

# Kompan



Written exam after 1<sup>st</sup> semester

## Skriftlig eksamen efter 1. semester

The basis for the company's sale

### Virksomhedens salgsgrundlag

12 January 2012 / 12. januar 2012

08.30-14.30

*This exam case consists of 4 assignments carrying the following weights in the total assessment of the paper*

*Dette opgavesæt består af 4 opgaver, der indgår i bedømmelsen af den samlede opgavebesvarelse med følgende vejledende vægte*

Assignment/Opgave 1:	20 %
Assignment/Opgave 2:	25 %
Assignment/Opgave 3:	40 %
Assignment/Opgave 4:	15 %

Assignments: (In Danish below)

## Assignment 1 (20%)

### Assignment 1.1 Assessments of international worldwide relations. ( 8%)

In the annual report from 2010, Kompan's management states the following outlook:

*"In 2011, KOMPAN expects to report a further increase in revenue and net results."*

In connection to the Forecast for GDP and Public finances enclosed in Appendix E, **how will you evaluate this statement when you consider:**

- Kompan generates the vast part of revenue from direct or indirect sales to public authorities? ( see eventually Appendix F, Commercial Risks)
- Kompan's actual revenue breakdown on geographical areas? ( see Appendix D, Segment Information)

### Assignment 1.2 Measuring and Managing Customer Relationships (12%)

As responsible for sales and marketing in Kompan, you want to implement better *Measuring and Managing Customer Relationships* in order to Increase *Customer profitability*

#### Assignment 1.2.1: (4%)

Explain what kind of tools / models in general you could consider to implement.

At the moment, the problem is that you will have to choose between two target customers as Kompan does not have sufficient financial resources to approach both customers. Your choice is to approach the customer with the highest Customer Lifetime Value (CLV). The total cost for both the new customers is 300.000\$. Which of the 2 customers will have the highest CLV when we expect the following net results for the next 5 years? See the table below.

Table: expected net results for two potential customers (all amounts in 1.000 \$).

Customer:	Budgets				
	2012	2013	2014	2015	2016
Public authorities	200	200	150	150	50
Sales Agents	100	100	150	200	200

#### Assignment 1.2.2: (4%).

Which customer will you choose? You do not need to make calculations; it is enough to make argumentations. In your argument consider what the management has written in the section DEBTORS in Appendix F.

#### Assignment 1.2.3: (4%)

What are the critical parameters for calculating CLV?

## **Assignment 2 (25%)**

Please complete an analysis of Kompan's business model and their innovative competencies, and assess whether the company has the skills needed so they can continue to be a global leader in their field.

## **Assignment 3 (40%)**

### **Assignment 3.1. (10%)**

Identify the different types of customers that Kompan has by analyzing the customer profiles in Appendix B. Argue for the differences in the buying processes.

### **Assignment 3.2. (15%)**

Using examples of Kompan's market segments, suggest possible ways that Kompan can:

- 1) maintain these markets
- 2) acquire new customers in the same markets and
- 3) win customers in new markets.

### **Assignment 3.3. (15%)**

Make a critical assessment of the factors that drive Kompan's strategic development in the market segments you have outlined in Assignment 3.2. In your assessment, consider the strategic significance of Kompan's distributors. Please note the detailed list of distributors given in Appendix C.

## **Assignment 4 (15%)**

### **Assignment 4.1. (3%)**

Give a legally justified explanation of advantages of buying the Dutch and the Norwegian firm in 2011 compared with other means of distribution in Holland and Norway.

### **Assignment 4.2. (2%)**

Kompan gives a warranty (see Appendix A) for their products. Give a legally justified explanation how the warranty deviates from the rules in the CISG.

### **Assignment 4.3. (10%)**

Imagine that Kompan has delivered goods for a playground in Germany in June 2011. In the first week of January 2012 the buyer complains that the material does not comply with Kompan's warranty. However Kompan denied this. The German customer has already paid the purchase price, and now the customer at least wants the money back. Please give a legally justified explanation of which country a possible court case might take place (venue) and the remedies of the German buyer and the actions that Kompan might do in order to avoid such remedies as much as possible.

## Opgave 1 (20%)

### Opgave 1.1: Vurdering af omverdens forhold.(8%)

I Kompans årsrapport 2010 udtaler ledelsen følgende:

**“Kompan forventer, at der i 2011 vil være fortsat fremgang i omsætningen og nettoresultatet.”**

Med baggrund i forventningerne til *GDP* og *Public finances* som er vist i appendix E, **hvordan vil du vurdere ledelsens forventninger til 2011, når det samtidig af årsrapporten fremgår?**

- 1) Størstedelen af Kompans omsætning sker direkte eller indirekte til offentlige myndigheder (se eventuelt appendix F, *Commercial Risks*)
- 2) Kompans aktuelle opdeling af omsætning på geografiske områder (se *segment information in appendix D*)

### Opgave 1.2: Measuring and Managing Customer Relationships (12%).

Som ansvarlig for salg og marketing i Kompan ønsker du at implementere bedre *Measuring and Managing Customer Relationships* med det formål at øge *Customer profitability*.

#### Opgave 1.2.1: (4%)

Forklar hvilke metoder / modeller som du kunne overveje at implementere.

Lige nu er problemstilling at du skal vælge mellem 2 *target* kunder, vælge fordi Kompan ikke har de finansielle ressourcer til at "gå" efter begge kunder. Du bestemmer dig for at vælge den kunde med det højeste *Customer Lifetime Value (CLV)*. Omkostningen for at få kunderne anslås til at være 300.000 \$ for begge kunder. Hvem af de 2 kunder vil have det højeste CLV, når vi forventer følgende resultat for de næste 5 år, se tabellen nedenfor.

Tabel : Forventet netto resultat for de 2 potentielle kunder.( alle beløb i 1.000 \$)

Customer:	Budgets				
	2012	2013	2014	2015	2016
Public authorities	200	200	150	150	50
Sales Agents	100	100	150	200	200

#### Opgave 1.2.2: (4%)

Hvilken kunde vil du vælge? Du behøver ikke at foretage beregninger, det vil være tilstrækkeligt at foretage diskussioner og argumentationer for din CLV vurdering. I din argumentation bør du inddrage ledelsens udtalelser i afsnittet DEBITORER i appendix F.

#### Opgave 1.2.3: (4%)

Hvad er de kritiske parametre for at kunne beregne eller opgøre CLV?

## **Opgave 2 (25%)**

Du bedes gennemføre en analyse af Kompan's forretningsmodel og deres innovative kompetencer, samt vurdere om virksomheden besidder de kompetencer der skal til, således de kan forsætte med at være en global markedsleder indenfor deres område.

## **Opgave 3 (40%)**

### **Opgave 3.1 (10%)**

Identificer de forskellige kundegrupper som Kompan har, ved at analysere kundeprofilerne i Appendix B. Argumenter for forskellene i købsprocesserne.

### **Opgave 3.2 (15%)**

Med udgangspunkt i en analyse af Kompan's markedssegmenter bedes du foreslå mulige løsninger, så Kompan

- 1) kan bevare disse markeder
- 2) erhverve nye kunder på de samme markeder og
- 3) vinde nye kunder på nye markeder.

