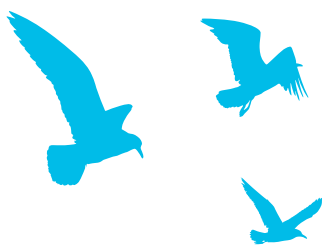




Annual report 2010





REVIEW BY THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 1 JANUARY 2010 TO 31 DECEMBER 2010

Economic Development

Lappset Group Ltd yielded good results during 2010 in spite of the challenging financial situation worldwide. The Group's turnover, EUR 45.4 million, went down by 4.7% from the record year of 2009. Despite the difficult financial situation in the public sector, domestic invoicing within the Group increased. The company status strengthened nationally. Lappset Group's own subsidiaries managed to hold on to their market position in the declining financial situation. Furthermore, at Group level we can

be especially pleased with the progress made in sales in France and Poland. During this financial year the company prepared for future growth by increasing investment in developing commercial concepts and further improving quality by paying special attention to staff expertise, using local subcontractors and maintaining high supply reliability. A 20% growth target has been set for the Group turnover for 2011.

KEY FIGURES DESCRIBING THE FINANCIAL POSITION AND RESULT OF THE GROUP

	2010	2009	2008
Turnover, M€	45,4	47,6	47,6
Operating profit, M€	3,6	4,7	2,9
Operating profit as percentage of turnover	7,9	9,9	6,1
Return on equity, %	17,2	28,2	12,4
Equity ratio, %	57,9	54,4	44,6

KEY FIGURES ON PERSONNEL

	2010	2009	2008
Average number of employees during the financial year	295	296	321
Salaries and wages for the financial year, M€	12,9	13,1	13,6

The Board of Directors' proposal concerning the distribution of profits

The distributable profits of the parent company were EUR 10,186,965.71, of which EUR 1,504,742.81 was profit for the period.

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

- a dividend of EUR 2.00 / share i.e. EUR 820,804.00
- left in the retained earnings account EUR 683,938.81

No essential changes in the company's financial standing has occurred after 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 2010, the Board of Directors for the company included the Chairman, Johanna Ikäheimo and members Ben Grass, Torkel Tallqvist and Erkki Ikäheimo. The Executive Assistant was Irma Kuukasjärvi.

The Managing Director was Juha Laakkonen.

KPMG Oy Ab acted as the auditor of the company

Anniversary full of action

Operations by Lappset Group Ltd are illustrated by continual development. This was especially evident during 2010, which was an action-packed anniversary. The development of commercial concepts was invested in by creating and implementing a process that was supported with personal coaching.

Launching innovative commercial concepts was a big success.

The Parkour concept was successfully introduced in August 2010 and early in 2011 it received the Exercise Product of the Year 2010 award in Finland. **A sound world** was added to the range of products for small children with the help of the Sound Floor component.

The SeniorSport product range for older people was further developed and new functionalities were introduced to the concept which supports daily exercise for the elderly. The Seni-

orSport product range grew especially in Spain as the provinces of Lleida and Girona ordered equipment for 218 activity parks in total.

The Clover retro product range was introduced in celebration of the company's 40th anniversary. A simplistic and unassuming Clover product range made out of wood answers the needs of clients in search of safe and cost-effective playground solutions.

The range of **digital playground equipment** (Digiplay) underwent further innovation with the introduction of the Lappset Mobile Play concept. This concept combines mobile games and playing and exercise, the thought behind it being to promote outdoor activities to children and teenagers.

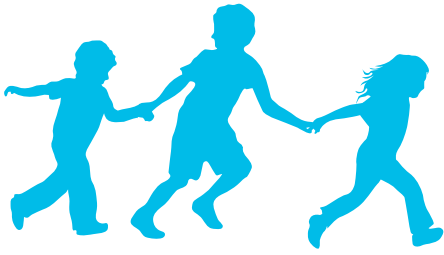
In addition to the above-mentioned, the process model for commercial concepts will produce even more versatile solutions in the future, the most significant of which is the distribution of the product portfolio by age group. The thought behind it is "users from all age groups": children, teenagers, adults and seniors.

