

Annual Review 2022



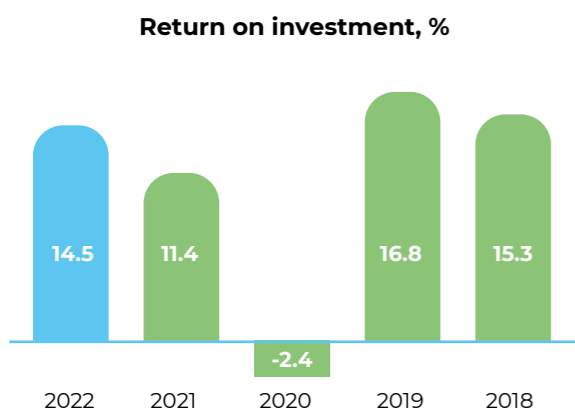
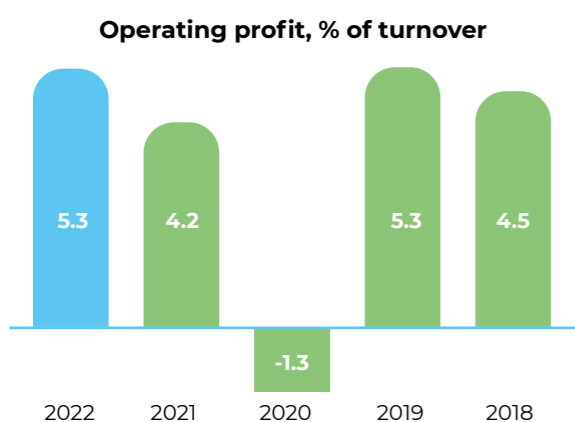
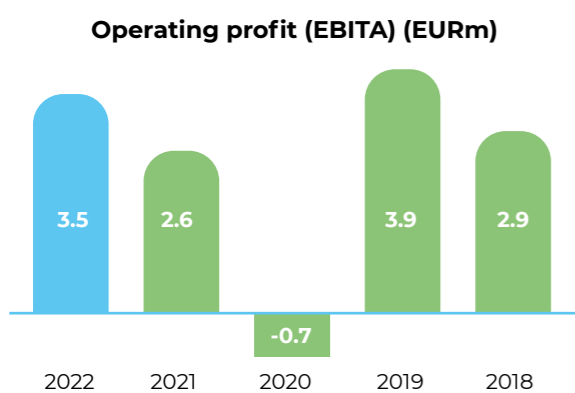
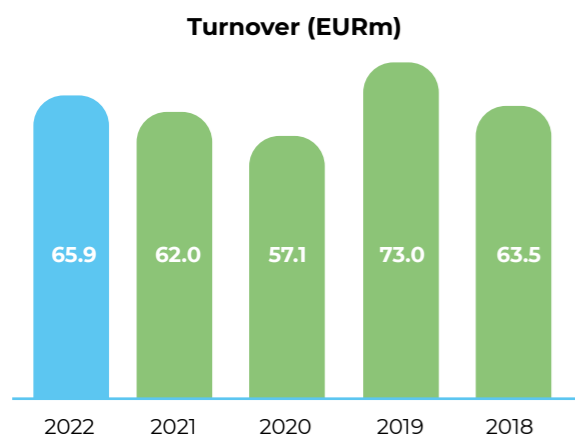
Lappset – Movement for every heartbeat.

We are Lappset Group Oy, one of the world's leading manufacturers of playground and sports equipment as well as themed attractions.

We create responsible, interactive, and high-quality products and services for our customers that reflect our shared mission: to strengthen and improve the heartbeat and well-being of a billion people.

We bring the benefits of exercise to everyone, regardless of age or ability, because we believe that the joy of exercise belongs to all.