### **Opgave 3.3 (15%)**

Du bedes foretage en kritisk vurdering af de faktorer der er afgørende for Kompan's strategiske udvikling i de markedssegmenter som du har skitseret i opgave 3.2. I din vurdering bedes du forholde dig til den strategiske betydning af Kompan's distributører. Vær opmærksom på den detaljerede liste af distributører, der er angivet i Appendix C.

## **Opgave 4 (15%)**

### **Opgave 4.1. (3%)**

Giv en juridisk begrundet forklaring på fordelene ved at købe det hollandske og det norske firma i 2011 sammenlignet med andre former for distribution i Holland og Norge.

### **Opgave 4.2. (2%)**

Kompan giver en garanti "warranty" (se Appendix A) for deres produkter. Giv en juridisk begrundet forklaring på, hvordan garantien afviger fra reglerne i CISG.

### **Opgave 4.3. (10%)**

Forestil dig, at Kompan har leveret varer til en legeplads i Tyskland i juni 2011. I den første uge af januar 2012 klager køberen over, at materialet ikke er i overensstemmelse med Kompan's warranty. Men Kompan benægtede dette. Den tyske kunde har allerede har betalt købsprisen, og kunden ønsker nu i det mindste pengene tilbage. Giv en juridisk begrundet forklaring på, i hvilket land en eventuel retssag vil finde sted (værneting), og de retsmidler, den tyske køber har, og de handlinger, som Kompan kan gøre, for at undgå sådanne retsmidler så meget som muligt.

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## The History of Kompan

### From art to play

35 years ago a young artist named Tom Lindhardt Wils witnessed an event which changed the world of children's play. One of his bright, large sculptures had been placed in a new housing estate to add colour to the otherwise drab surroundings. When he discovered that children were more interested in playing on it than admiring it, he began working on creating a dedicated, child-focused play equipment company. Together with co-founder Hans Mogens Frederiksen he turned KOMPAN into an international company.



Today KOMPAN is the world's leading specialist in play solutions for all age groups – and we are still growing globally. Society as a whole has a greater understanding of the importance of play, in particularly with regards to how it is intrinsically linked to learning, health and social development.

### Production and launches

**1970** Tom Lindhardt Wils and Hans Mogens Frederiksen founded the company under the name Multikunst Legepladser I/S, which is subsequently changed to KOMPAN A/S.

**1973** The first export initiatives are undertaken

**1979** The first sales subsidiary is founded in Germany.

**1986** KOMPAN is listed on the Copenhagen Stock Exchange.

**1998** Launch of the KOMPAN GALAXY™ product line.

**2001** Launch of the product line KOMPAN ELEMENTS™.

**2003** Launch of the product line KOMPAN FREEGAME™ by acquiring Sarl Sporadix, France.

**2004** Manufacture and distribution of KOMPAN FREEGAME™ are relocated to Brno, the Czech Republic.

**2005** KOMPAN's shareholders accepted Nordic Capital's takeover bid and KOMPAN is delisted from the Copenhagen Stock Exchange.

**2005** Production and distribution of KOMPAN ELEMENTS™ and KOMPAN GALAXY™ are relocated to Brno, the Czech Republic.

**2006** The relocation of the production and distribution of KOMPAN MOMENTS™ to Brno, the Czech Republic is initiated.

**2007** Launch of the KOMPAN STORY MAKERS™ product line.

### Acquisitions

**2004** Acquisition of the service company Repcon B.V., the Netherlands.

**2004** Acquisition of the installation company Admiral Ltd., United Kingdom.

**2005** Acquisition of Corocord Raumnetz GmbH, Germany.

**2006** Acquisition of Lek & Sikkerhet AS, Norway.

**2007** Acquisition of Slottsbro AB, Sweden.

**2008** Acquisition of Megatoy, Play Systems Pty Ltd, Australia.

**2011** Acquisition of Dutch OVAAL SPEELCONCEPTEN

**2011** Acquisition of Norwegian Natura Norge

### 2010 - At a Glance

KOMPAN reported record results for 2010, enjoying an increase in both revenue and earnings as well as an increase in market share.



KOMPAN generated consolidated revenue of DKK 1,388 million for 2010, equivalent to an increase of 25%. Organic growth measured on the basis of a normalised level for acquisitions and divestments and foreign exchange movements accounted for a revenue increase of 6%.

- Generally, the sales volume on the Group's principal markets is estimated to be at a standstill. However, countries less troubled by the economic downturn have managed to deliver growth rates. Several Asian markets have enjoyed growth. Accordingly, in Management's opinion, KOMPAN succeeded in gaining market shares in a stagnating market.
- EBITA came in at DKK 166 million (DKK 125 million). EBITA thereby increased at a higher rate than revenue, allowing KOMPAN to report record operating results. Depreciation reached DKK 41 million for 2010 (DKK 44 million). The relatively high level of depreciation/amortisation arises from a temporary increase in amortisation of capitalised product development costs attributable to electronic playground equipment. In 2011, depreciation/amortisation will be highly on the decrease and reach a normalised annual level of approx. DKK 25 million as from 2012.
- In 2010, KOMPAN began talks with production employees in the Netherlands on the closing down of local production and subsequent transfer thereof to KOMPAN's primary facility in Brno, the Czech Republic. The talks are still in process and are deemed to be finalised during the first six months of 2011. Furthermore, in 2010 KOMPAN united the activities of the Norwegian and Swedish production facilities – with the future activities to be located in Karlstad in Sweden. Accordingly, the Norwegian production facilities have been closed down, resulting in one-off costs arising from employee compensation, inventory write-down, etc. Total costs amounted to DKK 32.8 million, which was recognised as restructuring costs in the income statement.
- Normalised results for the year after tax represented DKK 117 million (DKK 81 million) – equivalent to an increase of 44%. The profit for the year is considered satisfactory.
- Free consolidated cash flows accounted for DKK 161 million (DKK 137 million) excluding investments in new headquarters. Cash flows remained at a high level judged on the basis of earnings and "cash conversion", with free cash flows before tax in proportion to EBITA accounting for 105% (114%).
- Net interest-bearing debt closed at DKK 333 million at year end 2010 (DKK 380 million). Net interest-bearing debt in proportion to EBITDA was 1.6 at year end 2010 (2.3). Accordingly, gearing has been further reduced allowing KOMPAN to have a low debt ratio in proportion to projected cash flows.
- Since 2005, KOMPAN has pursued a global expansion strategy relying on both organic growth and acquisitions. 2010 saw the acquisitions of DICA A/S, Albert Knudsen ApS and uniQ nordic systems ApS – all in Denmark, Go Play Ltd. in Ireland and Unique Playgrounds Ltd. in Northern Ireland. Furthermore, after the acquisition in December 2009, the Belgium company, Play Mart Benelux SA (trading under the name of KOMPAN Commercial Systems SA as from 2011) was recognised for the full 2010 financial year.
- In 2010, KOMPAN conducted further training of its sales staff in sales techniques and CRM tools under the "Sales Excellence" project. The project has fostered a high degree of focus among the sales staff, allowing them to spend more time on customer affairs and less time on administrative doings. The "Sales Excellence" project is an important means to ensure organic growth.
- Having been headquartered in Ringe, Central Funen in Denmark, for almost 40 years, KOMPAN decided in 2010 to set up a new international headquarter in Odense Municipality – close to the site where the Company was set up in 1970. The new building will be occupied in the summer of 2011 and will offer future growth potential to KOMPAN.