Additional value for clients through partnerships

One part of the Lappset strategy is to create long-term, close partnerships through which Group operations are developed. The English subsidiary for the Group was made a business partner together with Playworld systems Inc. by combining the operations of the two companies under one company. The company's new name is Lappset Playworld UK Ltd. The new business partner in England will promote the whole business branch through two strong family companies. Thanks to the sound cooperation of both parties, we will begin introducing new concepts during 2011.

During 2010 Lappset Group Ltd bought Euroform's operations in Germany, further strengthening their position. Additionally, an agreement signed with British Freenotes Ltd regarding the distribution of musical instruments suitable for outdoor use further expands Lappset's multisensory experiences at play and local sports areas.

Another subsidiary, Lappset Citec SAS, was founded in France in January 2011 through purchase of the playground business



from Citec Environnement SA, who had long operated as a Lappset retailer.

Lappset strategy for 2015 was sharpened in cooperation with the subsidiaries and staff, with values being widely discussed amongst all staff groups.

Reliability emphasised in basic business

Basic business of Lappset is stable. Delivery reliability was almost 100%. Logistics, procurement and own production all worked excellently. With a flexible, responsible and committed staff it is easy to head towards the goals of a new decade.

The aim of Investors in People, IIP, a project launched together with Excellence Finland in 2010, is to develop staff participation, leadership and monitoring of staff investments. The project was aptly named: Lappset United.

Annual customer satisfaction surveys show that the Lappset image within clients is very positive and that the customer-oriented strategy has been successful. According to an extensive survey done last year, customer experiences of the quality of Lappset services and views regarding the company image were very positive throughout. Clients perceive Lappset as trustworthy, responsible, innovative, environmentally friendly and a company of good reputation that manufactures safe equipment for play and local sports sites.

During the financial year Lappset began writing a report relating to sectors of corporate responsibility. The first report, published during spring 2011, will handle the sectors of social, financial and environmental responsibility and it will be done according to instructions by the international GRI (Global reporting Initiative).

40th anniversary culminated at Rollywood

2010 marked Lappset's 40th anniversary. The anniversary culminated on 14 August 2010 in an unparalleled Rollywood party for clients, staff, partners and other important interest groups. Guests were dressed in accordance with the theme and many famous characters were seen attending the party, including Captain Hook, Jack Sparrow, Charlie Chaplin, Ernest Hemingway, Batman, The Blues Brothers, and Eero from Seven Brothers. During the celebratory year, Lappset Group Ltd supported

activities for the public good more than previously, for example, by taking part in fund raising for the University of Lapland by donating a significant amount for the developing of university-level education and research in Lapland. Cooperation as the main partner with UNICEF city Rovaniemi emphasised our status as a party who promotes work done for the well-being of children and teenagers. At the end of Rovaniemi's UNICEF-city year Lappset donated EUR 10,000 to UNICEF Finland. Additionally, a part of the profits from the end of year sales campaign will be donated to UNICEF during the first quarter of 2011.

Lappset Group Ltd has worked together with different organisations promoting well-being and sporting hobbies for children and teenagers for decades. Nuori Suomi ry and several local associations are examples of groups, who organise sports activities for children. Lappset supports them in many ways.

Future prospects - positive, but challenging

We believe that the global recession has reached its lowest point and the global economy has begun to slowly grow. We are unlikely to experience a long period of growth like the past 20 years in the global economy for some time. Economic trends are reflected in the business of playground equipment more slowly than in other fields.

The change of age structure emphasises the importance of senior solutions. Motivating children and teenagers to exercise through meaningful and inspiring play and local exercise areas offers further opportunities for new ideas such as the Parkour-products. Global trends related to well-being and health strengthen the development of the industry. We are sure to see how others operating within the industry develop solutions for all age groups just as Lappset has done.

Worrying features in the general trend are the weakened state of the public finance in Western European countries and the company's reasonably minor status on the developing market.

