



**LAPPSET®**

Lappset Group  
Annual Report and Financial Statement

**2018**



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**2018**

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ANNUAL REPORT

# LAPPSET GROUP'S TURNOVER REACHED A NEW HIGH

Lappset Group's turnover grew strongly in the financial year 2018. The Group's turnover increased by 25 % to EUR 63.5 million.

All three business divisions of the Group exceeded their sales targets. Operating profit was EUR 2.9 million, i.e. 4.5 % of the turnover.

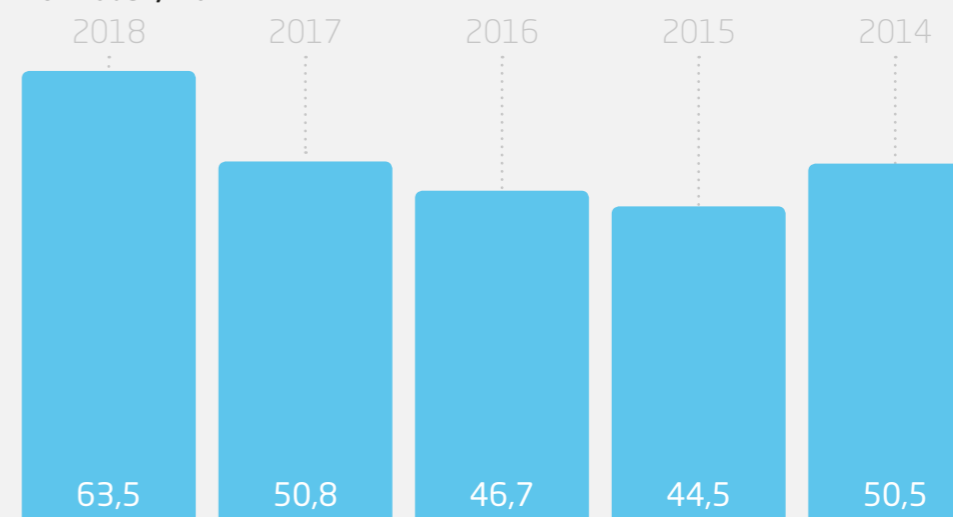


During the financial year, Lappset made structural changes to its organisation and merged the Finnish and Swedish operations into a single business division called the Nordic division.

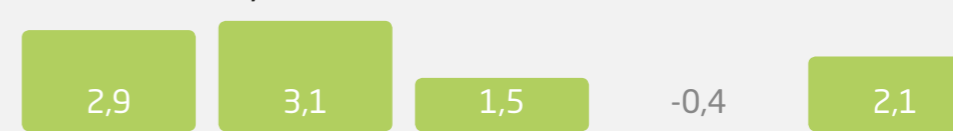
The operation of the International division continued as before with the exception of Sweden.

## KEY FIGURES FOR THE GROUP'S FINANCIAL POSITION AND PERFORMANCE

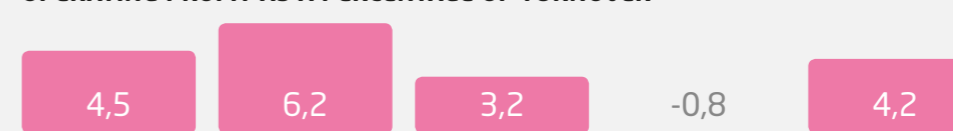
### TURNOVER, M€



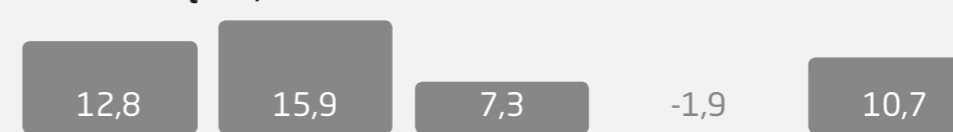
### OPERATING PROFIT, M€



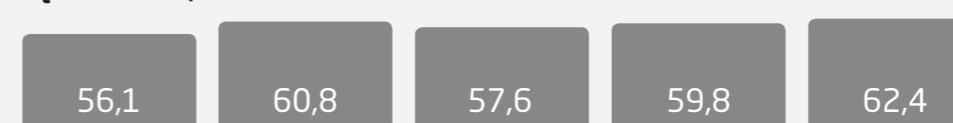
### OPERATING PROFIT AS A PERCENTAGE OF TURNOVER