## Global Market Leader

KOMPAN is global market leader in the development, manufacture and marketing of outdoor playground equipment and playgrounds.

The Company markets its products and solutions under the KOMPAN brand on all global markets. The Company operates via its own sales companies on the most important markets, while distributors or agents act on the less important markets.

In recent years, KOMPAN has acquired a number of niche companies within the following three groups:

1. Companies supplementing KOMPAN's existing global product portfolio (Corocord, Germany).
2. Companies strengthening KOMPAN's existing distribution channels on different geographical markets; Go Play (Ireland), Unique Playgrounds Ltd. (Northern Ireland), The Play Practice (Scotland), Piresma (Finland), the DICA Group (Denmark) and Lek & Sikkerhet (Norway and Sweden), which all have taken up sale of KOMPAN products.
3. Companies operating within delimited geographical areas, Slottsbro (Sweden) and Megatoy (Australia) or delimited customer-specific areas, KOMPAN Commercial Systems SA, which all have developed their own product lines and have a dedicated sales staff cultivating their relevant special markets.

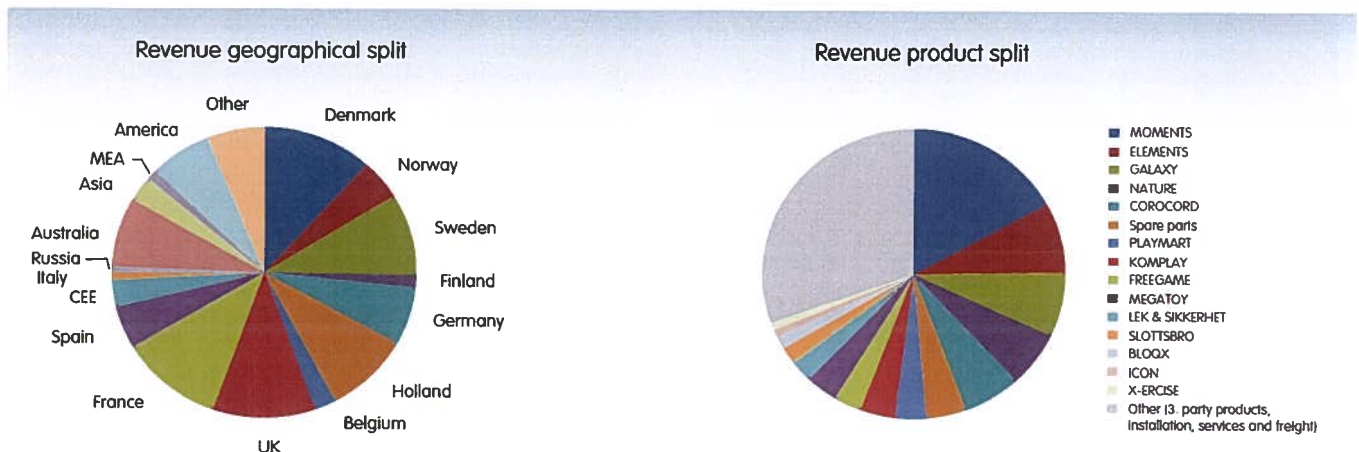
## Balanced revenue

Europe serves as KOMPAN's principal market, delivering almost 80% of revenue. Furthermore, the KOMPAN Group is market leader in Australia. In Asia, KOMPAN is the most predominant player among the global companies, but national companies operate on several markets. KOMPAN holds a profitable high-end niche position on the US market, but the market is dominated by four US companies.

KOMPAN enjoys balanced revenue broken down on the relevant countries. This promotes the existence of strong and equal local organisations and intra-group development of systems and business, meeting all business needs.

The balanced revenue allocation also strengthens KOMPAN's resistance to unfavourable trends on individual markets. Despite being faced with a decline on certain markets in 2010, KOMPAN reported a major increase in revenue and results for 2010.

Additionally, KOMPAN has a broad product range, allowing its sales staff to take prompt action on market trends based on a product range meeting the customers' needs.



In 2010, both sales of KOMPAN's own products and of third party products increased. As a result of the acquisition of the DICA Group, the sale of third party products rose at a higher pace than the sale of KOMPAN's own products, as the DICA Group primarily acts as a trading company selling the products of other manufacturers.

Revenue performance for 2010 was positive on all segments apart from America.

## Kompan Nordic region

Organic growth was evidenced in all the Nordic countries, with especially Norway and Sweden enjoying stable, economic market conditions.

In March 2010, KOMPAN acquired a controlling interest in the Danish DICA Group (DICA A/S, Albert Knudsen ApS and uniQ nordic systems ApS); three companies primarily operating in Denmark. At the same time, KOMPAN Danmark A/S also sells directly to Danish customers. DICA's primary customers are schools and day-care centres, while KOMPAN Danmark A/S focuses on major park complexes as well as educational institutions. The DICA Group and KOMPAN Danmark A/S are under the same Management.

Sweden and Norway continuously pursued a "multibrand" strategy with KOMPAN and Lek & Sikkerhet being represented in both countries and with one additional brand, Slottsbro, in Sweden. In Norway, KOMPAN Norge AS and Lek & Sikkerhet AS were compiled by a joint sales management. The production activities of Lek & Sikkerhet in Norway and Sweden were united with those of Slottsbro AB in Karlstad, Sweden. In Sweden, all three companies were taken over by a joint national sales management. Finland enjoyed further progress after the takeover of the former importer's activities in 2008.

## Kompan Western Europe

KOMPAN Western Europe comprises Germany, the Netherlands, Belgium, Great Britain and Ireland. KOMPAN is of the opinion that the Group captured market shares on all markets. As set out by the German industry figures, the market was on the decline. KOMPAN did see a drop in activities but less than the general market. KOMPAN is performing very well in the Netherlands and was capable of delivering further growth despite divestment. A new sales management in Belgium managed to generate extremely positive growth rates. In Great Britain, the year opened with political uncertainty due to election and change of government. However, the year closed with positive trends. In Ireland, the main event was the acquisition of KOMPAN's former importer, Go Play Ltd. in Ireland, and Unique Playgrounds Ltd. in Northern Ireland. The Irish market was affected by the Irish debt crisis, but KOMPAN managed to defend its market position in 2010.

## Kompan Southern and Eastern Europe

Southern and Eastern Europe was affected by the European debt crisis in 2010. KOMPAN managed to maintain its revenue on the declining French market, which is KOMPAN's most important market in the region. Management is of the opinion that KOMPAN captured market shares in Spain despite a severely declining market. In Italy, KOMPAN Italia S.R.L. made its presence known on the market by contracting with sales organisations over the entire country. KOMPAN has now gained a foothold on the Italian market and gained market shares in a depressed market as deemed by Management. KOMPAN enjoyed continuous growth in Eastern Europe – partly driven by the successful launch of its own subsidiary in Russia. Sales in Eastern European countries highly vary from country to country and from year to year, but overall KOMPAN delivered a positive performance.