Due to urbanisation, there are hundreds of cities the size of Helsinki in Asia. This global phenomenon adds to the need to build environments that please the inhabitants and encourage playing and exercising at local areas.

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, unrealized 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 realization 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.

LAPPSET GROUP LTD / CONSOLIDATED

PROFIT AND LOSS ACCOUNT(€)	1.1.-31.12.2010	1.1.-31.12.2009
Net turnover	45 353 632	47 568 971
Variation in stocks of finished goods	733 944	-278 000
Production for own use	62 681	31 765
Other operating income	539 990	123 046
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-16 116 293	-15 320 639
Variation in stock	144 253	44 646
External services	-1 898 946	-2 070 777
Together	-17 870 986	-17 346 770
Staff expenses	-12 856 508	-13 112 247
Depreciation and reduction in value		
Depreciation according to plan	-1 543 284	-1 521 075
Depreciation of goodwill on consolidation	-140 336	-140 336
Together	-1 683 620	-1 661 411
Other operating charges	-10 762 096	-10 639 369
Operating profit	3 517 037	4 685 984
Financial income and expenses		
Other interests- and financial income	83 914	113 952
Foreign exchange differences	157 699	165 410
Interests and other financial expenses	-389 322	-378 860
Financial income and expenses together	-147 709	-99 497
Profit before extraordinary items	3 369 327	4 586 486
Profit before appropriations and taxes	3 369 327	4 586 486
Taxes		
Income taxes	-857 255	-1 334 039
Income taxes for previous years	-105 251	74 067
Income taxes for the financial year	-56 092	46 847
Minority share	-342 652	-293 130
Profit for the financial year	2 008 077	3 080 231

LAPPSET GROUP LTD / CONSOLIDATED

BALANCE SHEET ASSETS (€)	31.12.2010	31.12.2009
NON-CURRENT ASSETS		
Intangible assets		
Development costs	227 184	479 508
Intangible rights	419 682	612 324
Goodwill	162 876	0
Consolidation difference	140 336	280 673
Other capitalized long term expenses	151 230	215 350
Advance payments	20 833	3 789
Together	1 122 141	1 591 643
Tangible assets		
Land and waters	161 163	161 789
Buildings	2 575 579	983 850
Machinery and equipment	2 030 418	2 337 074
Other tangible assets	40 323	28 890
Advance payments and acquisitions outstanding	279 119	16 588
Together	5 086 602	3 528 191
Investments		
Other shares and similar rights of ownership	438 463	434 463
Together	438 463	434 463
CURRENT ASSETS		
Stocks		
Raw materials and consumables	981 726	789 449
Production outstanding	109 437	130 033
Finished goods	3 577 301	2 724 580
Stocks together	4 668 464	3 644 062
Debtors		
Long term		
Loan receivables	129 557	129 557
Trade debtors	17 497	13 552
Together	147 054	143 110
Short term		
Trade debtors	8 276 658	8 608 751
Other debtors	433 211	430 031
Prepayments and accrued income	610 702	526 453
Together	9 320 572	9 565 236
Cash in hand and in banks	3 552 747	5 545 873
Total assets	24 336 044	24 452 578

LAPPSET GROUP LTD / CONSOLIDATED

BALANCE SHEET		
LIABILITIES (€)	31.12.2010	31.12.2009
CAPITAL AND RESERVES		
Subscribed capital	814 804	814 804
Invested free equity fund	0	608 655
Retained earnings	9 114 819	7 003 699
Profit for the financial year	2 008 077	3 080 231
Together	11 937 700	11 507 390
Minority share	2 146 746	1 793 946
Obligatory reserve	7 500	200 000
CREDITORS		
Long term		
Loans from credit institutions	1 340 660	1 294 169
Imputed tax liability	286 384	208 595
Other capitalised long-term expenses	0	499
Together	1 627 044	1 503 264
Short term		
Loans from credit institutions	1 795 326	1 478 820
Trade creditors	2 341 850	2 174 517
Advances received	0	10 741
Other creditors	990 279	621 557
Accruals and deferred income	3 489 599	5 162 344
Together	8 617 054	9 447 979
Total liabilities	24 336 044	24 452 578