### RETURN ON EQUITY, %



### EQUITY RATIO, %

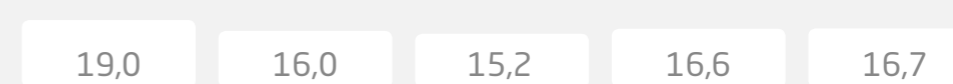


## KEY FIGURES ON GROUP PERSONNEL

### AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL YEAR



### SALARIES AND WAGES FOR THE FINANCIAL YEAR, M€





### INCREASING IMPORTANCE OF THEME PARKS IN BUSINESS

The Lappset Creative division, which focuses on theme parks, expanded when Lappset acquired a majority stake in Fantasia Works Ltd in Kuopio. Lappset Creative's operations strengthened during the financial year when it signed a cooperation agreement, the largest in its history, with Merlin Entertainments which operates internationally. As a result of this agreement, Lappset Creative will design and deliver several Peppa Pig activity parks to China and the United States. The world's first Peppa Pig activity park was completed in Shanghai, China, at the beginning of October, and the construction of the first park in the United States began at the end of the year. It opened at the end of January 2019.

### CONSTRUCTION OF SPORTS FACILITIES AND ACTIVITY PARKS INCREASED

The Group's business also expanded to the construction of sports facilities and activity parks when Lappset acquired the entire share capital of Aaba Group Ltd at the end of 2017, and continued its operations under the name of Lappset Liikuntapaikat Ltd.

As a result of the expansion, Lappset's role as a major service provider for sports facilities and activity parks has been reinforced. Lappset Liikuntapaikat Ltd caters for the Lappset Group's recreational and competitive sports business and focuses on providing high-quality facilities for, in particular, football enthusiasts, such as artificial turf covers and air domes. The related life cycle services are provided by the PlayCare service business unit. Lappset Liikuntapaikat Ltd and the PlayCare service business unit are part of the Nordic division.

### NETWORK OF SUBSIDIARIES EXTENDED

During the financial year, Lappset established new subsidiaries in China and the United States specifically for running the theme parks in those countries. In addition, Lappset's Dutch subsidiary Yalp (Lappset Nederland B.V.) established subsidiaries in the United States and Germany to accelerate the sale of interactive products. In 2018, the Lappset Group comprised a total of 15 companies in nine countries.

The total number of employees was approximately 400 at the end of the year. Special attention was paid to the strategic development of business operations and production, as well as the enhancement of project management expertise in Lappset Creative which is responsible for the theme park business. In addition, efforts to develop supervisor work and LEAN operations continued.

Lappset predicts that its strong growth will continue in 2019 and 2020. It will also continue to invest in personnel. Personnel investments during the financial year affected the result for the 2018 financial year and will probably also affect the result for 2019.

### ADMINISTRATION

In 2018, the company's Board of Directors was chaired by Johanna Ikäheimo, and its members were Katja Ikäheimo-Länkinen, Heikki Martela and Timo Leino. Tero Ylinenpää acted as the Managing Director. The Board's secretary was Irma Kuukasjärvi. KPMG Ltd Ab served as the auditor of the company.

### PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE DISPOSAL OF THE PROFIT FOR THE FINANCIAL YEAR

The parent company's distributable funds were EUR 13,129,770.47, of which the profit for the period was EUR 1,077,361.80. The Board proposes to the Annual General Meeting that dividend be paid out of the distributable funds as follows: EUR 2.89 per share, i.e. a total of EUR 1,177,201.04

No material changes have taken place in the company's financial position after the balance sheet date. The company's solvency is good and the proposed distribution of dividends does not jeopardise the company's liquidity.

### COMPANY SHARES

The company's share capital is as follows: 2018: 410,402 shares (2017: 410,402 shares). All shares carry the same right to dividends and company assets.

### OWN SHARES

The company holds 3,066 own shares corresponding to 0.7% of both the share capital and voting rights. The ownership of own shares does not have any significant impact on the distribution of ownership and voting rights in the company.

**PRODUCT PORTFOLIO TO INCLUDE A PREMIUM RANGE,  
HIGH TOWER STRUCTURES AND A PARKOUR RANGE FOR PROS**

The product portfolio expanded during the financial year. The premium range with new products enables the design of distinctive and almost monumental playgrounds in metropolitan areas around the world.

In 2018, the Flora range representing organic design was complemented with tall treehouse-type tower structures designed for older children as well as the Magic Forest range designed for toddlers.

Lappset was the first in the market to launch a product range for Parkour training in 2009. Inspired by the needs of Parkour enthusiasts, Lappset started to design a Pro range, Dash Parkour, the development of which was completed during the financial year. The Dash Parkour range will be launched during 2019.

Lappset's product development is carried out in a cross-sectoral and multi-professional team. For example, Finnish Parkour professionals of international standing participated in the design of the new Parkour product range.



