



Lappset Group Ltd

# Board of Directors' Report 2015

# Lappset's year fell short of expectations

LAPPSET GROUP'S PERFORMANCE in 2015 was weaker than expected. The Group's turnover fell from the year before, to EUR 44.5 million (2014: EUR 50.5 million). The performance cannot be considered satisfactory, although cost savings were achieved, the sales margin improved and sales grew towards year-end. The first half of the financial year fell short of expectations and the budget, but performance improved in the latter half. The order book for the spring of 2016 is solid.

The results were particularly influenced by the dramatic drop in exports to Russia. In the Nordic countries, exports to Sweden and Norway increased, and exports to China also grew strongly.

The Group's equity ratio was 59.8% in 2015 (2014: 62.4%). The operating results were lower than in the previous year, amounting to a loss of EUR 0.4 million (2014: a profit of EUR 2.1 million, or 4.2%). The company's cash flow and liquidity were strong.

## Key figures for the Group's financial position and performance:

	2015	2014	2013	2012
Turnover, M€	44.5	50.5	53.1	53.5
Operating profit,	-0.4	2.1	3.1	1.1
Operating profit as a percentage of turnover	-0.8	4.2	5.8	2.0
Return on equity, %	-1.9	10.7	15.1	4.0
Equity ratio, %	59.8	62.4	57.5	50.0

## Key figures on personnel:

	2015	2014	2013	2012
Average number of employees during the financial year	343	350	368	346
Salaries and wages for the financial year, MEUR	16,6	16,7	15,8	16,5

At the beginning of the financial year, Lappset initiated a move to a Lean way of working at the parent company and the Estonian subsidiary (Lappset Estonia OÜ). The process got off to an excellent start, and the response from employees was positive. With the move to the Lean model, results in increasing the efficiency of the company's internal processes were quickly achieved, and positive developments have continued since then.

An investment in a new ERP system will further enhance the processes when the system is introduced across the Group in the first quarter of 2016. Key development projects of the financial year also included revamping the product portfolio, which will increase sales in the coming years.

No notable changes took place regarding the subsidiary network during 2015. Of the subsidiaries, Lappset Sweden achieved its targets. At the end of the financial year, the Lappset Group comprised the parent company in Finland and subsidiaries in six countries: Sweden, the UK, Germany, France, the Netherlands and Estonia. The distributor network expanded during the financial year to cover Canada. The distributors in Mexico and Denmark changed. In other respects, the network remained the same.

Due to the challenging situation, Lappset initiated two co-operation procedures, the first of which concerned lay-offs of almost all of the parent company's employees for 10 days in late 2015 and the second terminating the employment of a maximum of 45 salaried employees or workers from the beginning of 2016. As a result of the latter procedure, the company made 21 salaried or senior salaried employees redundant in January 2016, and laid off four salaried employees until further notice. The following were agreed upon with staff representatives as part of the negotiations: flexibility in working hours and holidays, and possible lay-offs of production workers for 10 days during the autumn of 2016.

## Administration

The company's Board of Directors in 2015 comprised Johanna Ikäheimo as Chairperson and Torkel Tallqvist, Katja Ikäheimo-Länkinen, Kimmo Lautanen and Heikki Martela (from April 2015) as members. Tero Ylinenpää acted as the Managing Director. The Board's Secretary was Irma Kuukasjärvi.

KPMG Oy Ab served as auditors of the company.

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## Financial position and capital expenditure

At the end of the financial year, the Group's balance sheet total was EUR 24.7 million (2014: EUR 24.8 million). No significant financial arrangements were made during 2015.

Board of Directors' proposal concerning the distribution of profits

The parent company's distributable assets are EUR 11,389,165.28, of which loss for the period accounts for EUR 524,882.11.

The Board of Directors proposes to the general meeting that the loss for the period, EUR 524,882.11, be transferred to the profit and loss account and that no dividend be paid.

## Notable changes since the end of the financial year

A new Lappset Management System, based on a Lean method of working, was deployed in the company's operations in early 2015. In addition, after the completion of the co-operation procedures initiated during the financial year, the measures agreed upon were taken on in early January 2016.

