



2009



Annual report	3
Accounting principles	6
Consolidated company profit & loss account	7
Consolidated balance sheet	8
Consolidated cash flow statement	10
Parent company profit & loss account	11
Parent balance sheet	12
Parent cash flow statement	14
Signatures	16
Auditor's report	17

Annual report of the Board of Directors

For the financial year 1 January 2009 – 31 December 2009

ECONOMIC DEVELOPMENT

The global economy saw a severe recession in 2009. However, Lappset Group Oy Ltd was not affected by this recession in any significant way. In fact, this challenging year produced the best results in the company history, which reflects the success of our customer-friendly approach and the increased efficiency of our internal processes.

Last year proved to be excellent in many respects; all companies in the Group reached their targets, which is a fair outcome considering the times in which we have been living.

Lappset Group Oy Ltd is financially very sound with its 54.4 percent equity ratio which gives the Group a solid foundation to build on in future. The year 2010 is seen as a challenging one, especially due to the decline in public sector tax revenue.

KEY FIGURES DESCRIBING THE FINANCIAL POSITION AND PROFITABILITY OF THE GROUP:

	2009	2008	2007
Turnover, EUR million	47,6	47,6	45,7
Operating profit, EUR million	4,7	2,9	3,2
Operating profit as percentage of turnover	9,9	6,1	7
Return on equity	28,2	12,4	17,7
Equity ratio	54,4	44,6	39,6
KEY FIGURES ON PERSONNEL:			
Average number of employees during the financial year	296	321	324
Salaries and compensation for the financial year	13 112	13 569	13 161

MISSION: GROWTH THROUGH PLAY

We fill the world with experiences of success, joy and laughter. We create the most inspiring environments for playing, interaction and learning.

VISION 2012

Lappset is the most attractive product and service partner in its sector.

Lappset offers products and services that combine play and technology for people of all ages.

LAPPSET VALUES

Growth is our passion

Growth as a company and as individuals is of vital importance to us. We also help to grow our partners' wealth and reputation. We believe in internal entrepreneurship, burning enthusiasm and imagination.

We respect the individual

We believe in the importance of the individual. We operate as a team. Respect for the individual, reasonableness and justice are the bases of everything we do. Diversity enriches us and drives our development. Flexibility, trust and understanding combined give us a launch pad for profitable business.

Success is our joy

We thrive on success, big and small. We do a lot, and we also make mistakes sometimes. Joy and laughter make our work child's play.

THE BOARD OF DIRECTORS' PROPOSAL CONCERNING THE DISTRIBUTION OF PROFITS

The distributable profits of the parent company were EUR 10.345.611,44 of which EUR 2.841.967,57 was profit for the period.

The Board of Directors proposes that the profit for the period be distributed as follows:

> distributed in dividends EUR 2,57/share, i.e. in total EUR 1.054.733,14

> left in the retained earnings account EUR 1.787.234,43

No essential changes in the company's financial standing have occurred since the end of the financial year. The liquidity of the company is good and it is the view of the Board of Directors that the suggested distribution of profits does not endanger the company's solvency.

ADMINISTRATION

During 2009, the Board of Directors for the company included the Chairman, Johanna Ikäheimo, and members Ben Grass, Torkel Tallqvist and Erkki Ikäheimo. Irma Kuukasjärvi acts as Secretary to the Board.

The Managing Director is Juha Laakkonen.

KPMG Oy Ab, Authorised Public Accountants, acts as the auditor of the company.

ENVIRONMENTAL MANAGEMENT

Lappset is a forerunner in environmental issues in its field. Environmental causes have been a natural part of Lappset's activities from the very beginning. This was the case even when environmental considerations were not generally held to be particularly important in business.

Lappset products are developed, manufactured and delivered according to the EN ISO 9001:2000 quality standard. Lappset has held the quality certificate since 1994. The company has held an environmental certificate that complies with the ISO 14001:2004 standard since 1998 and it is now an essential part of Lappset's quality promise. An environmental perspective informs the functioning of the entire organisation. We acquired the PEFC Chain of Custody certificate in 2006 to verify the source of sawn timber products. We comply with these standards and our activities under the certificate are subject to regular audits by independent external assessors. The validity of the certificates can be reviewed at www.inspecta.fi.

INVESTMENTS IN SKILLS AND QUALITY

In 2009, Lappset focused on improving the quality of its products as well as services. The company was well prepared for the recession by optimising development projects over a longer period of time. Investments focused on improving skills, especially management skills. Our production facilities were modernised at the beginning of the decade, so investments in infrastructure were moderate.