## Kompan Asia/Pacific

KOMPAN set up a representative office in Dubai in 2009, which really proved its worth in 2010 in the form of major growth in this area. The Australian market also performed well in 2010 judged on the basis of the present Australian economy. KOMPAN's initial business unit in Australia, KOMPAN Playscape Pty Ltd, performed well in 2010 relying on improved geographical sales representation and a generally strong market. Megatoy posted a decline denominated in local currencies partly as a result of insufficient distribution channels and quality-related problems, which had been sorted out at the end of 2010. A number of Asian economies enjoyed an upward trend resulting in increasing demand for playground equipment facilitated by heavy public investments in

parks and educational institutions. At the same time, KOMPAN captured market shares in several countries prompting a satisfactory increase in revenue from this area. KOMPAN is market leader in Australia, New Zealand and Singapore. Furthermore, KOMPAN holds a leading position within the high-end segment (primarily imported products from Europe and the USA) in China, Japan, Vietnam and Thailand.

### **Kompan America**

KOMPAN pursues a niche strategy in America, enjoying a high-end market position. The sale of products on the US market is handled by a number of agents on different geographical locations, which are supported from KOMPAN's subsidiary in Tacoma in the state of Washington.

Further market slowdown was evidenced in 2010. KOMPAN was also affected by this but managed to perform better than the general market. The cost structure incorporated into the business model is subject to a high degree of variability, and accordingly KOMPAN America reports handsome profits. At the end of 2010, KOMPAN in the US entered into its first major nationwide framework agreement facilitating future sales.

### **Special segments**

In December 2009, KOMPAN acquired all shares in Play Mart Benelux SA in Belgium, which in 2011 has changed its name to KOMPAN Commercial Systems SA. The Company primarily sells playgrounds for fast-food restaurants like McDonald's, KFC and Burger King in Europe and serves as market leader with a market share of 50%. KOMPAN Commercial Systems was successful in 2010. The rationale behind the acquisition is that KOMPAN wants to rely on its global presence to extend its co-operation to non-European customers of this segment. At the same time, there are a number of potential customers not forming part of any co-operation with KOMPAN today. Globally, and especially in Asia, several customers experience notable growth, offering considerable market potential. Supply chain management has become an integrated part of KOMPAN's global supply system.

Sales by the German company, Corocord Raumnetz GmbH, are, to a certain extent, still conducted through non-KOMPAN distribution channels. This sale was included under special segments and was stagnant in 2010.

### **World of Play**

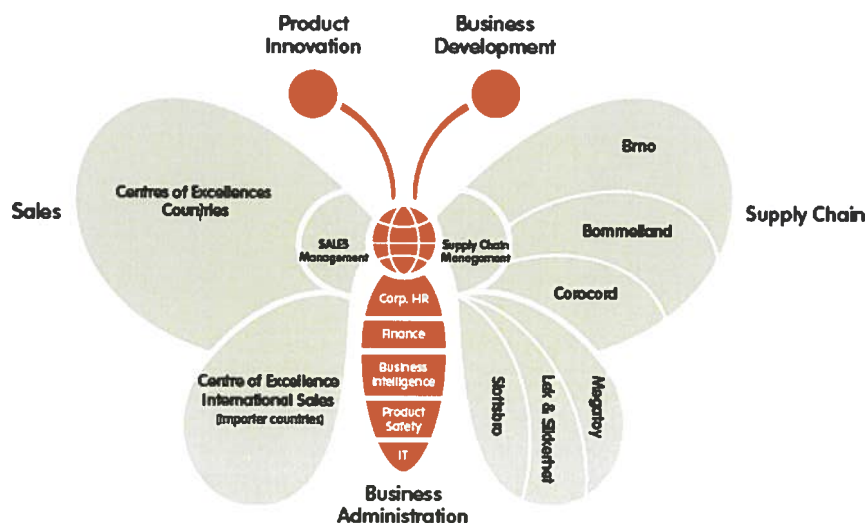
For more than 35 years of play our KOMPAN concept has reached far corners of the world. Every day children from Bangkok to Berlin play on our KOMPAN Playgrounds. We believe this is globalization in its essence and we are proud of our contribution to worldwide play.

***Play brings joy to life! Everyone has a right to play!***

As part of the profitable growth strategy KOMPAN has acquired a number of related companies in the past years. The latest acquisitions are Slottsbro in Sweden and Megatoy from Australia. This means KOMPAN is not only the name of a strong value-based trademark but also the name of an entire group, comprising a variety of different trademarks. The acquisitions will continue in the years ahead and we therefore take this opportunity to display and welcome our new members of the KOMPAN family.



## Organisation



### The Butterfly organization - think global, act local

At KOMPAN it is our mission to take the lead in the global market within the playground industry. With this in mind we have created an organizational structure, which can be compared to the appearance of a butterfly.

We call it "the butterfly organisation". The butterfly has a small, strong body that helps to direct it towards its goal. It has large wings that create thrust.

At KOMPAN we have placed our international sales organisations, and our logistics and supply chain units in the wings. In the body are our headquarters, situated in Denmark, from where strategy, business, product development, and administration originate.

This well-balanced division enables us to keep a tight rein on things and navigate safely and swiftly. In other words - to think global, act local.

### Centres of excellence - CoE

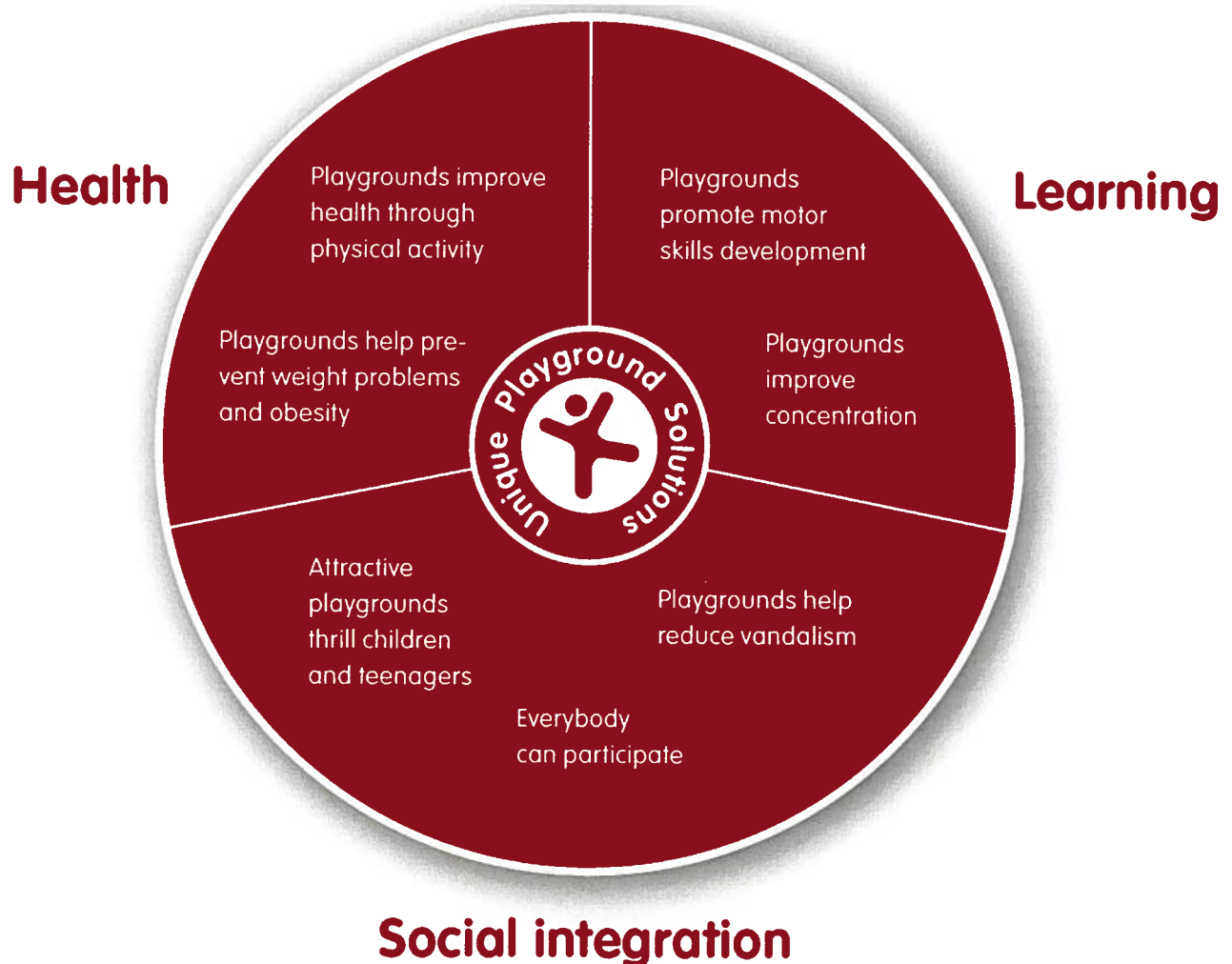
As part of our global/local line of approach, back in 2002 we founded six Centres of Excellence in Europe and one in North America. The purpose of the centres is to gather the best KOMPAN can offer in the areas of design, project management and knowledge of children's play in order to bring this know-how as close to the customers as possible.