APPLICATION OF FUNDS (€)	1.1.-31.12.2010	1.1.-31.12.2009
Cash flow from operating activities		
Operating profit	3 517 037	4 685 984
Adjustments to operating profit	1 468 104	1 858 103
Change in working capital	-1 368 082	1 654 710
Change in stocks	-1 024 402	236 718
Change in current receivables	366 100	1 008 571
Change in short-term loans	-709 781	409 421
Interest paid	-279 663	-382 451
Interest received	114 532	224 764
Taxes received	-1 776 786	-933 802
Cash flow from operating activities	1 675 141	7 107 308
Cash flow from investments		
Investments in tangible and intangible assets	-2 921 847	-503 040
Proceeds from disposal of tangible and intangible assets	168 334	28 362
Granted loans	0	-73 300
Loan repayments	0	10 000
Cash flow from investments	-2 753 513	-537 979
Cash flow from financing activities		
Short-term loan repayments	0	-1 218 778
Withdrawals of short-term loans	1 848 145	0
Long-term loan repayments	-1 485 648	-1 463 076
Dividends paid	-1 362 864	-709 131
Cash flow from financing activities	-1 000 366	-3 390 985
Translation differences	85 612	2 134
Change in liquid assets	-2 078 738	3 180 479
Liquid assets as of 1 January	5 545 873	2 365 395
Liquid assets as of 31 December	3 552 747	5 545 874

LAPPSET GROUP LTD / PARENT COMPANY

PROFIT AND LOSS (€)	1.1.-31.12.2010	1.1.-31.12.2009
Net turnover	33 235 436	35 389 773
Variation in stocks of finished goods	445 003	-258 135
Production for own use	62 681	31 765
Other operating income	148 809	99 422
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-12 705 598	-12 330 119
Variation in stock	52 077	-1 037
External services	-842 836	-958 991
Together	-13 496 357	-13 290 147
Staff expenses	-9 185 676	-9 572 368
Depreciation and reduction in value		
Depreciation according to plan	-1 335 298	-1 363 105
Other operating charges	-7 706 940	-7 424 603
Operating profit	2 167 659	3 612 602
Financial income and expenses		
Income from group undertakings	114 898	117 470
Income from other undertakings	213	150
Other interests- and financial income		
from group undertakings	58 111	66 823
others	37 531	90 339
Foreign exchange differences	138 061	112 310
Interests and other financial expenses		
for group companies	-115	-62
for others	-315 881	-317 017
Impairment losses on fixed asset investments	-73 243	0
Financial income and expenses together	-40 426	70 013
Profit before extraordinary items	2 127 233	3 682 615
Extraordinary items		
Extraordinary expenses	-113 200	-115 000
Profit before appropriations and taxes	2 014 033	3 567 615
Appropriations		
Change in depreciation reserve	172 243	224 715
Taxes		
Income taxes for previous years	-105 247	74 173
Income taxes for the financial year	-576 286	-1 024 536
PROFIT FOR THE FINANCIAL YEAR	1 504 743	2 841 968

LAPPSET GROUP LTD / PARENT COMPANY

BALANCE SHEET ASSETS (€)	31.12.2010	31.12.2009
NON-CURRENT ASSETS		
Intangible assets		
Development costs	75 418	175 975
Intangible rights	417 085	610 872
Goodwill	140 336	280 673
Other capitalized long term expenses	151 230	215 350
Advance payments	20 832	3 789
Together	804 901	1 286 658
Tangible assets		
Land and waters	156 433	161 789
Buildings	691 318	761 479
Machinery and equipment	1 658 819	2 082 476
Other tangible assets	35 865	25 865
Advance payments and acquisitions outstanding	279 119	16 588
Together	2 821 554	3 048 198
Investments		
Holdings in group undertakings	1 811 217	2 066 963
Other shares and similar rights of ownership	438 463	434 463
Together	2 249 680	2 501 426
CURRENT ASSETS		
Stocks		
Raw materials and consumables	573 978	501 305
Production outstanding	109 437	130 033
Finished goods	2 589 057	2 144 054
Stocks together	3 272 472	2 775 391
Debtors		
Long term		
Amounts owed by group undertakings	361 094	337 114
Loan receivables	73 300	73 300
Together	434 394	410 414
Short term		
Trade debtors	2 382 406	2 636 008
Amounts owed by group undertakings	1 920 872	2 223 406
Other debtors	318 227	369 631
Prepayments and accrued income	410 254	318 721
Together	5 031 759	5 547 766
Cash in hand and in banks	1 931 975	3 916 673
Total assets	16 546 736	19 486 527