The aim of Lappset is to be the most sought-after partner in its field. Our customer-centred strategy was further developed in 2009, which was reflected for example in the results of our customer satisfaction survey. According to Lappset's customers, the quality of our service and the level of customer satisfaction are high. Lappset's public image was rated excellent. Some factors contributing to company image were quality, product safety, company reputation, reliability and friendly service. Results were very similar both in Finland and abroad: Lappset is viewed as an innovative, high-quality, safety-conscious and reliable partner.

Major global trends, such as ageing population and health problems among children and youngsters, increase the need for pre-emptive measures. By creating products and services that encourage play and movement, Lappset offers long-term solutions to some of the pivotal issues in society and eases some of society's cost burden. Ageing and children's health problems, such as obesity, are challenges that will require further investment by society in the future.

POSITIVE PROSPECTS

Lappset Group Oy Ltd prepares to meet future challenges with a customer-centred viability strategy which will be further strengthened. Consolidation in the field will continue, and Lappset will also seek growth by acquisitions and partnership agreements. Lappset's philosophy emphasises long-term relationships with different operators.

Lappset is developing new, high-quality solutions to benefit the well-being of different age groups. The SeniorSport product and service range is a perfect example of an innovative solution which is becoming more and more popular.

Combining technology and play is another central strategic aim. The SmartUs concept created by Lappset was again recognised in 2009; this time it was nominated the Technological Solution of the Year in Finland. The partnership of play and technology will generate completely new solutions in the future.

In 2010, we will continue to improve our skills, which aims at securing solutions that meet our customers' needs.

The significance of environmental issues and responsible operation has become more and more important. Lappset has been a forerunner in environmental issues in its field since the mid-1990s when it introduced an environmental management system and the first lifespan analyses with emission calculations were carried out. Lappset has also showed concern for the status of the PEFC forest certification and, in cooperation with the University of Helsinki Faculty of Agriculture and Forestry, it conducted a study which examines the significance of forest certifications in international trading.

Lappset Group Oy Ltd is strongly committed to its Nordic location. The company history and Laplandish roots will be celebrated throughout 2010 which marks the company's 40th anniversary.



Principles for drawing up the Financial Statement

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENT

The financial statements of the Group include all Group companies: Lappset Group Ltd (parent), Rovaniemi, Finland; Lappset Spiel-, Park- und Freizeitsysteme GmbH, Viersen, Germany; Lappset UK Ltd, Kettering, England; Lappset Play SRL, Milano, Italy; Lappset Sweden Ab, Enköping, Sweden; Lappset España VR SL, Barcelona, Spain.

A copy of the consolidated financial statement is available on request from the main office of the Group at P.O. Box 8146, FI-96101 Rovaniemi, Finland.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Intra-Group transactions and margins

The consolidated financial statements have been prepared using the acquisition cost method. Intra-Group transactions, unrealised margins on internal deliveries, internal receivables and liabilities as well as intra-Group distribution of profit have been eliminated.

Internal share ownership

The difference between the acquisition cost of subsidiaries and the corresponding shareholders' equity has been entered as consolidated goodwill. The write-off period of the consolidated goodwill is five years.

Minority shares

Minority shares have been separated from the consolidated shareholders' equity and operating result and presented as a separate item.

Translation differences

The financial statements of foreign subsidiaries have been converted to euros according to the official exchange rate

of the European Central Bank or according to the rate in effect on the closing date of the accounts. The translation difference has been presented as a separate item.

THE VALUATION PRINCIPLES OF THE FINANCIAL STATEMENT

Fixed assets have been entered in the balance sheet at their acquisition cost less depreciation according to plan. Current assets are valued at the lower of their acquisition cost or net realisation value or replacement cost. The acquisition cost is determined according to the moving average method, which is related to the FIFO principle. The acquisition costs of finished products and unfinished production include variable costs.

Marketing materials are included in the assets on the balance sheet at acquisition cost. Enterprise Resource Planning system development costs have been activated. Direct costs have been activated for product development costs according to the decision of the Ministry of Trade and Industry. The write-off period for them is five years.

Depreciation difference

The depreciation difference has been divided into shareholders' equity and deferred tax liabilities. Deferred tax liabilities and receivables are recorded for all temporary differences between the tax values and carrying amounts using the tax rate of the following years, confirmed at the closing date.