# RESPONSIBLE BUSINESS ATTITUDE INCREASES CONFIDENCE

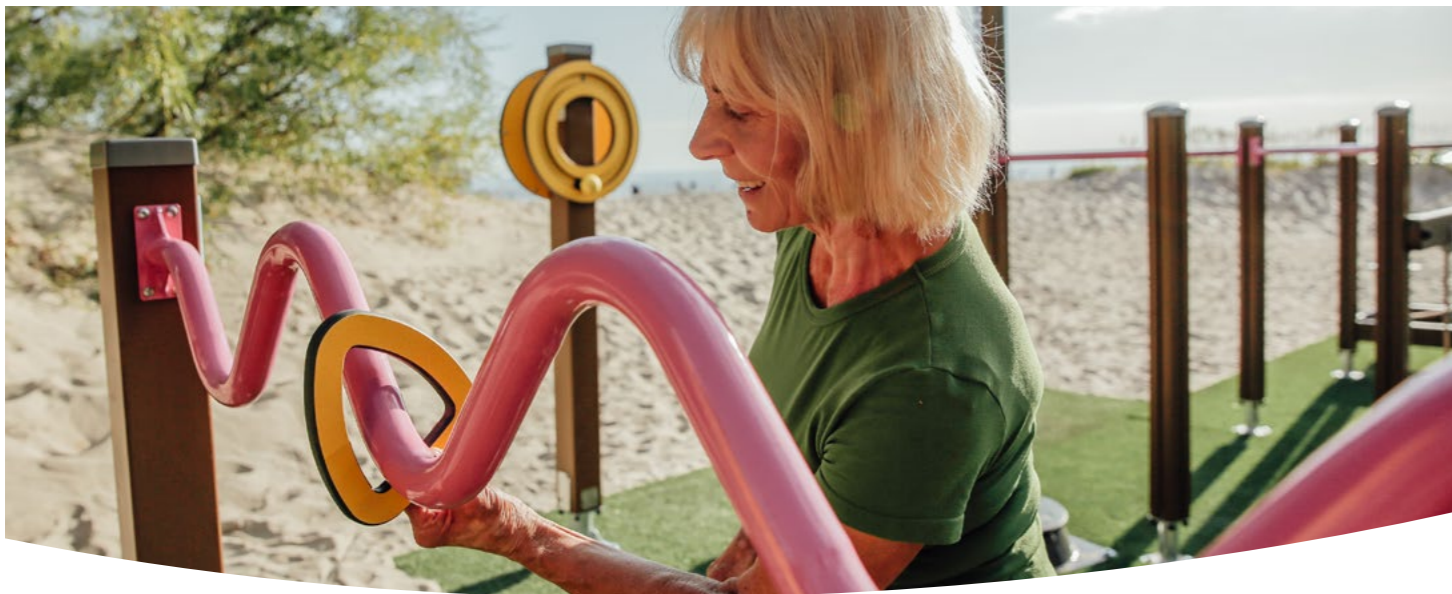
Since its foundation in 1970, Lappset has focused on responsibility in each of its many operations.

The main raw material for its product portfolio is ecological and renewable wood - dense-grained pine growing in Finland which is purchased from PEFC certified and sustainably grown commercial forests. On the other hand, efforts have been made to minimise the use of metal due to its emissions.

In the 1990s, Lappset made a life cycle analysis of its products with the Technical Research Centre of Finland. The analysis still provides a good guideline for sustainable development and has been one of the cornerstones of the sustainability strategy prepared during the financial year. The details of the sustainability strategy as well as the goals and indicators of an action plan will be completed in 2019. During the financial year 2018, Lappset shifted to the use of boron-free wood preservation at the Rovaniemi plant and zinc-free primer in the painting of metal components at the Tallinn plant. Zinc-free primer allows for surplus recovery and reuse in the surface treatment process. During the financial year, electric forklifts were tested at the Rovaniemi plant, the use of which will have a positive impact on both the environmental load and the quality of work.

Lappset's PlayCare life cycle services promote a circular economy. Lappset's products are known for their long life cycle which is enhanced by PlayCare condition inspections, maintenance, the New Life repair service, base cleaning services and recycling of end-of-life product components in accordance with the principles of a circular economy. For the customer, PlayCare life cycle services provide a full service package from product installation to recycling. The role of the PlayCare business was strengthened in the Swedish subsidiary during the financial year.

The development of production planning and the significant contribution made by Lappset Estonia Oü to increasing productivity had a positive impact on the security of supply during the financial year.



Development of production flow efficiency continues and production is planned in accordance with the principles of factory physics relying on TOC principles and Lean tools.