Annual Review 2022

2022 was a challenging year in many ways

2022 was a challenging year in many ways. After the unknowns of the Covid pandemic, economic uncertainty continued with the war in Ukraine, high inflation, and rising interest rates. In addition to the prices of raw materials and freight, the price of energy rose sharply during the financial year, resulting in two price increases for the products of the company during the period.

Turnover increased and profitability improved

The Group's turnover grew by 6.3% from the previous year as the Finnish operations, subsidiaries, and retailers increased their turnover. The turnover of the Lappset Creative Works business unit (theme park business) was at last year's level, but profitability improved significantly. All business operations managed to improve their EBITDA margin. The positive development in operating profit was driven by successful sales and operational efficiency improvements, as well as anticipated procurement. Organisation and personnel

The Group continued the organisational change of the previous year by supporting the development of international operational teams and paying particular attention to well-being at work in an uncertain global climate.

Group personnel on 31 Dec	2022	2021	2020	2019	2018
Finland, white-collar employees	150	144	148	152	128
Finland, blue-collar employees	88	95	116	110	105
Other countries, white-collar employees	97	94	91	89	87
Other countries, blue-collar employees	47	50	45	74	72
Total	382	383	400	432	392

Administration

In 2022, the company's Board of Directors was chaired by Johanna Ikäheimo, and its members were Katja Ikäheimo-Länkinen, Heikki Martela, and Kimmo Lautanen. Tero Ylinenpää served as the Managing Director. KPMG Oy Ab acted as the auditor of the company.

Investments

During the financial year, the most significant investments were related to the development of ICT systems supporting operations.

Company shares

The company's share capital is as follows: 2022: 410,402 shares (2021: 410,402 shares). All shares carry the same right to dividends and company assets.

The company holds 11,916 (11,916) own shares, corresponding to 2.9% (0.4%) 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.

Proposal of the Board of Directors concerning the disposal of the profit for the financial year

The parent company's distributable funds are EUR 15,907,072.21, of which the profit for the financial year is EUR 3,918,251.94. The Board of Directors proposes to the General Meeting that the profit for the period be distributed as follows:

- a dividend of EUR 2.00 per share, totalling EUR 796,972.00
- deposited in the retained earnings account, EUR 3,121,279.94

No material changes have taken place in the company's financial position after the balance sheet date. The company's liquidity is good.

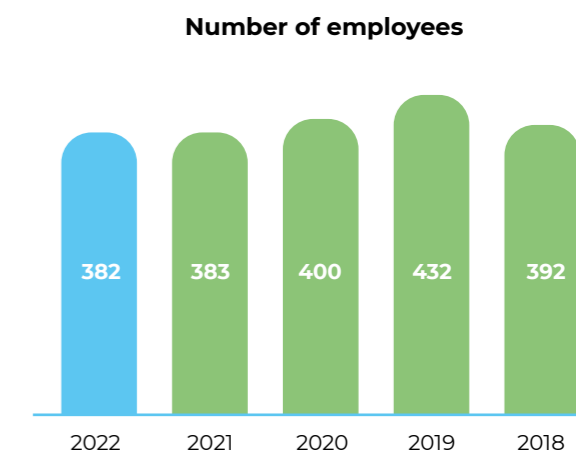
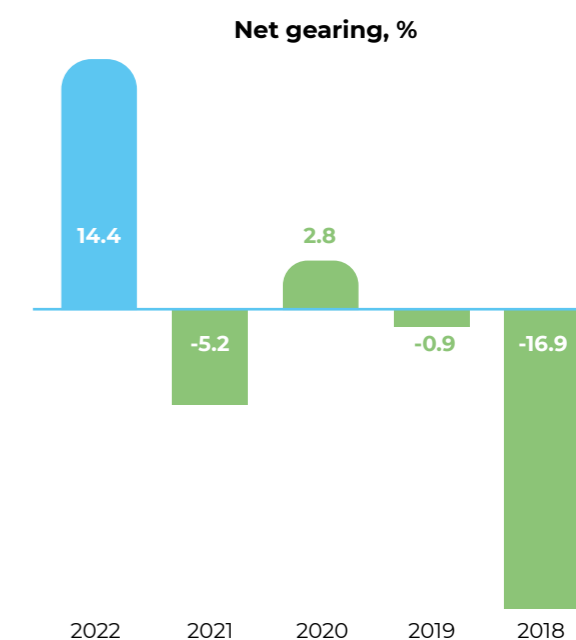
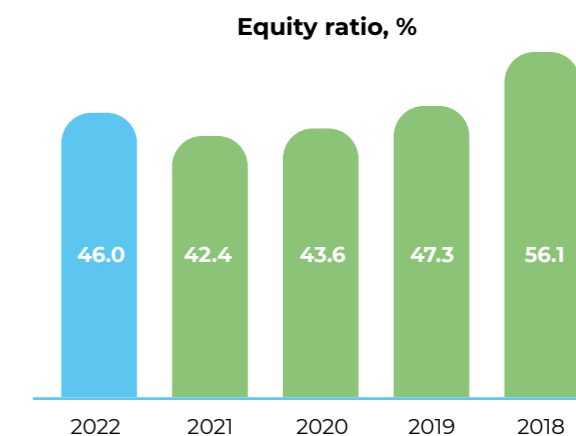
Notable changes since the end of the financial year