On 5 February 2016, the general meeting decided on a directed redemption of the company's own shares:

10,316 shares, 2.5% of all shares and 2.5% of the votes. The redemption price will be EUR 469,790.64.

## Theme parks are gaining in importance

Lappset Group Oy is continuing its operations based on three business areas via three divisions: domestic business, international business and theme park business (Lappset Creative).

The basis of the operations is shared concern over the small role of physical activity in the lives of people of various ages, which further increases the importance of playgrounds and exercise areas. The ageing of the population challenges society to think of new ways of supporting healthy lifestyles and the importance of exercise as part of the well-being of elderly people. Lappset's product range includes solutions for everyone, from the very young to the very old.

Different types of indoor playgrounds and exercise areas, together with activity parks built around well-known brands, are gaining in popularity all over the world. Lappset has years of experience in developing, creating and supplying such areas. Collaboration with the world's most famous and beloved children's brands has strengthened the order backlog of theme parks, which will have a positive impact in the next few years. Experiences are increasingly important in encouraging people to be more active, which is why combinations of play and exercise areas built around different themes will become more popular in the future.

The company's positive outlook is also supported by the revised cost structure, moderate growth expectations, increase in orders towards the end of the financial year, revamped product range and competitiveness achieved through structural changes. These are complemented by our Lean process, which increases efficiency in both production and offices. The new ERP system will automate and enhance the management of order-delivery processes. In addition, the flexible working hours and holiday arrangements agreed upon with staff representatives will have a positive impact on the operations.

Export prospects are favourable in the Nordic countries and China in particular, although the economic situation in China has become more challenging.

## Customer orientation and responsibility

The overall financial situation of the company is excellent. The balance sheet total was EUR 24.7 million and the equity ratio was 59.8% (62.4%).

Lappset Group's operations can be characterised as responsible business conduct, because we design, develop and manufacture playground and exercise facility solutions and different types of activity parks that provide excellent conditions for people of all ages to experience the joy of playful and sporting activities. Today's global challenges are intrinsically related to the physical and mental well-being of people at different stages of life, and Lappset is having a positive impact on this through its creative solutions. Investing in meaningful and inspiring environments for play and exercise pays for itself in the form of significantly reduced social service and health care costs.

A dynamic approach, a willingness to change and continuous benchmarking of new business opportunities form the backbone of Lappset Group's operations. The new strategy, based on producing added value to the customer, which the company will continue to implement in the coming years, enables agile solutions that exceed the needs and expectations of customers, not to mention the provision of a cost-efficient production chain and high-quality products.

## The global economic and political situation pose a risk

Risk factors for 2015 included the global economic situation and the volatile political situation. The economic situation in Russia affected not only the Finnish economy, but also Lappset's finances, with possible repercussions for the domestic market. The unstable political situation in Europe, Russia and the Middle East will probably continue to pose a major risk for the economy as well. The development of the refugee situation will affect national economies in various countries, but it can also create opportunities. Fluctuations in oil prices also influence national economies.

Investments in theme parks are long-term ventures and involve complex production projects. Turmoil in the global economy strongly influences investor decisions.

# Annual Report 2015



# Notes on the financial statements

## *Principles and methods concerning valuation and fiscal periods*

### **Valuation of non-current assets**

Intangible and tangible assets have been entered in the balance sheet at their acquisition cost less planned depreciation. The total acquisition costs include the variable costs arising from acquisition and manufacturing. The computing method used for the planned depreciation was straight-line depreciation based on the useful life of intangible and tangible assets. The period of depreciation commenced during the month the asset was placed in service.

### **Planned depreciation criteria and changes thereof**

Type of asset	Depreciation period
Development costs	5 years
Other long-term expenses	5–10 years
Buildings	25 years
Structures	10 years
Production equipment	7 years
Machinery and equipment	4–7 years
Consolidated goodwill	5 years

The acquisition costs for non-current assets with a probable economic life of less than three years and minor acquisitions (less than EUR 800) have been entered in total under expenses accumulated during the financial year.