As part of social stakeholder cooperation, Lappset organised the 43rd Regional Planning Ideas Competition in cooperation with the City of Espoo. The competition, which was launched in the autumn of 2018, concerned the Kaitaanlaakso region, and those invited to participate included universities with landscape architecture and design programmes in Finland and Estonia. Each year, Lappset also grants a prize to the best Master's Thesis in landscape architecture chosen by the Aalto University. In addition to these two examples, Lappset cooperates with many universities, polytechnics and colleges providing students with thesis topics, opportunities for practical training and collaborative projects. In Finland, donations out of the proceeds from the end-of-year sales campaign have traditionally been made to organisations supporting the well-being of children and young people. Lappset also supports the universities of Lapland and participates in their funding. During the financial year, Lappset made a donation to the Lapland University of Applied Sciences.

#### MAJOR CHANGES SINCE THE END OF THE FINANCIAL YEAR

During the financial year 2018, the rise in raw material prices had some impact on competitiveness and performance.

#### IMPACT OF THE GLOBAL ECONOMY ON NORDIC COUNTRIES

The state of the global economy has an impact on the general willingness to invest. The trade war between China and the United States, the slowdown in China's economy and Brexit may have a significant impact on the global economy and, therefore, on Lappset's long-term operations.

Threats to information security and intellectual property rights pose risks to business operations in many sectors.

Despite the threats in the global economy, the outlook of the Lappset Group is positive, and strong growth is expected to continue in the coming years. In the financial year 2019, Lappset will make preparations for the celebration of its 50th anniversary in 2020.

# NOTES ON THE FINANCIAL STATEMENTS

#### VALUATION AND PERIODISATION PRINCIPLES AND METHODS

##### Valuation of non-current assets

Intangible and tangible assets have been entered in the balance sheet at their acquisition cost less planned depreciation. The acquisition cost comprises the variable costs attributable to the purchase and production of an asset. Depreciation according to plan is calculated as straight-line depreciation based on the expected useful life of intangible and tangible assets. Depreciation is calculated from the beginning of the month during which the asset was placed in service.

##### Principles used for depreciation according to plan and any changes thereto

| TYPE OF ASSET                   | DEPRECIATION PERIOD |
|---------------------------------|---------------------|
| <i>Development costs</i>        | <i>5 years</i>      |
| <i>Other long-term expenses</i> | <i>5 - 10 years</i> |
| <i>Buildings</i>                | <i>25 years</i>     |
| <i>Structures</i>               | <i>10 years</i>     |
| <i>Production equipment</i>     | <i>7 years</i>      |
| <i>Machinery and equipment</i>  | <i>3 - 7 years</i>  |
| <i>Consolidated goodwill</i>    | <i>5 years</i>      |

The acquisition costs for non-current assets with an expected economic life of less than three years as well as minor purchases (less than EUR 850) are recognised in full as expenses in the financial year in which they are incurred.

#### VALUATION OF STOCKS

Stocks are recognised in the balance sheet at the lowest of acquisition cost, replacement cost or probable 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. The interest rate swap is employed to switch a floating interest rate to a fixed one. The validity period for the interest rate and currency swaps is set at five years. Financial instruments have not been valued at current value.

#### PRODUCT DEVELOPMENT AND LONG-TERM COSTS

As a rule, R&D costs are entered as annual costs for the financial year in which they are incurred. Product development costs that have generated revenue for three years or longer have been capitalised in the balance sheet as development costs and amortised over a period of five years.

#### DEFERRED TAXES

Deferred tax liabilities have been calculated on the temporary differences between taxation and closing dates using the tax rate for future years officially in force on the closing 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) using the rate in effect on the balance sheet date. This does not include liabilities covered by a forward contract and valued at the forward exchange rate.

#### STAGE-OF-COMPLETION REVENUE RECOGNITION

Stage-of-completion revenue recognition is applied to major delivery and design projects. Contracts with a value of over 1 Million EUR that are not completed within a specific fiscal quarter are subject to state-of-completion revenue recognition. A project's stage of completion is determined using method A provided by the Accounting Board (2008). According to this method, the stage of completion is calculated by proportioning the project's actual expenditure to forecasted total expenditure.

# ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

#### SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise 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 is recorded 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 are recognised separately from the consolidated shareholders' equity and financial result.

#### TRANSLATION DIFFERENCES

The profit and loss accounts and balance sheets of foreign subsidiaries have been translated into Finnish currency (Euro) at the rate in effect on the data of the financial statements. Translation differences, together with the differences concerning the shareholders' equity of foreign subsidiaries, are presented under 'Retained earnings'.



