, Consolis Holding SAS  
2006- Chairman of the Board of Directors, Hansastroi Oy  
2003- Member of the Board of Directors, Tulikivi Oy  
2003- Chairman of the Board of Directors, Shutdown Technologies Oy  
2003- Chairman of the Board of Directors, Kennotech Oy  
2003- Chairman of the Board of Directors, Kennotech Oy  
2001- Chairman of the Supervisory Board, Marat As

**JAN-HENRIK SCHAUMAN**

Member of the Board, Rapala VMC Corporation

**Year of birth** 1945

**Education**

M.Sc. (Eco.), Svenska Handelshögskola, Helsinki, 1969

MBA, University of Pittsburgh, 1970

**Work experience**

1991-1999 Managing Director, Wicoria Oy Ab  
1986-1990 Chairman of the Board, Oy BS Finance AB  
1984-1986 Manager Building Materials, Oy Wilhelm Schauman Ab  
1985 Vice President Area Headquarters, FNBC London  
1982-1984 Vice President, Chief Area Credit Officer, FNBC Frankfurt  
1973-1982 Vice President, Scandinavian representative, FNBC Stockholm  
1972-1973 Assistant Manager, FNBC London  
1970-1972 Trainee, The First National Bank of Chicago

**Confidential Posts**

1999- Member of the Board, Rapala VMC Oyj  
1993- Member, SFP finansutskott  
1989- Member of the Board, Oskar Öflunds stiftelse  
1989- Chairman of the Board, Oy Bicca Invest Ab

**CHRISTOPHE VIELLARD**

ESCP, Vice President of Viellard Migeon et Cie. (VMC)

**Year of birth** 1942

**Work experience**

1999 – 2003 Member of the COB college (Commission des Opérations de Bourse de Paris)  
1991 – 1994 President of the Chamber of Commerce and Industry of Belfort  
1974 – 2000 President of VMC Pêche group of companies

**Awards**

Founder of EFTTA, European Fishing Tackle Trade Association  
Legion of honour

**KING MING (WILLIAM) NG**

Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office

**Year of birth** 1962

**Education**

B.Sc. Eng, University of Hong Kong

**Work experience**

2001 Joined the Board of Directors of the Rapala VMC Corporation

2001 Willtech Industrial Ltd. joined the Rapala VMC Group. President of Willtech Industrial Ltd.

1996 Acquired 50% share of Wing Crown Electroplating Factory

1991 Set up Willtech Industrial Ltd. Appointed as Managing Director of the company.

1990 Set up Fuji Injection Moulding Factory, which was sold in 1992.

1990 - 1990 Development Manager, Shakespeare (HK) Ltd.

1989 -1990 Product Manager, Technicast Sdn. Bhd. in Malaysia

1987 - 1989 Project Engineer, Chen Hsong Machinery Co. Ltd.

**MARC SPEECKAERT**

Sofina, General Manager and Member of the Board of several subsidiaries

**Year of birth** 1951

**Education**

Degree in Applied Economics and Master in Business and Administration - Université Catholique de Louvain

Degree in Economical, Political and Social Sciences – Université Catholique de Louvain

**Work experience**

2004- Sofina, General Manager and Member of the Board of several subsidiaries

1994 -2004 Belgacom, Chief Financial Officer (1994-2002), then Chief Strategy & Business Development Officer and Pension Funds General Manager, Member of the Board of several subsidiaries in Belgium, France and Luxembourg and Chairman of the Audit Committee (Proximus)

1991-1994 Lhoist Group, Group Chief Financial Officer and Member of the Executive Committee, Member of the Board of several subsidiaries in Belgium and abroad

1986-1991 Glaverbel Group, Controller (1986-1988), then CFO (1989-1991), Member of the Executive Committee, Member of the Board of several subsidiaries in Belgium, Holland, Italy and the USA

1977-1986 ITT Corporation, several management positions in Belgium and abroad:1983-1986 ITT Standard Basle, Switzerland (Finance Manager), 1977-1983 ITT Europe and ITT Africa and Middle East (Financial Analyst, Cost and Project Analyst)