LAPPSET GROUP LTD / PARENT COMPANY

BALANCE SHEET LIABILITIES (€)	31.12.2010	31.12.2009
CAPITAL AND RESERVES		
Subscribed capital	814 804	814 804
Other reserves		
Invested free equity fund	0	608 655
Retained earnings	8 682 223	6 894 988
Profit for the financial year	1 504 743	2 841 968
Together	11 001 770	11 160 415
APPROPRIATIONS		
Depreciation reserve	248 500	420 743
Obligatory reserve	7 500	200 000
CREDITORS		
Long term		
Loans from credit institutions	2 196	1 294 169
Together	2 196	1 294 169
Short term		
Loans from credit institutions	1 291 973	1 460 102
Trade creditors	1 167 742	1 257 162
Amounts owed to group undertakings	8 338	458 685
Other creditors	445 578	189 541
Accruals and deferred income	2 373 139	3 045 710
Together	5 286 770	6 411 199
Total liabilities	16 546 736	19 486 527

LAPPSET GROUP LTD / PARENT COMPANY

APPLICATION OF FUNDS (€)	1.1.-31.12.2010	1.1.-31.12.2009
Operating profit	2 167 659	3 612 602
Adjustments to operating profit	1 121 782	1 559 797
Change in working capital	-535 856	393 888
Change in stocks	-497 081	259 172
Change in current receivables	192 014	-265 782
Change in short-term loans	-230 789	400 498
Interest paid	-206 408	-329 584
Interest received	126 261	267 973
Dividends received	115 111	117 620
Taxes received	-1 287 380	-667 149
Cash flow from operating activities	1 501 170	4 955 146
Cash flow from investments		
Investments in tangible and intangible assets	-646 568	-276 026
Proceeds from disposal of tangible and intangible assets	39 500	13 475
Granted loans	0	-73 300
Loan repayments	-23 980	361 970
Cash flow from investments	-631 048	26 119
Cash flow from financing activities		
Short-term loan repayments	0	-115 254
Long-term loan repayments	-1 460 102	-1 460 102
Dividends paid	-1 394 718	-615 603
Group contribution income and expenses	0	-171 000
Cash flow from financing activities	-2 854 820	-2 361 958
Change in liquid assets	-1 984 698	2 619 307
Liquid assets as of 1 January	3 916 673	1 297 371
Liquid assets as of 31 December	1 931 975	3 916 678

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 1.1.2010 - 31.12.2010. 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 18 March 2011
KPMG Oy Ab

Tapio Raappana
KHT

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

Pello, 18 February 2011

Johanna Ikkäheimo
Chairman of the Board Directors

Juha Laakkonen
Managing Director

Erkki Ikkäheimo

Ben Grass

Torkel Tallqvist

NOTATION OF THE ANNUAL REPORT

Auditors' report of the completed auditing has been handed out today.

Rovaniemi, 18 March 2011

KPMG OY AB

Tapio Raappana
KHT

Board of Directors

Board of Directors of Lappset Group Ltd. in 2010: Johanna Ikäheimo (Chairman) and Ben Grass (Member) in the front, and Members Erkki Ikäheimo and Torkel Tallqvist (standing).



Management Group

CEO Juha Laakkonen, Director of HR Satu Jokinen and Vice President Tero Ylinenpää in the front. Director of Quality and Development Aarno Martin and Director of Sales and Marketing Johan Granholm standing.