## FINANCIAL STATEMENT

### GROUP

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### PARENT COMPANY

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|--|----|
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| Balance sheet • Liabilities                      | 22 |
| Statement of the source and application of funds | 23 |



|   | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|---|-------------------|-------------------|
| <b>TURNOVER</b>   | <b>63 515</b>     | <b>50 751</b>     |
| Increase (+) / decrease (-) in stocks of finished goods | 1 772             | -573              |
| Production for own use                                  | 22                | 35                |
| Other operating income                                  | 100               | 81                |
| <b>MATERIALS AND SERVICES</b>                           |                   |                   |
| <i>Materials and supplies</i>                           |                   |                   |
| <i>Purchases during the financial year</i>              | -20 356           | -14 311           |
| <i>Increase (+) / decrease (-) in stocks</i>            | 269               | 99                |
| <i>External services</i>                                | -7 428            | -4 254            |
| Materials and services, total                           | -27 515           | -18 467           |
| <b>PERSONNEL COSTS</b>                                  |                   |                   |
| Total personnel costs                                   | -19 034           | -15 986           |
| <b>DEPRECIATION AND AMORTISATION</b>                    |                   |                   |
| <i>Planned depreciation</i>                             | -1 772            | -1 647            |
| <i>Amortisation of consolidated goodwill</i>            | -40               | -40               |
| Total depreciation and amortisation                     | -1 812            | -1 686            |
| <b>OTHER OPERATING COSTS</b>                            |                   |                   |
| Total other operating costs                             | -14 163           | -11 006           |
| <b>Operating profit</b>                                 | <b>2 884</b>      | <b>3 150</b>      |
| <b>FINANCIAL INCOME AND EXPENSES</b>                    |                   |                   |
| <i>Income from other investments in fixed assets</i>    |                   |                   |
| <i>From others</i>                                      | 0                 | 0                 |
| <i>Other interest and financial income</i>              |                   |                   |
| <i>From others</i>                                      | 15                | 13                |
| <i>Interest and other financial expenses</i>            |                   |                   |
| <i>To others</i>  | -153              | -130              |
| <i>Exchange rate differences</i>                        | -25               | -21               |
| Total financial income and expenses                     | -162              | -138              |
| <b>Profit before appropriations and taxes</b>           | <b>2 722</b>      | <b>3 012</b>      |
| <b>INCOME TAXES</b>                                     |                   |                   |
| <i>Taxes for the financial year</i>                     | -646              | -537              |
| <i>Taxes for previous years</i>                         | -4                | -2                |
| <i>Deferred taxes</i>                                   | 15                | -37               |
| Total income taxes                                      | -635              | -575              |
| Minority interest                                       | -245              | -208              |
| <b>Profit for the financial year</b>                    | <b>1 842</b>      | <b>2 228</b>      |

|  | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|--|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                            |                   |                   |
| <b>INTANGIBLE ASSETS</b>                             |                   |                   |
| <i>Development costs</i>                             | 284               | 35                |
| <i>Intellectual property rights</i>                  | 150               | 151               |
| <i>Goodwill</i>                                      | 30                | 44                |
| <i>Consolidated goodwill</i>                         | 695               | 0                 |
| <i>Other long-term expenses</i>                      | 1 034             | 1 387             |
| <i>Advance payments</i>                              | 210               | 32                |
| Total intangible assets                              | 2 402             | 1 649             |
| <b>TANGIBLE ASSETS</b>                               |                   |                   |
| <i>Land and water areas</i>                          | 562               | 580               |
| <i>Buildings and structures</i>                      | 1 090             | 1 242             |
| <i>Machinery and equipment</i>                       | 1 907             | 2 507             |
| <i>Other tangible assets</i>                         | 39                | 49                |
| <i>Advance payments and acquisitions in progress</i> | 154               | 5                 |
| Total tangible assets                                | 3 752             | 4 383             |
| <b>INVESTMENTS</b>                                   |                   |                   |
| <i>Other shares and participations</i>               | 884               | 882               |
| Total investments                                    | 884               | 882               |
| <b>Total non-current assets</b>                      | <b>7 039</b>      | <b>6 914</b>      |
| <b>CURRENT ASSETS</b>                                |                   |                   |
| <b>STOCK</b>   |                   |                   |
| <i>Materials and supplies</i>                        | 1 282             | 925               |
| <i>Unfinished products</i>                           | 748               | 249               |
| <i>Finished products</i>                             | 5 282             | 3 782             |
| <i>Advance payments</i>                              | 0                 | 226               |
| Total stock  | 7 313             | 5 182             |
| <b>LONG-TERM RECEIVABLES</b>                         |                   |                   |
| <i>Loan receivables</i>                              | 220               | 250               |
| Total long-term receivables                          | 220               | 250               |
| <b>SHORT-TERM RECEIVABLES</b>                        |                   |                   |
| <i>Accounts receivable</i>                           | 10 010            | 6 470             |
| <i>Other receivables</i>                             | 921               | 893               |
| <i>Prepayments and accrued income</i>                | 1 250             | 506               |
| Total short-term receivables                         | 12 182            | 7 869             |
| Cash and cash equivalents                            | 6 425             | 9 104             |
| <b>Total current assets</b>                          | <b>26 139</b>     | <b>22 405</b>     |
| <b>Total assets</b>                                  | <b>33 178</b>     | <b>29 319</b>     |