Profit and loss account

Lappset Group, consolidated

PROFIT AND LOSS ACCOUNT	1.1. - 31.12.2009	1.1. - 31.12.2008
NET TURNOVER	47 568 971	47 641 594
Variation in stocks of finished goods	-278 000	-877 679
Production for own use	31 765	35 257
Other operating income	123 046	263 412
RAW MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial year	-15 320 639	-15 070 744
Variation in stock	44 646	-356 506
External services	-2 070 777	-1 956 023
Together	-17 346 770	-17 383 273
STAFF EXPENSES	-13 112 247	-13 568 501
DEPRECIATION AND REDUCTION IN VALUE		
Depreciation according to plan	-1 521 075	-1 537 081
Depreciation of goodwill on consolidation	-140 336	-141 661
Together	-1 661 411	-1 678 742
OTHER OPERATING CHARGES	-10 639 369	-11 537 031
OPERATING PROFIT	4 685 984	2 895 037
FINANCIAL INCOME AND EXPENSES		
Other interest- and financial income	113 952	295 330
Foreign exchange differences	165 410	-327 668
Interests and other financial expenses	-378 860	-708 063
Together	-99 497	-740 401
PROFIT BEFORE EXTRAORDINARY ITEMS	4 586 486	2 154 636
PROFIT BEFORE APPROPRIATIONS AND TAXES	4 586 486	2 154 636
TAXES		
Income taxes	-1 334 039	-956 008
Income taxes for previous years	74 067	-3 560
Income taxes for the financial year	46 847	91 226
Minority share	-293 130	-197 106
PROFIT FOR THE FINANCIAL YEAR	3 080 231	1 089 188

Balance Sheet

Lappset Group, consolidated

ASSETS	31.12.2009	31.12.2008
NON-CURRENT ASSETS		
Intangible assets		
Development costs	479 508	731 181
Intangible rights	616 113	801 105
Goodwill	0	61 280
Consolidation difference	280 673	414 262
Other capitalized long term expenses	215 350	306 474
Together	1 591 643	2 314 952
Tangible assets		
Land and waters	161 789	161 789
Buildings	986 419	1 065 358
Machinery and equipment	2 341 933	2 761 827
Other tangible assets	28 890	29 340
Advance payments and acquisitions outstanding	9 160	0
Together	3 528 191	4 018 315
Investments		
Other shares and similar rights of ownership	434 463	407 764
Together	434 463	407 764
CURRENT ASSETS		
Stocks		
Raw materials and consumables	789 449	780 259
Production outstanding	130 033	112 801
Finished goods	2 724 580	2 987 720
Together	3 644 062	3 880 780
Debtors		
Long term		
Loan receivables	129 557	66 257
Trade debtors	13 552	15 261
Together	143 110	81 519
Short term		
Trade debtors	8 608 751	9 357 831
Other debtors	308 531	532 155
Prepayments and accrued income	647 953	794 631
Together	9 565 236	10 684 618
Cash in hand and in banks	5 545 873	2 365 395
Total assets	24 452 578	23 753 342

LIABILITIES	31.12.2009	31.12.2008
CAPITAL AND RESERVES		
Subscribed capital	814 804	814 804
Invested free equity fund	608 655	608 655
Retained earnings	7 003 699	6 527 980
Profit for the financial year	3 080 231	1 089 188
Together	11 507 390	9 040 627
Minority share	1 793 946	1 563 491
Obligatory provision	200 000	0
CREDITORS		
Long term		
Loans from credit institutions	1 294 169	2 757 245
Imputed tax liability	208 595	247 367
Other capitalised long-term expenses	499	977
Together	1 503 264	3 005 589
Short term		
Loans from credit institutions	1 478 820	2 697 598
Trade creditors	2 174 517	2 003 709
Advances received	10 741	0
Other creditors	447 639	523 209
Accruals and deferred income	5 336 262	4 919 120
Together	9 447 979	10 143 635
Total liabilities	24 452 578	23 753 342

Statement of source and application of funds

Lappset Group, consolidated

APPLICATION OF FUNDS	1.1. -31.12.2009	1.1. - 31.12.2008
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	4 685 984	2 895 037
Adjustments to operating profit	1 858 103	1 678 742
Change in working capital	1 654 710	2 280 201
Change in stocks	236 718	1 328 071
Change in current receivables	1 008 571	184 800
Change in short-term loans	409 421	767 331
Interest paid	-382 451	-1 035 731
Interest received	224 764	295 330
Taxes received	-933 802	-959 568
Cash flow from operating activities	7 107 308	5 154 011
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-503 040	-404 410
Proceeds from disposal of tangible and intangible assets	28 362	16 000
Loans granted	-73 300	0
Loan repayments	10 000	30 340
Cash flow from investments	-537 979	-358 070
CASH FLOW FROM FINANCING ACTIVITIES		
Withdrawals of short-term loans	0	807 347
Short-term loan repayments	-1 218 778	-1 960 057
Long-term loan repayments	-1 463 076	-1 716 390
Dividends paid	-709 131	-800 552
Cash flow from investments	-3 390 985	-3 669 652
Translation differences	2 134	-89 954
Change in liquid assets	3 180 479	1 036 336
Liquid assets as of 1 January	2 365 395	1 329 059
Liquid assets as of 31 December	5 545 874	2 365 395