### **Valuation of current assets**

Current assets have been valued at the lowest of acquisition cost, replacement cost or estimated net realisable value. Acquisition cost is determined according to the moving average method, which is related to the FIFO principle. The acquisition cost of finished and unfinished products only comprises variable costs.

### **Valuation of financial instruments**

The company uses derivative instruments such as foreign currency forward contracts and interest rate swaps. The foreign currency forward contract is used to hedge against changes in the estimated foreign currency cash flows. Interest rate swaps are used to change a variable interest rate to a fixed rate. The validity period for these foreign currency and interest rate instruments is five years. Financial instruments have not been valued at current value.

### **Product development and long-term costs**

As a rule, R&D costs have been entered as annual costs for the financial year during which they were incurred. Product development costs that have generated revenue for three years or longer have been capitalised in the balance sheet as development costs. The applicable amortisation period is five years.

### **Deferred taxes**

Deferred tax liabilities have been recognised for any temporary difference between the financial statement carrying amount and its tax basis according to the tax rate confirmed for coming years on the balance sheet date. The balance sheet includes all of the deferred tax liabilities and an estimated likely amount of deferred tax assets.

### **Foreign currency items**

Foreign currency receivables and liabilities are translated into Finnish currency (Euro) according to the rate in effect on the balance sheet date. This does not include liabilities covered by a forward contract and valued according to the forward (exchange) rate.



# Accounting principles for the consolidated financial statements

### **Scope of the consolidated financial statements**

The consolidated financial statements cover all Group companies.

### **Intra-Group shareholdings**

The consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of subsidiaries and the corresponding shareholders' equity has been entered as consolidated goodwill. The amortisation period for consolidated goodwill is five years.

### **Intra-Group transactions and margins**

Intra-Group transactions, unrealised margins on internal deliveries, internal receivables and liabilities, along with intra-Group distributions of profit have been eliminated.

### **Minority interests**

Minority interests have been separated from the consolidated shareholders' equity and operating profit/loss for the financial year and presented as a separate item.

### **Translation differences**

The profit and loss accounts and balance sheets of foreign subsidiaries have been translated into Finnish currency (Euro) according to the rate in effect on the balance sheet date. This translation difference, together with the differences concerning the shareholders' equity of foreign subsidiaries, is presented under 'Retained earnings'.

# Lappset Group Ltd | Group

<b>PROFIT AND LOSS ACCOUNT</b>	<b>01.01. - 31.12.2015</b>	<b>01.01. - 31.12.2014</b>
Turnover	44 497 040	50 504 695
Increase (+)/ decrease (-) in stocks of finished goods	-450 116	287 423
Production for own use	83 111	76 749
Other operating income	153 488	65 816
<b>Materials and services</b>		
Materials and supplies		
Purchases during the financial year	-13 101 410	-15 928 832
Increase (+)/ decrease (-) in stocks	-80 432	37 080
External services	-2 892 779	-3 339 552
Materials and services, total	-16 074 621	-19 231 304
<b>Personnel costs</b>		
Personnel costs	-16 570 381	-16 699 179
<b>Depreciation and amortisation</b>		
Planned depreciation	-1 425 333	-1 411 397
Amortisation of consolidated goodwill	-184 111	-184 111
Total depreciation and amortisation	-1 609 443	-1 595 508
<b>Other operating costs</b>		
Other operating costs	-10 391 508	-11 269 453
<b>Operating profit</b>	<b>-362 432</b>	<b>2 139 240</b>
<b>FINANCIAL INCOME AND EXPENSES</b>		
<i>Income from other investments in fixed assets</i>		
From others	198	195
<i>Other interest and financial income</i>		
From others	34 871	33 904
<i>Interest and other financial expenses</i>		
To others	-152 498	-165 828
Exchange rate differences	-5 093	-51 594
<b>Total financial income and expenses</b>	<b>-122 523</b>	<b>-183 323</b>
<b>Profit before extraordinary items</b>	<b>-484 955</b>	<b>1 955 916</b>
<b>Profit before appropriations and taxes</b>	<b>-484 955</b>	<b>1 955 916</b>
<b>Income taxes</b>		
For the financial year	18 981	-432 419
Deferred taxes	190 258	43 574
Total income taxes	209 239	-388 845
Minority interest	-85 683	-243 610
<b>Profit for the financial year</b>	<b>-361 399</b>	<b>1 323 462</b>