1974-1977 Touche Ross & C°, Assistant/Senior Auditor

## RESUMES OF EXECUTIVE COMMITTEE MEMBERS

### **JORMA KASSLIN**

See resumes of the Board members

### **JOUNI GRÖNROOS**

Chief Financial Officer (CFO), Rapala VMC Corporation

**Year of birth** 1965

#### **Education**

Master of Science (Economics), Helsinki School of Economics

#### **Work Experience**

2005 – CFO Rapala VMC Corporation

2003 – 2005 Executive Vice President, Finance and Risk Management, Outokumpu Stainless Steel Oy

2001 – 2003 Executive/Senior Vice President, Finance and Risk Management, AvestaPolarit Oy

1990 – 2000 Corporate Tax Manager and Vice President, Corporate Accounting and Taxation, Outokumpu Oy

1989 – 1990 Auditor, KPMG Finland

1987 – 1988 Tax Inspector, Espoo Tax Office

### **KING MING (WILLIAM) NG**

See resumes of the Board members

### **OLLI AHO**

Company Counsel, Investor Relations, Secretary of the Board, Rapala VMC Corporation

**Year of birth** 1959

#### **Education**

Master of Laws, University of Helsinki

#### **Work experience**

1998- Company Counsel, Investor Relations, Secretary of the Board of Directors, Rapala VMC Corporation

1994-1998 Senior Associate, Rotterdam office of the law firm Loyens & Volkmaars

1987-1994 Internal Legal Counsel and International Tax Manager, Neste Oy

1984-1987 Several positions as a civil servant with the Finnish National Tax Board

### **JUHANI PEHKONEN**

Head of the of Lure Division

**Year of birth** 1955

#### **Education**

Master of Science in Technology, Helsinki University of Technology, Wood Processing Department

#### **Work experience**

1998 – Rapala VMC Corporation

1989 – 1997 Managing Director, Suomen Taloteollisuus Oy

Manager of Housing Factory, Suomen Taloteollisuus Oy

1985 – 1988 Manager of Window Factory, Rauma-Repola Oy

Manager of Housing Factory, Rauma-Repola Oy

1982 – 1984 Managing Director, R&H Kumpulainen Ky

Production Manager, R&H Kumpulainen Ky

1980 – 1982 Manager of Door Factory, Rauma-Repola Oy

**STANISLAS DE CASTELNAU**

Head of the Hook Division, General Manager of VMC Peche SA

**Year of birth** 1963

**Education**

Centrale Paris Engineer High School

**Work experience**

2001 – 2004 Head of the Hook Division, Rapala VMC Corporation

General Manager, VMC Peche SA

1994 – 2000 Production Manager (3 years), Lafarge Platres

Product Manager (3 years), Lafarge Platres

1992 – 1993 General Manager, Visio France and SN Plasmatech

1990 – 1991 Crew Manager, surveys in Thailand, Pakistan, Malaysia, Myanmar, Venezuela Compagnie Generale de Geophysique

1988 – 1989 Field Engineer, Schlumberger Overseas S.A., Bangladesh

**Other**

1986 – 1987 Officer in Marine Commandos, France, Djibouti

**TOM MACKIN**

President of Rapala USA

**Year of birth** 1961

**Education**

Bachelor of Fine Arts, Arizona State University

**Work Experience**

2003 – President, Rapala USA

1998 – 2003 Vice President of Marketing, Rapala USA

1987 – 1998 Partner, Management Supervisor, Carmichael Lynch

1984 – 1987 Account Manager, Bozell & Jacobs

**LARS OLLBERG**

Head of Fishing Line and Accessory Business

**Year of birth** 1956

**Education**

Vocational Qualification in Business and Administration, Malmi Commercial College 1977

**Work Experience**

2004 – Sales & Marketing Director , Rapala-accessories, location Helsinki

2003 – 2004 Sales & Marketing Director , Rapala-accessories, location Hong Kong

1995 – 2003 Sales Manager, Storm-lure business and Normark Suomi Oy

1992 – 1995 Marketing Manager, Normark Europe, locations Netherlands and England

1988 – 1992 Marketing Manager Rapala-lure business and Matkaaja Oy (Rapala's subsidiary)