The internal structure of each Centre of Excellence includes a uniform, efficient back-office platform specifically adapted to meet KOMPAN's needs. Today, each Centre of Excellence includes the following features:

- Call centres including integrated CRM and sales system
- Global IT systems including detailed CAD systems
- Marketing units supporting local sales communication
- Sales units providing counselling to children's play and learning

Our latest CoE, International Sales, is governed from Denmark and covers the regions of Asia, Middle East and Eastern Europe – primarily through the use of agents and distributors. While

acting as an incubator for future subsidiaries the main purpose is to create market development in core segments and to optimize distribution development in new and existing markets.



## Kompan Employees

KOMPAN's mission is to be the world's leading supplier of unique playground equipment and accompanying services. This mission requires not only the best employees in the industry but also for KOMPAN to attract and retain the best employees.

At KOMPAN we are therefore doing our utmost to make the company an attractive workplace offering good career prospects and challenges, both personal and professional. In the last couple of years we have launched a number of internal training initiatives aimed specifically at sales and now the development of the staff, as a whole, is set to be further strengthened.

The recruitment of employees has become even more challenging over the past years. To ensure a strong employee platform in the future KOMPAN contemplates working on the public image of the company as well as initiating activities within the field of employer branding.

We want our new employees to understand and relate to our specific KOMPAN philosophy and beliefs; therefore we make it available for all new employees to come to Denmark for the popular KOMPAN Play Institute Introductions.

*"I have worked in many different job positions within my 21 years of employment at KOMPAN, from manufacturing employee to technician in the Product Development Department to my current position as Technical Product Manager. You can say I reflect both the past and the present of KOMPAN's history.*

*The many job rotations have satisfied my need for professional challenge and personal development, and that is one of the reasons, besides great colleagues off course, for my continuous stay at KOMPAN."*

Allan Leif Hansen, Technical Product Manager at KOMPAN A/S

## Global supplier

### New production setup

In order to meet the needs of a global supply organisation, KOMPAN has entirely restructured its production setup over the past few years. During 2006 the majority of production was outsourced to suppliers in the new EU countries, and the company's distribution centre was relocated from Ringe in Denmark to Brno in the Czech Republic. Today the Czech company is the main operational logistics competence centre within the KOMPAN supply chain and has 250 employees engaged in the manufacturing and packaging of our products for world-wide delivery.

A flexible production platform as well as high reliability of delivery and product quality have been instrumental in securing low production costs.

KOMPAN has built up a central supply chain function for the Group's overall production and logistics functions.

The primary production and distribution facilities are KOMPAN's centre in Brno, the Czech Republic, housing more than 20,000 m<sup>2</sup> of production and distribution facilities on three different geographical locations. In the autumn of 2011, all Czech activities will be relocated to a newly built distribution centre in Brno of a size of 23,000 m<sup>2</sup>. This centre is deemed to offer room for an activity increase of approx. 40%. Adjacent inventory facilities allow for an extension by up to 10,000 m<sup>2</sup>. Accordingly, the new facilities are ready for future expansion and will simplify processes and reduce costs considerably.

KOMPAN has minor production units in the Netherlands, Germany, Sweden, Belgium, Australia, and Denmark – all part of units acquired. The production units acquired are assessed and adjusted on the basis of KOMPAN's global sourcing strategy. Some are maintained out of consideration for specific product knowhow and/or geographical representation, while others will be integrated into the Brno facilities. The sales organisation will be responsible for the commercial functions of the units acquired, whereas production and procurement will be under the responsibility of KOMPAN's supply chain department.

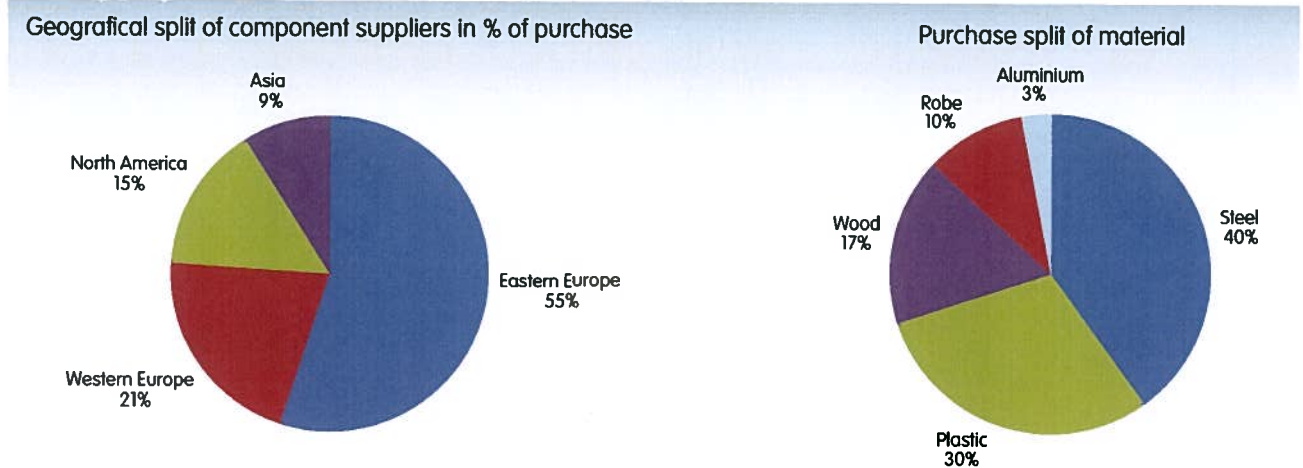
### PRODUCTION PROCESSES AND SOURCING

KOMPAN has the industry's finest and broadest product portfolio offering age-appropriate solutions and allowing the customers to choose from a wide range of materials. To ensure the broad product range, the Group must have a flexible production platform swiftly adjustable to increasing or declining demand within the individual product areas.