The labour market situation is expected to be tight in the early part of the year as pay pressures increase.

Short-term uncertainties and future prospects

Inflation is expected to ease in the current year, but it will still affect growth in the global economy, which may slow down with high inflation eroding purchasing power and high interest rates undermining growth. The prolonged war may also weaken the economic outlook. The energy crisis and its adverse effects are projected to level off. The most significant risks for the company relate to the general economic situation and the potential weakening of demand.

Lappset Group Oy's Board of Directors Rovaniemi, 23 February 2023



Group

Income statement
Balance Sheet, Assets
Balance Sheet, Liabilities
Cash Flow Statement



Group

Income statement

	01.01.-31.12.2022	01.01.-31.12.2021
TURNOVER	65 899 133	61 999 005
Increase (+) / decrease (-) in stocks of finished goods	4 032 932	404 389
Production for own use	51 970	19 480
Other operating income	260 963	169 851
Materials and services		
Materials and supplies		
Purchases during the financial year	-20 297 660	-19 034 561
Increase (+) / decrease (-) in stocks	1 268 312	579 072
External services	-7 589 084	-6 942 276
Materials and services, total	-26 618 432	-25 397 765
Personnel costs	-22 202 137	-19 605 018
Depreciation and amortisation		
Planned depreciation	-1 285 835	-1 458 756
Amortisation of consolidated goodwill	-243 920	-243 920
Total depreciation and amortisation	-1 529 755	-1 702 676
Other operating costs	-16 427 657	-13 309 281
OPERATING PROFIT	3 467 018	2 577 986
Financial income and expenses		
Income from other investments in fixed assets		
From others	99 988	45 977
Other interest and financial income		
From others	74 956	8 949
Interest and other financial expenses		
To others	-274 660	-187 491
Exchange rate differences	-45 998	-58 194
Total financial income and expenses	-145 715	-190 760
PROFIT BEFORE APPROPRIATIONS AND TAXES	3 321 304	2 387 226
Income taxes		
Taxes for the financial year	-635 489	-769 877
Taxes for previous years	163 506	835
Deferred taxes	-72 317	111 659
Total income taxes	-544 300	-657 383
Minority interest	-	-
PROFIT FOR THE FINANCIAL YEAR	2 777 004	1 729 843