# Lappset Group Ltd | Group

## Balance sheet

<b>Assets</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>NON-CURRENT ASSETS</b>		
<i>Intangible assets</i>		
Development costs	140 768	193 556
Intellectual property rights	133 652	116 915
Goodwill	3	8 336
Consolidated goodwill	184 111	368 221
Other long-term expenses	297 416	312 892
Advance payments	892 886	151 109
Total intangible assets	1 648 837	1 151 030
<i>Tangible assets</i>		
Land and water areas	617 477	609 785
Buildings and structures	1 409 912	1 634 374
Machinery and equipment	3 221 427	3 599 963
Other tangible assets	109 091	162 345
Advance payments and acquisitions in progress	5 583	62 675
Total tangible assets	5 363 490	6 069 141
<i>Investments</i>		
Other shares and participations	780 620	780 620
Total investments	780 620	780 620
<b>Total non-current assets</b>	<b>7 792 946</b>	<b>8 000 791</b>
<b>CURRENT ASSETS</b>		
<i>Stock</i>		
Materials and supplies	1 036 674	1 086 497
Unfinished products	181 896	145 229
Finished products	3 180 992	3 763 775
Advance payments	101 744	0
Total stock	4 501 306	4 995 502
<i>Long-term receivables</i>		
Loan receivables	121 842	123 664
Total long-term receivables	121 842	123 664
<i>Short-term receivables</i>		
Accounts receivable	4 938 519	4 784 975
Receivables from associated companies	0	0
Deferred tax assets	149 479	0
Other receivables	461 965	427 913
Prepayments and accrued income	558 063	408 868
Total short-term receivables	6 108 027	5 621 756
<i>Cash and cash equivalents</i>		
Cash and cash equivalents	6 211 400	6 106 393
<b>Total current assets</b>	<b>16 942 575</b>	<b>16 847 315</b>
<b>Total assets</b>	<b>24 735 522</b>	<b>24 848 106</b>

# Lappset Group Ltd | Parent company

LIABILITIES	31.12.2015	31.12.2014
<b>Shareholders' equity</b>		
Share capital	814 804	814 804
Retained earnings (loss)	12 137 900	11 119 039
Profit for the financial year	-361 399	1 323 462
Total shareholders' equity	12 591 305	13 257 305
<b>LIABILITIES</b>		
<i>Long-term liabilities</i>		
Subordinated loans	70 000	87 500
Deferred tax liabilities	115 739	154 132
Total long-term liabilities	1 909 576	2 949 358
<i>Short-term liabilities</i>		
Loans from credit institutions	1 016 418	1 010 833
Advance payments received	1 058 251	944 214
Accounts payable	1 642 783	1 242 065
Other liabilities	679 643	613 767
Accruals and deferred income	4 261 708	3 175 227
Total short-term liabilities	8 658 803	6 986 104
<b>Total liabilities</b>	<b>10 568 379</b>	<b>9 935 463</b>
<b>TOTAL LIABILITIES</b>	<b>24 735 522</b>	<b>24 848 106</b>

## STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS 01.01. - 31.12.2015 01.01. - 31.12.2014

<i>Cash flow from operating activities</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Operating profit	-362 432	2 139 240
Adjustments to operating profit	1 609 443	1 573 270
Change in working capital	1 559 932	-1 200 019
Change in stock	494 196	-340 373
Change in short-term receivables	-593 100	498 830
Change in short-term liabilities	1 658 837	-1 358 475
Interest income	34 871	33 904
Dividends received	198	195
Taxes	316 068	-676 905
Cash flow from operating activities	3 013 858	1 679 772