KOMPAN has chosen to outsource the production of components. Internally, it has been a top priority to construct well-functioning procurement and logistics functions, ensuring a high degree of flexibility in the choice of materials and suppliers.

One predominant feature of the playground industry is the customers' focus on materials. For instance, many European customers prefer wooden products, whereas many US communities pursue a "non-wood policy" arising from a desire for low maintenance costs. As a result, global

industry players must ensure, that a wide selection of materials is available.



By relying on sub-suppliers, KOMPAN is vastly free from any restrictions in flexibility both in the short and long term. Moreover, the model will necessitate only minor investments in production equipment. As a drawback of this model, the sub-suppliers are to receive a profit margin. Management is of the opinion that the advantages will outweigh the disadvantages, especially allowing for fluctuations in demand.

Also in 2010, the production unit in Brno made a significant contribution to KOMPAN's rising profitability. Improved procurement prices combined with the Group's highest level of reliability of delivery and product quality so far were decisive contributors to securing low production costs.

In the autumn of 2010 and the spring of 2011, production costs were highly on the increase owing to an increase in global raw material prices – especially steel. KOMPAN will, to a certain extent, strive to pass on these increases to its selling prices and to further reduce its underlying consumption of materials by means of efficiency projects. Short-term underlying earnings for 2011 will be adversely affected by the development in raw material prices. Management expects that the raw material prices will stabilise during the spring and summer of 2011 and gradually normalise concurrently with an increase in global production capacity.

### Supplier Program

Sourcing of component supplies from different suppliers throughout the world is an essential element of KOMPAN's supply strategy. Every new supplier is evaluated according to a robustly defined Supplier Assessment Program, where the supplier's quality and environmental control systems are evaluated.

### Qualifications

KOMPAN has always put many resources and efforts into ensuring and improving the safety and quality of its products. Thus KOMPAN has achieved the

international quality certificates ISO 9000 and ISO 14000 as well as the recognized TÜV certificate.

KOMPAN's major wood product ranges are all certified to the standards of FSC (Forest Stewardship Council). FSC's mission is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.



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## Code of Ethical conduct

KOMPAN has developed a code of ethical conduct which encompasses our own activities as well as conditions for our suppliers and sub-suppliers.

This is to ensure that every component of KOMPAN's products is manufactured under proper, decent and accountable conditions.

Thus the physical and psychological conditions in relation to the workplace and the individual employee shall be followed according to the Code of Conduct.

## Kompan's Social Responsibility

From its foundation in 1970, KOMPAN has been based on a very important principle of contributing to improve childhood conditions relying on the two founders, Tom Lindhard Wils and Hans Mogens Frederiksen's vision about children's basic right to play in urban environments. This vision has been the guiding principle for KOMPAN's development since the development of its first products – and still is today.

Moreover, basic human rights are deeply embedded in KOMPAN. In 1989, the UN adopted a convention on children's rights, which, among other things, comprised children's rights to play as a significant part of their basic rights and development. Throughout its entire existence, KOMPAN has been a strong advocate of the same rights, and our products help these children to this universal access.

In 2010, KOMPAN carried out a cross-organisational CSR project and prepared a CSR policy as well as updated its code of ethics - code of conduct; clearly stating KOMPAN's anti-corruption and anti-bribery policies (see [www.KOMPAN.com](http://www.KOMPAN.com)). This code of conduct is based on UN's Global Compact, i.e. the ten principles in the areas of human rights, labour, the environment and anti-corruption. Employees are regularly introduced to our ethical code, and executive and new employees were highly in focus during 2010. In 2011, KOMPAN acceded to UN's Global Compact.

KOMPAN has chosen to focus on the following areas:

- Concept for playing, learning and health
- ECO design
- Improvement of children's right to play

In addition, we will still focus on product safety, human rights, minimisation of environmental impact, child labour, and corruption.

Any playground must always be safe and at the same time energise children in their playing activities. KOMPAN complies with all relevant safety rules. We work proactively with the authorities within our markets on improving safety as much as possible – also in case of accidents in a playground using our products. All customer complaints are gathered and discussed, and in case of any defective structures or components, global reporting routines have been introduced involving the replacement of components and notification of customers.

KOMPAN has always lived up to high environmental standards. Our two primary factories in the Czech Republic and Sweden are both certified according to ISO 14001. A third factory in Germany is implementing an environmental control system under ISO 14001 at present and is expected to be certified in the coming year.

As global supplier of playground equipment and outdoor sports facilities, KOMPAN complies with the standards on product safety and environmental legislation in respect of ingredients in the various countries. KOMPAN also regularly assesses our suppliers as regards quality and

environment. KOMPAN moreover continuously focuses on sustainable products, and the products are designed for a long life with a minimum of maintenance. When eventually the products need to be scrapped after a long life, the materials are easily separable into various types of material contributing to a high degree of recycling.

Enterprises acquired are adapted as soon as possible to KOMPAN's environmental standards. In 2011, KOMPAN expects to take further measures within the relevant focus areas and to introduce its revised code of ethics with its suppliers together with its global anti-corruption policy.

## **New Domiciles**

In 2010, KOMPAN decided to establish new buildings in its two major physical entities; Brno and Denmark.

Brno today houses three separate logistics and production buildings including administration, all of them relatively new. In cooperation with KOMPAN's existing lessor, it has been agreed to construct a 23,000 sqm large production and logistics centre to allow all activities to be united in one building, which will reduce the administrative burden as well as the need for internal transport. The new building has been constructed taking environmental considerations into account - energy consumption is low and recoverable materials have been applied for the construction. In addition, the structure of the building is flexible minimizing the risk of technological obsolescence. The property will be leased.

In Denmark, KOMPAN has two centres today; the original headquarters in three buildings in Ringe and the acquired activities in the DICA Group in Rønnede and Holte, Denmark. The activities of the DICA Group will be united in Rønnede due to the important skills accumulated in this area over the years.

The activities in Ringe comprise the headquarters and KOMPAN's Danish sales company, KOMPAN Danmark. These activities are now to be united in a new building. Moreover, the Company has decided to move to Odense, Denmark to be closer to the research environment at the University of Southern Denmark, which is a central cooperative partner. The new headquarters are being constructed in 'Tietgenbyen' and has a 2,300 sqm large office space and a 700 sqm large production development area. The building has a striking look and demonstrates typical KOMPAN qualities.

Environmental aspects have been taken into account as the energy consumption is considerably lower than required by existing legislation. Based on innovative technology, the front is made of highly insulated and heat accumulating concrete elements which are developed and produced in Denmark. The roof is made of rockwool-insulated steel cassettes, of which the main part is made of recycled materials. The windows allow for a considerable inflow of light, which reduces the need for artificial light, and offer heat insulation, which minimises the need for cooling. Finally, the materials have been elected based on their recyclability.