Group

Balance Sheet, Assets

	31.12.2022	31.12.2021
NON-CURRENT ASSETS		
Intangible assets		
Development costs	305 678	237 885
Intellectual property rights	24 691	41 560
Consolidated goodwill	919 458	1 163 378
Other long-term expenses	1 435 959	1 643 605
Advance payments	1 952 354	1 326 379
Total intangible assets	4 638 139	4 412 806
Tangible assets		
Land and water areas	528 974	562 069
Buildings and structures	3 171 605	3 458 230
Machinery and equipment	1 151 156	1 377 032
Other tangible assets	175 078	160 726
Advance payments and acquisitions in progress	109 628	295 631
Total tangible assets	5 136 441	5 853 688
Investments		
Other shares and participations	857 402	857 402
Total investments	857 402	857 402
TOTAL NON-CURRENT ASSETS	10 631 982	11 123 896
CURRENT ASSETS		
Stock		
Materials and supplies	2 717 296	1 661 041
Unfinished products	1 748 000	1 474 463
Finished products	8 603 326	5 555 053
Total stock	13 068 622	8 690 558
Long-term receivables		
Accounts receivable	35 541	-
Loan receivables	552 066	598 263
Deferred tax receivables	27 427	25 451
Other receivables	427 745	307 601
Total long-term receivables	1 042 778	931 314
Short-term receivables		
Accounts receivable	9 589 397	7 344 785
Deferred tax receivables	264 674	334 319
Loan receivables	62 268	59 705
Other receivables	1 054 934	1 043 016
Prepayments and accrued income	1 701 452	2 326 314
Total short-term receivables	12 672 725	11 108 139
Cash and cash equivalents	6 376 741	8 851 776
TOTAL CURRENT ASSETS	33 160 866	29 581 788
TOTAL ASSETS	43 792 847	40 705 683

Group

Balance Sheet, Liabilities

	31.12.2022	31.12.2021
SHAREHOLDERS' EQUITY		
Share capital	814 804	814 804
Invested non-restricted equity reserve	356 546	356 546
Retained earnings (loss)	12 881 273	12 426 628
Profit for the financial year	2 777 003	1 729 843
TOTAL SHAREHOLDERS' EQUITY	16 829 626	15 327 821
LIABILITIES		
Long-term liabilities		
Subordinated loans	-	25 000
Loans from credit institutions	1 950 000	2 750 000
Deferred tax liabilities	10 781	14 489
Other liabilities	97 294	145 941
Total long-term liabilities	2 058 075	2 935 430
Short-term liabilities		
Loans from credit institutions	6 850 000	5 300 000
Advance payments received	7 225 082	4 553 763
Accounts payable	3 547 452	3 931 221
Other liabilities	1 709 068	1 459 529
Accruals and deferred income	5 572 238	7 196 328
Deferred tax liabilities	1 306	1 591
Total short-term liabilities	24 905 146	22 442 432
TOTAL LIABILITIES	26 963 221	25 377 862
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43 792 847	40 705 683

Group

Cash Flow Statement

	01.01.-31.12.2022	01.01.-31.12.2021
Cash flow from operating activities		
Operating profit	3 467 018	2 577 986
Adjustments to operating profit	1 456 347	1 666 625
Change in working capital	-5 444 994	-398 129
Change in stock	-4 456 207	-755 505
Change in short-term receivables	-1 985 465	-2 139 285
Change in short-term liabilities	996 678	2 496 661
Interest income	74 956	8 949
Interest payments	-267 224	-185 847
Dividends received	308	278
Other financial items	-45 998	-58 194
Taxes	-462 103	-504 216
Cash flow from operating activities	-1 221 691	3 107 451
Cash flow from investments		
Investments in tangible and intangibles assets	-1 214 027	-1 144 658
Proceeds from the disposal of tangible and intangible assets	77 808	28 596
Proceeds from sale of other investments		45 684
Repayments of long-term loan receivables	46 197	20 749
Dividends received on investments	99 988	
Cash flow from investments	-990 034	-1 049 628
Cash flow from financing activities		
Short-term loan withdrawals	4 000 000	3 500 000
Short-term loan repayments	-2 500 000	-2 700 000
Long-term loan repayments	-700 291	-2 324 217
Dividends paid	-1 195 458	-597 729
Cash flow from financing activities	-395 749	-2 121 946
Translation differences	132 439	8 628
Change in cash and cash equivalents	-2 475 035	-55 495
Cash and cash equivalents at the start of the year on 1 Jan	8 851 776	8 907 271
Cash and cash equivalents at the end of the year on 31 Dec	6 376 741	8 851 776