<i>Cash flow from investments</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Investments in tangible and intangible assets	-1 398 481	-779 987
Proceeds from the disposal of tangible and intangible assets	-3 118	157 732
Long-term loans granted	0	-2 764
Repayments of long-term loan receivables	1 822	0
Cash flow from investments	-1 399 777	-625 020

<i>Cash flow from financing activities</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Short-term loan withdrawals	5 586	0
Short-term loan repayments	0	-37 180
Long-term loan repayments	-1 001 389	-1 116 222
Dividends paid	-566 795	-875 082
Cash flow from financing activities	-1 562 598	-2 028 485
Translation differences	53 524	-149 563
Change in cash and cash equivalents	105 007	-1 123 295
Cash and cash equivalents at the start of the financial year on 1 January	6 106 393	7 229 688

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR ON 31 DECEMBER	2015	2014
	<b>6 211 400</b>	<b>6 106 393</b>

Profit and loss account	01.01. - 31.12.2015	01.01. - 31.12.2014
Turnover	31 487 933	36 863 242
Increase (+)/ decrease (-) in stocks of finished goods	-491 340	279 246
Production for own use	83 111	74 992
Other operating income	129 117	54 451

<i>Materials and services</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Materials and supplies		
Purchases during the financial year	-10 914 290	-14 032 661
Increase (+)/ decrease (-) in stocks	-42 664	151 195
External services	-1 973 076	-2 400 140
Materials and services, total	-12 930 031	-16 281 607

<i>Personnel costs</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Personnel costs	-10 721 198	-11 064 368

<i>Depreciation and amortisation</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Planned depreciation	-656 435	-629 775
Total depreciation and amortisation	-656 435	-629 775

<i>Other operating costs</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Other operating costs	-7 764 085	-8 282 532

<b>Operating profit</b>	<b>-862 928</b>	<b>1 013 649</b>
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Financial income and expenses	01.01. - 31.12.2015	01.01. - 31.12.2014
Income from participations in group companies	299 683	132 986

<i>Income from other investments in fixed assets</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
From others	198	195

<i>Other interest and financial income</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
From group companies	50 942	144 732
From others	24 948	7 121

<i>Interest and other financial expenses</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
From group companies	0	-1 094
To others	-113 211	-120 820
Exchange rate differences	-727	-30 811

<b>Total financial income and expenses</b>	<b>261 834</b>	<b>132 309</b>
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<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>-601 094</b>	<b>1 145 958</b>
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<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>-601 094</b>	<b>1 145 958</b>
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<i>Appropriations</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
Increase (-) / decrease (+) in depreciation difference	-47 220	-78 115
Total appropriations	-47 220	-78 115

<i>Income taxes</i>	01.01. - 31.12.2015	01.01. - 31.12.2014
For the financial year	123 432	-231 710
Total income taxes	123 432	-231 710

<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>-524 882</b>	<b>836 132</b>
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## Balance sheet

ASSETS	31.12.2015	31.12.2014
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Development costs	140 768	193 556
Intellectual property rights	133 642	116 905
Advance payments	892 886	151 109
Total intangible assets	1 231 421	546 713
<i>Tangible assets</i>		
Land and water areas	139 728	142 232
Buildings and structures	271 594	455 324
Machinery and equipment	1 597 746	1 494 622
Other tangible assets	35 865	35 865
Advance payments and acquisitions in progress	5 583	62 675
Total tangible assets	2 050 516	2 190 719
<i>Investments</i>		
Participations in group companies	3 763 266	3 763 266
Total investments	4 543 885	4 543 885
<b>Total non-current assets</b>	<b>7 825 821</b>	<b>7 281 317</b>
<b>Current assets</b>		
<i>Stock</i>		
Materials and supplies	387 790	417 304
Unfinished products	177 754	134 705
Finished products	2 372 915	2 864 254
Total stock	2 938 459	3 416 264
<i>Long-term receivables</i>		
Loan receivables	73 300	73 300
Total long-term receivables	1 614 408	2 242 561
<i>Short-term receivables</i>		
Accounts receivable	1 891 724	2 613 272
Receivables from group companies	261 280	502 974
Prepayments and accrued income	292 064	72 666
Total short-term receivables	2 661 521	3 479 984
<i>Cash and cash equivalent</i>		
Cash and cash equivalents	3 435 998	3 132 003
<b>Total current assets</b>	<b>10 650 387</b>	<b>12 270 811</b>
<b>Total assets</b>	<b>18 476 208</b>	<b>19 552 128</b>
<b>LIABILITIES</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<i>Shareholders' equity</i>		
Share capital	814 804	814 804
Retained earnings (loss)	11 914 047	11 476 005
Profit for the financial year	-524 882	836 132
Total shareholders' equity	12 203 969	13 126 941