|   | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|---|-------------------|-------------------|
| <b>SHAREHOLDERS' EQUITY</b>                       |                   |                   |
| Share capital                                     | 815               | 815               |
| Invested non-restricted equity reserve            | 291               | 291               |
| Retained earnings (loss)                          | 12 473            | 11 682            |
| Profit for the financial year                     | 1 842             | 2 228             |
| <b>Total shareholders' equity</b>                 | <b>15 421</b>     | <b>15 015</b>     |
| Minority interest                                 | 976               | 1 097             |
| <b>LIABILITIES</b>                                |                   |                   |
| <b>LONG-TERM LIABILITIES</b>                      |                   |                   |
| Loans from credit institutions                    | 2 007             | 2 839             |
| Deferred tax liabilities                          | 19                | 28                |
| Total long-term liabilities                       | 2 027             | 2 867             |
| <b>SHORT-TERM LIABILITIES</b>                     |                   |                   |
| Loans from credit institutions                    | 1 809             | 848               |
| Advance payments received                         | 3 971             | 2 814             |
| Accounts payable                                  | 3 584             | 2 345             |
| Other liabilities                                 | 1 188             | 893               |
| Accruals and deferred income                      | 4 204             | 3 438             |
| Total short-term liabilities                      | 14 755            | 10 339            |
| <b>Total liabilities</b>                          | <b>16 782</b>     | <b>13 206</b>     |
| <b>Total shareholders' equity and liabilities</b> | <b>33 178</b>     | <b>29 319</b>     |

|   | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|---|-------------------|-------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                  |                   |                   |
| Operating profit  | 2 884             | 3 150             |
| Adjustments to operating profit   | 1 815             | 1 685             |
| Change in working capital   | -2 834            | 58                |
| Change in stock   | -2 096            | 338               |
| Change in short-term receivables  | -3 915            | -2 249            |
| Change in short-term liabilities  | 3 178             | 1 969             |
| Interest income   | 15                | 13                |
| Interest payments   | -151              | -174              |
| Dividends received  | 0                 | 0                 |
| Other financial items   | -25               | 0                 |
| Taxes   | -790              | -246              |
| <b>Cash flow from operating activities</b>                                  | <b>915</b>        | <b>4 486</b>      |
| <b>CASH FLOW FROM INVESTMENTS</b>   |                   |                   |
| Investments in tangible and intangibles assets                              | -1 253            | -1 020            |
| Proceeds from the disposal of tangible and intangible assets                | 10                | 1                 |
| Long-term loans granted   | 0                 | -219              |
| Repayments of long-term loan receivables                                    | 30                | 0                 |
| Subsidiaries acquired   | -926              | -493              |
| <b>Cash flow from investments</b>   | <b>-2 140</b>     | <b>-1 731</b>     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                  |                   |                   |
| Sale of own shares  | 0                 | 291               |
| Short-term loan withdrawals   | 1 000             | 0                 |
| Short-term loan repayments  | -185              | -130              |
| Long-term loan withdrawals  | 0                 | 0                 |
| Long-term loan repayments   | -832              | -934              |
| Dividends paid  | -1 287            | -597              |
| Group contributions received and paid                                       | 0                 | 0                 |
| <b>Cash flow from financing activities</b>                                  | <b>-1 305</b>     | <b>-1 370</b>     |
| Translation differences   | -149              | 13                |
| Change in cash and cash equivalents   | -2 679            | 1 397             |
| Cash and cash equivalents at the start of the financial year on 1 Jan       | 9 104             | 7 707             |
| <b>Cash and cash equivalents at the end of the financial year on 31 Dec</b> | <b>6 425</b>      | <b>9 104</b>      |