Parent company

Income Statement
Balance Sheet, Assets
Balance Sheet, Liabilities
Cash Flow Statement



Income Statement

	01.01.-31.12.2022	01.01.-31.12.2021
TURNOVER	46 080 259	43 681 500
Increase (+) / decrease (-) in stocks of finished goods	2 910 062	526 788
Production for own use	51 006	16 310
Other operating income	176 212	170 340
Materials and services		
Materials and supplies		
Purchases during the financial year	-17 325 928	-17 862 197
Increase (+) / decrease (-) in stocks	878 756	396 362
External services	-4 561 217	-3 378 028
Materials and services, total	-21 008 389	-20 843 863
Personnel costs	-14 179 690	-12 180 017
Depreciation and amortisation		
Planned depreciation	-725 788	-890 979
Total depreciation and amortisation	-725 788	-890 979
Other operating costs	-10 965 943	-8 450 102
OPERATING PROFIT	2 337 728	2 029 978
Financial income and expenses		
Income from participations in Group undertakings	1 897 570	150 000
Income from other investments in fixed assets		
From others	99 988	45 977
Other interest and financial income		
From Group companies	48 963	49 163
From others	65 429	6 463
Interest and other financial expenses		
To others	-232 195	-142 379
Exchange rate differences	-9 913	-90 218
Total financial income and expenses	1 869 841	19 006
PROFIT BEFORE APPROPRIATIONS AND TAXES	4 207 569	2 048 984
Appropriations		
Increase (-) / decrease (+) in depreciation difference	-1 366	337
Group contribution	-	-34 500
Total appropriations	-1 366	-34 163
Income taxes		
Taxes for the financial year	-287 951	-477 819
Total income taxes	-287 951	-477 819
PROFIT FOR THE FINANCIAL YEAR	3 918 252	1 537 002

Balance Sheet, Assets

	31.12.2022	31.12.2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development costs	152 122	-
Intellectual property rights	7 308	33 881
Other long-term expenses	725 497	743 462
Advance payments	1 952 354	1 326 379
Total intangible assets	2 837 281	2 103 722
Tangible assets		
Land and water areas	139 728	139 728
Buildings and structures	2 687 847	2 852 849
Machinery and equipment	672 188	849 493
Other tangible assets	35 865	35 865
Advance payments and acquisitions in progress	109 628	295 631
Total tangible assets	3 645 257	4 173 566
Investments		
Participations in Group companies	6 580 593	6 580 593
Receivables from Group undertakings	230 000	230 000
Other shares and participations	854 902	854 902
Total investments	7 665 495	7 665 495
TOTAL NON-CURRENT ASSETS	14 148 032	13 942 782
CURRENT ASSETS		
Stock		
Materials and supplies	1 452 244	723 954
Unfinished products	1 616 419	1 317 080
Finished products	6 932 071	4 230 089
Total stock	10 000 734	6 271 123
Long-term receivables		
Receivables from Group undertakings	2 034 624	2 033 531
Loan receivables	552 066	568 557
Other receivables	409 363	289 220
Total long-term receivables	2 996 053	2 891 308
Short-term receivables		
Accounts receivable	3 940 172	2 925 662
Receivables from Group undertakings	2 456 661	1 320 091
Loan receivables	58 563	55 995
Other receivables	597 851	532 320
Prepayments and accrued income	854 046	1 665 656
Total short-term receivables	7 907 292	6 499 723
Cash and cash equivalents	2 254 699	4 826 344
TOTAL CURRENT ASSETS	23 158 779	20 488 499
TOTAL ASSETS	37 306 811	34 431 281