Profit and loss account

Lappset Group Oy, Parent company

PROFIT AND LOSS	1.1. -31.12.2009	1.1. - 31.12.2008
NET TURNOVER	35 389 773	36 530 659
Variation in stocks of finished goods	-258 135	-799 502
Production for own use	31 765	21 069
Other operating income	99 422	265 081
RAW MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial year	-12 330 119	-12 710 973
Variation in stock	-1 037	-340 751
External services	-958 991	-764 300
Together	-13 290 147	-13 816 024
STAFF EXPENSES	-9 572 368	-9 729 223
DEPRICIATION AND REDUCTION IN VALUE		
Depreciation according to plan	-1 363 105	-1 247 113
OTHER OPERATING CHARGES	-7 424 603	-8 297 854
OPERATING PROFIT	3 612 602	2 927 093
FINANCIAL INCOME AND EXPENSES		
Income from group undertakings	117 470	124 120
Income from other undertakings	150	270
Other interest and financial income		
from group undertakings	66 823	63 603
others	90 339	260 166
Foreign exchange differences	112 310	-156 741
Interests and other financial expenses		
for group companies	-62	-12 675
for others	-317 017	-587 664
Together	70 013	-308 921
PROFIT BEFORE EXTRAORDINARY ITEMS	3 682 615	2 618 172
EXTRAORDINARY ITEMS		
Extraordinary expenses	-115 000	-728 072
PROFIT BEFORE APPROPRIATIONS AND TAXES	3 567 615	1 890 100
APPROPRIATIONS		
Change in depreciation reserve	224 715	149 492
TAXES		
Income taxes for previous years	74 173	-3 892
Income taxes for the financial year	-1 024 536	-726 657
PROFIT FOR THE FINANCIAL YEAR	2 841 968	1 309 043

Balance sheet

Lappset Group Oy, Parent company

ASSETS	31.12.2009	31.12.2008
NON-CURRENT ASSETS		
Intangible assets		
Development costs	175 975	276 532
Intangible rights	610 872	792 423
Goodwill	280 673	421 009
Other capitalized long term expenses	215 350	303 709
Advance payments	3 789	6 360
Together	1 286 658	1 800 032
Tangible assets		
Land and waters	161 789	161 789
Buildings	761 479	850 520
Machinery and equipment	2 082 476	2 623 903
Other tangible assets	25 865	25 865
Advance payments and acquisitions outstanding	16 588	0
Together	3 048 198	3 662 078
Investments		
Holdings in group undertakings	2 066 963	2 066 963
Other shares and similar rights of ownership	434 463	407 764
Together	2 501 426	2 474 726
CURRENT ASSETS		
Stocks		
Raw materials and consumables	501 305	519 573
Production outstanding	130 033	112 801
Finished goods	2 144 054	2 402 189
Together	2 775 391	3 034 563
Debtors		
Long term		
Amounts owed by group undertakings	337 114	377 613
Loan receivables	73 300	0
Together	410 414	377 613
Short term		
Trade debtors	2 636 008	2 290 470
Amounts owed by group undertakings	2 223 406	2 596 863
Other debtors	369 631	270 379
Prepayments and accrued income	318 721	440 931
Together	5 547 766	5 598 643
Cash in hand and in banks	3 916 673	1 297 371
Total assets	19 486 527	18 245 028

LIABILITIES	31.12.2009	31.12.2008
CAPITAL AND RESERVES		
Subscribed capital	814 804	814 804
Other reserves		
Invested free equity fund	608 655	608 655
Retained earnings	6 894 988	6 201 549
Profit for the financial year	2 841 968	1 309 043
Together	11 160 415	8 934 051
APPROPRIATIONS		
Depreciation reserve	420 743	645 458
Obligatory provision	200 000	0
CREDITORS		
Long term		
Loans from credit institutions	1 294 169	2 754 271
Together	1 294 169	2 754 271
Short term		
Loans from credit institutions	1 460 102	1 575 355
Trade creditors	1 257 162	997 149
Amounts owed to group undertakings	458 685	493 402
Other creditors	189 541	245 649
Accruals and deferred income	3 045 710	2 599 692
Together	6 411 199	5 911 247
Total liabilities	19 486 527	18 245 028