|  | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|--|-------------------|-------------------|
| <b>TURNOVER</b>  | <b>42 416</b>     | <b>35 451</b>     |
| Increase (+) / decrease (-) in stocks of finished goods        | 678               | -347              |
| Production for own use   | 22                | 35                |
| Other operating income   | 135               | 109               |
| <b>MATERIALS AND SERVICES</b>                                  |                   |                   |
| <i>Materials and supplies</i>                                  |                   |                   |
| <i>Purchases during the financial year</i>                     | -16 342           | -11 810           |
| <i>Increase (+) / decrease (-) in stocks</i>                   | 144               | 85                |
| <i>External services</i>                                       | -3 274            | -2 648            |
| Materials and services, total                                  | -19 472           | -14 373           |
| <b>PERSONNEL COSTS</b>   |                   |                   |
| Total personnel costs  | -11 539           | -10 134           |
| <b>DEPRECIATION AND AMORTISATION</b>                           |                   |                   |
| <i>Planned depreciation</i>                                    | -1 030            | -897              |
| Total depreciation and amortisation                            | -1 030            | -897              |
| <b>OTHER OPERATING COSTS</b>                                   |                   |                   |
| Other operating costs, total                                   | -9 876            | -8 018            |
| <b>Operating profit</b>  | <b>1 335</b>      | <b>1 827</b>      |
| <b>FINANCIAL INCOME AND EXPENSES</b>                           |                   |                   |
| <i>Income from participations in Group undertakings</i>        | <b>268</b>        | <b>198</b>        |
| <i>Income from other investments in fixed assets</i>           |                   |                   |
| <i>From others</i>   | 0                 | 0                 |
| <i>Other interest and financial income</i>                     |                   |                   |
| <i>From Group companies</i>                                    | 7                 | 10                |
| <i>From others</i>   | 12                | 9                 |
| <i>Interest and other financial expenses</i>                   |                   |                   |
| <i>To others</i>   | -89               | -92               |
| <i>Exchange rate differences</i>                               | -21               | -7                |
| <i>Reduction in value of investments held as current asset</i> | -200              | 0                 |
| Total financial income and expenses                            | -24               | 118               |
| <b>Profit before appropriations and taxes</b>                  | <b>1 312</b>      | <b>1 945</b>      |
| <b>APPROPRIATIONS</b>  |                   |                   |
| <i>Increase (-) / decrease (+) in depreciation difference</i>  | 77                | 42                |
| Total appropriations   | 77                | 42                |
| <b>INCOME TAXES</b>  |                   |                   |
| <i>Taxes for the financial year</i>                            | -312              | -306              |
| Total income taxes   | -312              | -306              |
| <b>Profit for the financial year</b>                           | <b>1 077</b>      | <b>1 682</b>      |

|  | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|--|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                            |                   |                   |
| <b>INTANGIBLE ASSETS</b>                             |                   |                   |
| <i>Development costs</i>                             | 0                 | 35                |
| <i>Intellectual property rights</i>                  | 144               | 151               |
| <i>Other long-term expenses</i>                      | 933               | 1 194             |
| <i>Advance payments</i>                              | 178               | 32                |
| Total intangible assets                              | 1 255             | 1 413             |
| <b>TANGIBLE ASSETS</b>                               |                   |                   |
| <i>Land and water areas</i>                          | 140               | 140               |
| <i>Buildings and structures</i>                      | 243               | 303               |
| <i>Machinery and equipment</i>                       | 1 247             | 1 573             |
| <i>Other tangible assets</i>                         | 36                | 36                |
| <i>Advance payments and acquisitions in progress</i> | 144               | 5                 |
| Total tangible assets                                | 1 809             | 2 057             |
| <b>INVESTMENTS</b>                                   |                   |                   |
| <i>Participations in Group companies</i>             | 5 497             | 4 354             |
| <i>Other shares and participations</i>               | 882               | 882               |
| Total investments                                    | 6 379             | 5 236             |
| <b>Total non-current assets</b>                      | <b>9 443</b>      | <b>8 705</b>      |
| <b>CURRENT ASSETS</b>                                |                   |                   |
| <b>STOCK</b>   |                   |                   |
| <i>Materials and supplies</i>                        | 505               | 363               |
| <i>Unfinished products</i>                           | 287               | 172               |
| <i>Finished products</i>                             | 3 654             | 3 006             |
| Total stock  | 4 446             | 3 541             |
| <b>LONG-TERM RECEIVABLES</b>                         |                   |                   |
| <i>Receivables from Group undertakings</i>           | 187               | 464               |
| <i>Loan receivables</i>                              | 220               | 220               |
| Total long-term receivables                          | 407               | 684               |
| <b>SHORT-TERM RECEIVABLES</b>                        |                   |                   |
| <i>Accounts receivable</i>                           | 4 024             | 3 034             |
| <i>Receivables from Group undertakings</i>           | 2 281             | 340               |
| <i>Other receivables</i>                             | 334               | 395               |
| <i>Prepayments and accrued income</i>                | 344               | 458               |
| Total short-term receivables                         | 6 983             | 4 227             |
| <b>CASH AND CASH EQUIVALENTS</b>                     |                   |                   |
| Cash and cash equivalents, total                     | 2 413             | 6 506             |
| <b>Total current assets</b>                          | <b>14 249</b>     | <b>14 958</b>     |
| <b>Total assets</b>                                  | <b>23 692</b>     | <b>23 664</b>     |