## **Human Resources**

The employees are the Group's strongest asset, and Management therefore focuses on the recruitment of the finest talents and on ongoing optimisation of employee qualifications. All newly recruited employees are evaluated by means of externally developed testing tools and will, after their employment complete a comprehensive introduction programme which ensures that they are familiar with KOMPAN and our industry.

Each year, performance evaluation and personal development reviews take place for all employees of the Group. All areas apply the same tools, which are translated into any given local language. Being a significant principle, a two-way evaluation is to take place; from manager to employee and from employee to manager.

In addition to the personal development tools for the individual employee, KOMPAN has for several years made major investments in the development of joint sales tools - united in one sales model named "Sales Excellence". The model has a web-based CRM tool as well as joint administrative tools and a joint ERP system based on Microsoft Dynamics and web-based reporting tools. The work with these models will continue in the coming years.

Within the past years, KOMPAN has focused on reducing the environmental impact of the work of its employees. The most important measure taken – being a global enterprise – comprises the application of video conferences both from conference rooms and from individual PCs. These measures have reduced travel activities considerably and optimised meeting routines.

At the end of 2010, KOMPAN had 850 (701) employees; 35% women and 65% men. In average, 815 (745) people were employed. The increase is primarily attributable to acquired units.

## **Kompan sales – a variety of competences**

Public administration and local authorities are some of KOMPAN's traditional key customer groups – groups that require thorough consultation and planning due to their complex buying process. For many years KOMPAN has refined its sales and consultancy tools for this specific customer group. Thus, today a KOMPAN selling process includes tools such as coordination of procedures, fund-raising efforts, and publicity campaigns to facilitate the customers buying process.

## **New Products**

In 2008 KOMPAN launches two new innovative concepts in outdoor play, ICON and BLOQX. Both addresses the needs of society today – that young people have limited attractive outdoor spaces where they can socialize, have fun, and work up physical fitness at the same time.

ICON moves interactive gaming to the outdoors, and combines fun and challenging ways for friends to compete, and work up physical fitness and fun. ICON simply provides the missing link, where fun, interactive, and audiovisual elements from computer games are combined with physical activity.

Each of the products holds a number of games that unite physical agility with both strength and creativity to be fun for both boys and girls. We like to describe the concept behind ICON as a play booster that intensifies the social interaction between the users as well as it increases the physical challenge for the individual user.

Climbing has in recent years become a very popular activity for both adults and children, which covers all elements of play, challenge and exercise. KOMPAN has taken this popular sport and developed a new product line on that basis. We call it BLOQX and it consists of 'pentacubes' with climbing 'knobs' put together in various combinations. Climbing the BLOQX is off course called BLOQXING!

BLOQX matches the desires that teenagers have to a 'teen-playgroundhangout' perfectly: it's appealing, challenging, has 'show-off potential', and it's not 'kiddy stuff' at all! BLOQX fits perfectly in any given environment. It has a strong visual expression and because of its architectural shapes and beautiful form – BLOQX fits like a sculpture into any urban setting. The colors have character and add a bit of funky touch to the geometrical form.

*"BLOQX and ICON are developed in a close collaboration between KOMPAN, professional climbers and gaming experts combined with the involvement of many young people."*

Karin Müller, Play and Research Coordinator at KOMPAN Play Institute

## Kompan Play Institute

The KOMPAN Play Institute is a knowledge centre for children's play, development, and education. The Institute comprises an international network of play and child specialists who research and monitor how societal trends influence children's development and opportunities to play.

Their findings are applied to KOMPAN's product innovation and internal staff training and are shared through seminars, lectures, and publications.

The aim is to spread the knowledge of the KOMPAN philosophy for the benefit of children, customers, and playground professionals round the world.

In 2007 the KOMPAN Play Institute met with approx. 5,000 participants from all sectors including public administration, architects, schools, and universities worldwide.

## Teen Research

Today young people only have few good meeting spaces in the city and often they do not respond to the needs and desires of teenagers. The consequence is an entire age group that is hardly visible within the public space.

KOMPAN has taken up the task of providing better youth spaces in cooperation with KOMPAN Play Institute. The Institute has initiated various studies within this field, e.g. quantitative and qualitative interviews of 13-16 years olds in England, Holland, and Denmark to learn about their preferences and habits when it comes to outdoor activity and play.

Not surprisingly the results transpired that young people would like more active outdoor meeting places and that they DO want to play – given there is a right set to match their desires.

The research now forms the basis for KOMPAN Play Institutes teen campaign 'Nowhere to go' directed at the political decision level. The campaign introduces the GROUND principles which are guidelines that can help customers optimize the placement and design of youth spaces.

*"56 % of 13-16 year olds think that there are too few spaces for young people."*

Source: Capacent Epinion of behalf of KOMPAN Play Institute

## Kompan Innovation

KOMPAN Innovation, based in Denmark, is a unique product development department. Its staff works across professions and borders to gather knowledge and know-how on the latest trends and issues in order to develop new concept designs.

The innovation projects follow a systematic stage-gate process, with built-in tests, evaluations, and reviews to ensure the desired progress and the right results. Also the play value and function of the concept is tested and evaluated.

Supported by the project team, the manufacturing engineering function is responsible for the final sourcing and production implementation of the new products.

## Story Makers

In the fall of 2007 KOMPAN launched a new product for pre-scholars' called Story Makers. The initial challenge of the project was to transform and renew a product portfolio which has roots over 35 years old. The premise was to create a new visual identity for KOMPAN responding to new user and buyer needs while respecting KOMPAN's history and lasting values - based on the artist Tom Lindhardt Wils.

Story Makers succeeded the challenge. Today the product is an innovative solution providing an elegant response to four factors that are crucial to play equipment: play value, design, safety, and engineering.

Story Makers also succeeded in meeting the needs of the markets. It has been received very positively in Europe, USA, as well as Australia, and the Far East and has become the quickest product to penetrate the market within KOMPAN's product portfolio for the age group 2-6 year olds. Story Makers has already won a number of design awards, among others the prestigious French Janus award and the German Red Dot award for 'honorable mention'.

*"When I see Grey, I see Red"*

*KOMPAN's founder Tom Lindhardt Wils passed away in 2007. His artistic vein and deep insight into the imagination of children, combined with a consistent focus on ergonomics and design, has helped shape the philosophy behind KOMPAN's many products. His philosophy and unconventional play thinking still inspires today as seen in the case of Story Makers.*

## Appendix A: Kompan play equipment warranty<sup>1</sup>

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### Classification of material in relation to years of warranty

#### 20 years

Against failure due to production defects or decomposition of HDPE and HPL panels in all climates. Panels are UV stabilised stabilized to the maximum, nevertheless some colour fading will occur over time.

#### 10 years

Against failure due to material or production defects on all galvanised and other non-painted steel and metal parts, solid plastic, resin-coated plywood panels and engineered timber.

#### 5 years

Against failure due to material or production defects on springs, painted metal parts, molded plastic parts, ball bearing assemblies, climbing net constructions and ropes, and synthetic grass.

#### 2 years

Against dysfunction errors due to material or production defects on movable plastic and metal parts, and sport nets.

#### Warranty coverage of damaged parts

The warranty is limited to KOMPAN products. Such damaged parts will be replaced by KOMPAN and will be delivered to the customer's address free of charge.