Statement of source and application of funds

Lappset Group Oy, Parent company

APPLICATION OF FUNDS	1.1. -31.12.2009	1.1. - 31.12.2008
Operating profit	3 612 602	2 927 093
Adjustments to operating profits	1 559 797	1 247 113
Change in working capital	393 888	754 069
Change in stocks	259 172	1 133 077
Change in current receivables	-265 782	-527 274
Change in short-term loans	400 498	148 266
Interest paid	-329 584	-600 339
Interest received	267 973	323 769
Dividends received	117 620	124 390
Taxes	-667 149	-730 549
Cash flow from operating activities	4 955 146	4 045 545
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-276 026	-468 929
Proceeds from disposal of tangible and intangible assets	13 475	16 000
Loans granted	-73 300	-577 428
Loan repayments	361 970	252 325
Cash flow from investments	26 119	-778 032
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term loan repayments	-115 254	-30 447
Long-term loan repayments	-1 460 102	-1 574 941
Dividends paid	-615 603	-615 603
Group contribution income and expenses	-171 000	-509 000
Cash flow from financing activities	-2 361 958	-2 729 991
Change in liquid assets	2 619 307	537 522
Liquid assets as of 1 January	1 297 371	744 956
Funds transferred in the merger	0	14 893
Liquid assets as of 31 December	3 916 678	1 297 371



Signatures of the Chairman of the Board of Directors and the Managing Director

The signatures of the Chairman of the Board of Directors and the Managing Director on the financial statements of the company for 1 January – 31 December 2009.

Helsinki, 1 March 2010



JOHANNA IKÄHEIMO, CHAIRMAN OF THE BOARD OF DIRECTORS



JUHA LAKKONEN, MANAGING DIRECTOR



ERKKI IKÄHEIMO



BEN GRASS



TORKEL TALLQVIST

NOTATION OF THE ANNUAL REPORT

The above annual report from the accounting period of 1 January – 31 December 2009 has been made according to good accounting procedure. Auditors' report of the completed auditing has been handed out today.

Rovaniemi, 1 March 2010



TAPIO RAAPPANA, KHT

Auditor's Report

FOR THE ANNUAL GENERAL MEETING OF LAPPSET GROUP LTD.

We have audited the accounting records, financial statements, Board of Directors' report and administration of Lappset Group Ltd for the financial period 1.1.2009 - 31.12.2009. The financial statements comprise the consolidated and parent company balance sheet, income statement, cash flow statement and notes.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and for ensuring that they give a true and fair view of the business in accordance with Finnish laws and regulations. The Board of Directors is responsible for ensuring that the accounting and financial administration are properly supervised and the Managing Director is responsible for ensuring that the accounts comply with the law and that the financial administration is reliably arranged.

AUDITOR'S RESPONSIBILITIES

The auditor must perform the audit in accordance with good auditing practice in Finland and must express an opinion on the financial statements, consolidated financial statements and Board of Directors' report based on the audit.

Good auditing practice requires that the auditor complies with ethical requirements, planning and performing the audit in such a way that it provides a reasonable assurance that the financial statements and the Board of Directors' report are free from material misstatement and that the members of the parent company's Board of Directors and its Managing Director have complied with the Finnish Limited Liability Companies Act.

The purpose of the audit procedures is to obtain assurance as to the amounts and disclosures in the financial statements and the Board of Directors' report. The procedures are selected at the auditor's discretion and include an assessment of the risk of material misstatement due to fraud or error. When designing appropriate audit procedures, the auditor also considers internal controls

relating to the preparation and representation of the financial statements. The audit also includes an evaluation of the general presentation of the financial statements and the Board of Directors' report, as well as the accounting principles and the accounting estimates used by company management.

The audit was carried out in accordance with good auditing practice in Finland. We believe that the evidence we have obtained during the audit is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S STATEMENT

In our opinion, the financial statements and the Board of Directors' report give a true and fair view of the performance and financial position of the Group and the parent company in accordance with the laws and regulations governing the preparation of financial statements and annual reports in Finland. The information provided in the Board of Directors' report is consistent with the information provided in the financial statements.

We recommend the adoption of the financial statement. The Board of Directors' proposal for the distribution of profits complies with the Finnish Limited Liability Companies Act. We recommend that the members of the Board of Directors and the Managing Director be discharged from personal liability for the financial period audited by us.

Rovaniemi, 1 March 2010



TAPIO RAAPPANA, KHT



LAPPSET GROUP LTD
P.O.Box 8146
FI-96101 ROVANIEMI

Tel. +358 207 750100
Fax. +358 207 750101
lappset@lappset.com
www.lappset.com