## Accrued appropriations

Depreciation difference	125 335	78 115
Total accrued appropriations	125 335	78 115

## Liabilities

### Long-term liabilities

Loans from credit institutions	911 082	1 821 371
Total long-term liabilities	911 082	1 821 371

### Short-term liabilities

Loans from credit institutions	910 290	910 290
Advance payments received	265 656	279 542
Accounts payable	1 040 458	777 819
Liabilities towards group companies	455 131	93 725
Other liabilities	208 230	245 416
Accruals and deferred income	2 356 057	2 218 909
Total short-term liabilities	5 235 822	4 525 700

<b>Total liabilities</b>	<b>6 146 904</b>	<b>6 347 072</b>
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<b>Total liabilities</b>	<b>18 476 208</b>	<b>19 552 128</b>
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## STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS

	01.01. - 31.12.2015	01.01. - 31.12.2014
<i>Operating profit</i>		
Operating profit	-862 928	1 013 649
Adjustments to operating profit	656 435	618 033
Change in working capital	2 031 284	-581 895
Increase (-) / decrease (+) in stock	534 004	-430 440
Increase (-) / decrease (+) in current non-interest-bearing receivables	787 159	387 423
Increase (-) / decrease (+) in current non-interest-bearing liabilities	710 121	-538 878
Interest received from operating activities (+)	61 575	85 113
Interest and other financial expenses paid for operating activities (-)	104 594	-124 501
Dividends received	299 881	133 181
Other financial items	0	0
Direct taxes paid	98 537	-473 934
Cash flow from operating activities	2 180 190	669 646
<i>Cash flow from investments</i>		
Investments in tangible and intangible assets	-1 204 249	-448 121
Proceeds from the disposal of tangible and intangible assets	3 309	56 200
Repayments of loan receivables	632 284	338 504
Acquired interest on investment	840	66 740
Cash flow from investments	-567 815	13 323
<i>Cash flow from financing activities</i>		
Long-term loan repayments	-910 290	-910 290
Dividends paid	-398 090	-820 804
Cash flow from financing activities	-1 308 380	-1 731 094
<i>Change in cash and cash equivalents</i>		
Change in cash and cash equivalents	303 996	-1 048 125
Cash and cash equivalents at the start of the financial year on 1 January	3 132 003	4 180 128
Cash and cash equivalents transferred in the merger		

<b>Cash and cash equivalents at the end of the financial year on 31 december</b>	<b>3 435 998</b>	<b>3 132 003</b>
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**LAPPSET GROUP LTD**

**Business ID 9126694-6**

SIGNATURES OF FINANCIAL STATEMENT

Date and signature

Rovaniemi, \_\_\_\_ / \_\_\_\_ 2016

Johanna Ikäheimo  
Chair of Board of Directors

Tero Ylinenpää  
Managing Director

Torkel Tallqvist

Kimmo Lautanen

Katja Ikäheimo-Länkinen

Heikki Martela

Auditor's statement

An auditor's report has been issued today on the audit performed.

Rovaniemi, \_\_\_\_ / \_\_\_\_ 2016

KPMG OY

Tapio Raappana  
KHT (Authorised Public Accountant)

*English translation of an original document prepared in Finnish. The Finnish original shall prevail.*

**AUDITOR'S REPORT**

***To the Annual General Meeting of Lappset Group Oy***

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Lappset Group Oy for the year ended 31 December, 2015. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

***Responsibility of the Board of Directors and the Managing Director***

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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



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