|   | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|---|-------------------|-------------------|
| <b>SHAREHOLDERS' EQUITY</b>                       |                   |                   |
| Share capital                                     | 815               | 815               |
| Invested non-restricted equity reserve            | 291               | 291               |
| Retained earnings (loss)                          | 11 761            | 11 282            |
| Profit for the financial year                     | 1 077             | 1 682             |
| <b>Total shareholders' equity</b>                 | <b>13 945</b>     | <b>14 069</b>     |
| <b>ACCRUED APPROPRIATIONS</b>                     |                   |                   |
| Depreciation difference                           | 0                 | 77                |
| Total accrued appropriations                      | 0                 | 77                |
| <b>LIABILITIES</b>                                |                   |                   |
| <b>LONG-TERM LIABILITIES</b>                      |                   |                   |
| Loans from credit institutions                    | 1 500             | 2 250             |
| Total long-term liabilities                       | 1 500             | 2 250             |
| <b>SHORT-TERM LIABILITIES</b>                     |                   |                   |
| Loans from credit institutions                    | 1 750             | 770               |
| Advance payments received                         | 445               | 1 595             |
| Accounts payable                                  | 1 815             | 1 578             |
| Amounts owed to Group undertakings                | 1 669             | 477               |
| Other liabilities                                 | 454               | 280               |
| Accruals and deferred income                      | 2 114             | 2 567             |
| Total short-term liabilities                      | 8 248             | 7 267             |
| <b>Total liabilities</b>                          | <b>9 748</b>      | <b>9 517</b>      |
| <b>Total shareholders' equity and liabilities</b> | <b>23 692</b>     | <b>23 664</b>     |

|   | 01.01.-31.12.2018 | 01.01.-31.12.2017 |
|---|-------------------|-------------------|
| OPERATING PROFIT  | 1 335             | 1 808             |
| Adjustments to operating profit   | 1 033             | 895               |
| Change in working capital   | -3 448            | 986               |
| Increase (-) / decrease (+) in stock  | -905              | 220               |
| Increase (-) / decrease (+) in short-term non-interest bearing receivables  | -2 148            | -994              |
| Increase (+) / decrease (-) in short-term non-interest bearing liabilities  | -395              | 1 760             |
| Interest received from business operations (+)                              | 17                | 18                |
| Interest paid and payments for other financial expenses (-)                 | -89               | -102              |
| Dividends received  | 268               | 199               |
| Other financial items   | -21               | 0                 |
| Direct taxes paid   | -625              | 111               |
| <b>Cash flow from operating activities</b>                                  | <b>-1 529</b>     | <b>3 917</b>      |
| <b>CASH FLOW FROM INVESTMENTS</b>   |                   |                   |
| Investments in tangible and intangibles assets                              | -638              | -1 346            |
| Proceeds from the disposal of tangible and intangible assets                | 10                | 2                 |
| Repayments of loan receivables  | 277               | -212              |
| Subsidiaries acquired   | -1 243            | 0                 |
| Interest received on investments  | 2                 | 0                 |
| <b>Cash flow from investments</b>   | <b>-1 592</b>     | <b>-1 556</b>     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                  |                   |                   |
| Sale of own shares  | 0                 | 291               |
| Short-term loan withdrawals   | 980               | 0                 |
| Short-term loan repayments  | 0                 | -112              |
| Long-term loan withdrawals  | 0                 | 0                 |
| Long-term loan repayments   | -750              | -750              |
| Dividends paid  | -1 202            | -400              |
| <b>Cash flow from financing activities</b>                                  | <b>-972</b>       | <b>-971</b>       |
| CHANGE IN CASH AND CASH EQUIVALENTS   | -4 093            | 1 389             |
| Cash and cash equivalents at the start of the financial year on 1 Jan       | 6 506             | 5 117             |
| Cash and cash equivalents transferred in the merger                         |                   |                   |
| <b>Cash and cash equivalents at the end of the financial year on 31 Dec</b> | <b>2 413</b>      | <b>6 506</b>      |



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