1985 – 1988 Factory Manager, Rapala Ireland

1980 – 1985 Marketing Manager, Normark Suomi Oy

1978 – 1980 Sales Representative, Normark Suomi Oy (Perhotarvike Oy)

**DISCLOSED NOTIFICATIONS\* ON MAJOR HOLDINGS IN THE  
PAST 12 MONTHS**  
(\* UNDER CHAPTER 2, SECTION 10 OF THE FINNISH SECURITIES MARKET ACT)

In the past 12 months there have been no disclosed notifications on major holdings.

## 10 MAJOR SHAREHOLDERS

10 major shareholders according to the share register at March 31, 2009 \*.

<b>Shareholder</b>	<b>Number of shares</b>	<b>%</b>
Viellard Migeon & Cie	10 992 661	27.9
Sofina S.A.	7 500 000	19.0
Odin Finland	1 765 754	4.5
Odin Norden c/o Odin Forvaltnings AS	1 670 222	4.2
Utavia S.a.r.l	1 610 000	4.1
The State Pension Fund	1 200 000	3.0
So Wai Hang	890 580	2.3
Shimano Singapore Private Limited	889 680	2.3
OP-Finland Small Firm fund	612 000	1.6
Etera pension insurance company	600 000	1.5
Administrative registrations	6 582 667	16.7
Other shareholders total	5 154 885	13.1
<b>Total number of shares</b>	<b>39 468 449</b>	<b>100</b>

\* Number of shares includes a total of 221 936 own shares.

## EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS

### EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR million	2008	2007
Salaries and other short-term employee benefits	-2.4	-3.2
Option programs to be settled in shares	0.0	-0.1
Option programs to be settled in cash	-0.1	-0.1
Total	-2.5	-3.4

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. In 2008, one new member was appointed to the Executive Committee and one member resigned.

On March 31, 2009, members of the Board and the Executive Committee held directly a total of 913 056 Company shares and indirectly through a controlled corporation 1 160 000 shares. Top management owned approximately 5.3% of the issued share capital and voting rights of Rapala on March 31, 2009.

In 2008 and 2009, no options have been granted to top management. On March 31, 2009, top management held 291 250 options of which 136 250 options are exercisable (on December 31, 2008, 427 500 options of which 272 500 options were exercisable). The total estimated value of options in place on March 31, 2009 is EUR 1.4 million. The option scheme principles are the same for top management as for other employees.

The Group has no business transactions or outstanding balances with top management or close members of their family.

### EMPLOYEE BENEFITS FOR CHIEF EXECUTIVE OFFICER

EUR million	2008	2007
Salaries and other short-term employee benefits	-0.5	-0.6
Option programs to be settled in shares	0.0	0.0
Option programs to be settled in cash	0.0	0.0
Total	-0.5	-0.6

The monthly salary of CEO is EUR 23 620. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2008 totaled EUR 110 000. In addition to the mandatory pension insurance, CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

## **EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE**

EUR million	2008	2007
Salaries and other short-term employee benefits	<b>-1.7</b>	-2.4
Option programs to be settled in shares	<b>0.0</b>	-0.1
Option programs to be settled in cash	<b>0.0</b>	0.0
Total	<b>-1.8</b>	-2.5

Chairman of the Board is paid an annual remuneration of EUR 60 000 and other Members of the Board of Directors remuneration of EUR 30 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are paid a daily travel allowance and reimbursed for travel expenses corresponding to the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 240 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2008 (2007: EUR 240 000).

## **EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS**

EUR million	2008	2007
Salaries and other short-term employee benefits	<b>-0.2</b>	-0.2
Option programs to be settled in shares	<b>0.0</b>	0.0
Total	<b>-0.3</b>	-0.3

Chairman of the Board is paid an annual remuneration of EUR 60 000 and other Members of the Board of Directors remuneration of EUR 30 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are paid a daily travel allowance and reimbursed for travel expenses corresponding to the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 240 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2008 (2007: EUR 240 000).