Balance Sheet, Liabilities

	31.12.2022	31.12.2021
SHAREHOLDERS' EQUITY		
Share capital	814 804	814 804
Invested non-restricted equity reserve	356 546	356 546
Retained earnings (loss)	11 784 397	11 442 853
Profit for the financial year	3 918 252	1 537 002
TOTAL SHAREHOLDERS' EQUITY	16 873 999	14 151 205
ACCRUED APPROPRIATIONS		
Depreciation difference	14 611	13 245
TOTAL ACCRUED APPROPRIATIONS	14 611	13 245
LIABILITIES		
Long-term liabilities		
Loans from credit institutions	1 950 000	2 750 000
Total long-term liabilities	1 950 000	2 750 000
Short-term liabilities		
Loans from credit institutions	6 850 000	5 300 000
Advance payments received	3 425 867	2 978 617
Accounts payable	2 453 580	3 120 745
Amounts owed to Group undertakings	891 249	865 065
Other liabilities	821 094	549 505
Accruals and deferred income	4 026 411	4 702 900
Total short-term liabilities	18 468 201	17 516 831
TOTAL LIABILITIES	20 418 201	20 266 831
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	37 306 811	34 431 281

Cash Flow Statement

	01.01.-31.12.2022	01.01.-31.12.2021
Operating profit	2 337 728	2 029 978
Adjustments to operating profit	680 106	870 479
Change in working capital	-5 966 180	1 415 531
Increase (-) / decrease (+) in stock	-3 729 611	-601 049
Increase (-) / decrease (+) in short-term non-interest bearing receivables	-1 536 276	-1 773 143
Increase (+) / decrease (-) in short-term non-interest bearing liabilities	-700 294	3 789 723
Interest received from business operations (+)	65 429	6 464
Interest paid and payments for other financial expenses (-)	-222 234	-143 260
Dividends received	1 897 570	150 293
Other financial items	-9 913	-90 218
Direct taxes paid	-187 685	-348 970
Cash flow from operating activities	-1 405 180	3 890 298
Cash flow from investments		
Investments in tangible and intangibles assets	-931 038	-955 145
Proceeds from the disposal of tangible and intangible assets	45 682	20 500
Capital losses on disposal of tangible and intangible assets		
Loans extended	-1 093	-863 531
Repayments of loan receivables	16 491	20 749
Subsidiaries sold		295 019
Interest received on investments	48 963	49 163
Dividends received on investments	99 988	
Cash flow from investments	-721 007	-1 433 245
Cash flow from financing activities		
Short-term loan withdrawals	4 000 000	3 500 000
Short-term loan repayments	-2 500 000	-2 700 000
Long-term loan repayments	-750 000	-2 350 000
Dividends paid	-1 195 458	-597 729
Cash flow from financing activities	-445 458	-2 147 729
Change in cash and cash equivalents	-2 571 645	309 324
Cash and cash equivalents at the start of the year on 1 Jan	4 826 344	4 517 021
Cash and cash equivalents at the end of the year on 31 Dec	2 254 699	4 826 344

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
Development costs	5 years
Other long-term expenses	5–10 years
Buildings	25 years
Structures	10 years
Production equipment	7 years; 10 years as of 1 December 2019
Machinery and equipment	3–7 years
Consolidated goodwill	5 years; 10 years as of 1 December 2019

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 800) 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 acquisition cost, replacement cost or probable realisable value, whichever is the lowest. 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 (EUR) 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 EUR 1 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 5 years, and 10 years for acquisitions after 1 November 2019.

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 (EUR) 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'.





Lappset Group Oy

PL 8146, Hallitie 17

96101 Rovaniemi

Finland

sales@lappset.com

lappset.com



#LAPPSET @LAPPSETGROUP