#### Warranty coverage applies only if products have been properly installed and maintained

The warranty is not effective if products have not been installed according to the instructions provided by KOMPAN, or maintained correctly according to the KOMPAN Maintenance Manual.

#### No coverage for wear and tear, misuse or vandalism

The warranty does not cover normal wear and tear, surface corrosion on metal parts, discoloured surfaces and other cosmetic issues or failures due to misuse or vandalism.

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<sup>1</sup> <http://www.kompan.co.uk/KOMPAN-warranty>



## Appendix B: Selected Examples of Kompan Customers in the USA, China, the UK and Australia

### USA

#### Special Projects:

New Orleans, LA — KOMPAN unveiled its vision of future play with ICON, an electronic outdoor playground system. The playground was donated to the Make It Right Foundation (MIR), based in New Orleans. Founded by Brad Pitt, MIR is committed to building eco-friendly homes in the Lower Ninth Ward after Hurricane Katrina devastated the region in 2005.

New York City — Manhattan Plaza, an affordable housing complex and home to more than 3,500 residents, received an incredible playground makeover thanks to a unique partnership between Tiki Recreation, KOMPAN, and the property's owner, Related Affordable, a division of Related Companies. The Manhattan Plaza Playground features innovative play equipment for every age group from toddlers to adults. The digital playground equipment will be the first of its kind on the East Coast and represents the most advanced outdoor gaming system in the country.

Los Angeles, CA — KOMPAN teamed up with Nike and LA84 to introduce the multiple sport concept of FREEGAME to communities throughout parks in the City of Los Angeles. FREEGAME is a new concept to the recreation market and can be used for soccer, volleyball, basketball, field hockey or any game players create. The LA84 Foundation and Nike have a goal to improve 84 sports facilities in the Los Angeles area in the next couple of years, sharing the commitment to provide the opportunity for youth in Southern California to have a quality sports experience.

### CHINA

KOMPAN has been present in China since 1998 and today we hold a leading position among the Playground suppliers in the high-end market. KOMPAN has a track record of prestigious residential, park, school projects and some famous chain stores like KFC across China - all in which we have supplied unique playground solutions for our clients and their children. For more detail, please see the enclosed files.

KOMPAN is ready to assist you with the entire process of designing, purchasing and installing your unique playground. The result will be the best possible playground that matches the given budget and, most importantly, meets the children's wishes and needs.

To achieve the best possible play environment, many aspects have to be considered. KOMPAN's design team will assist in the planning of new or existing play environments by offering the below pre-sales service,

- Expert advice on Site Layout and Design

( including AutoCAD 2D plan, 3D renderings, site plans and comprehensive proposal packages. )

- On-Site Visits
- Comprehensive Presentations

#### 1. Residential projects

- 1.1 Shanghai Links Executive Community
- 1.2 Beijing Siemens villa

- 1.3 Zhengjiang Xiangjiang Garden
- 1.4 Hong Kong Fu Fai Garden

#### 2. Chain store project (KFC)

## UNITED KINGDOM

Abbey Children's Centre, Nuneaton

"I have been extremely pleased with the work carried out by Admiral Play, from the early stages through to completion. I have found the service to be professional whilst remaining helpful and friendly. The support received around planning the outdoor area and the workmanship has been wonderful. I received more than one quote and can say that yours was extremely competitive. Communication has been good, teams friendly, and punctual - thank you. The new play area is the pride of the centre and very popular with our families.

I would have no hesitation in using the company again or recommending them to others." - Sheila Ajimati, Centre Manager.

### SCHOOLS:

Nu Nu Nursery

"We were delighted with the imaginative response to our request for a sensory garden. There are so many different textures and fragrances and the children love the area. It just shows what can be done on a limited budget with a little imagination." - Claire Arch, Nursery Manager

Hardingstone School

"The design team really considered the challenges we had at Hardingstone and enabled me to get best value from my budget. As a result, my Reception and Year 1 children have a far better play area than I ever envisaged and the new trim trail setting is a huge success. It was a job well done from the design stage at the beginning through to completion of the installation at the end." - Robin Bunting, Headmaster

Cotteridge School

"Service was exceptional, from the first meeting until the project was complete. They really understood what was important to us at Spring Lane Nursery and have installed a super place for our children to play." - Diana James, Headteacher

St. Teresa's School, Dagenham

Nursery and reception children at St Teresa's School in Dagenham are to have far more fun while learning, thanks to the creation of a new, nature inspired workspace.

The school used a government grant, aimed at developing educational facilities for foundation stage youngsters, towards the revamped £24,000 workspace.

The workspace play area, which forms an important part of the foundation stage curriculum, was created by natural play specialist Admiral Play and offers exciting

activities such as planting beds where the children can grow their own vegetables and flowers, a tunnel, play garage and painted river. There are areas where they can create dens, a pergola threaded with grape vines, a fruit tree and a sensory garden to add even more natural elements to the scheme.

Children and staff at the school decided they wanted as many different play options as possible in a relatively small space and wanted the finished result to help develop creativity and imagination as well as improving the children's physical wellbeing. They also wanted more natural materials so the space would evolve and grow over time.

Headteacher Maureen Cosgrave said: "We are delighted to have been able to provide the children with such an exciting workspace."

### HOUSE BUILDERS:

Case Study 1

Natural play (LEAP) scheme designed for leading Midlands based house builder; Cambridgeshire.

Case Study 2

Concept plan for national house builder; Gloucestershire. The scheme was designed to make best use of unusable land adjacent to housing development for provision of play facility.

### LOCAL AUTHORITIES:

Rochford District Council

Natural play area designed for Rochford District Council. Liz Meller, within Admiral Play's design team said "Rochford District Council were keen to ensure the play area was designed to really fit within it's surrounding environment and wanted a strong 'natural play' scheme. The result was sculptural in design utilizing timber play equipment, with a free



running wall, mounds and boulders the design was able to achieve the natural play elements that the client wanted".

Aylesbury Vale District Council

"The new Big Lottery and Vale of Aylesbury Housing Trust funded children's play area at Edinburgh Playing Fields has been a great success. I was very impressed by their professionalism, site management and quality of workmanship. The site team kept us well informed and endeavored to maintain quality while meeting deadlines. The work was completed on time and to a great standard. The reinstatement and the finishing touches made all the difference." - Gareth Bird, Aylesbury Vale District Council.

Welwyn Hatfield Borough Council

"A very professional service from start to finish. They were proactive, efficient and offered good practical advice. The play scheme is a great success and complements the existing play equipment and I would

have no hesitation in recommending their services." - Durk Reyner, Head of Client Services

CONTRACTING COMPANY:

Wicksteed Playscapes

"A major factor in the success of the partnership is their ability to understand our design brief and to work alongside us in delivering the project to the satisfaction of our client." - Stuart Wetherell, Sales Director

#### AUSTRALIA

Case: Creative Solutions for Everyone - A Centennial Park Perspective (Client: Local Municipality)

Centennial Park is one of Sydney's oldest parks situated close to the city centre. It is a romantic park, and provides a place where all children can come together with families and carers to play, socialise and to picnic. Cherished by the residents, it is a favourite place for play. Paddington Gates Playground lies close to the north.

## Appendix C: Kompan Distributors Worldwide

### Asia Pacific

Hong Kong  
Parks Supplies

Japan  
KOMPAN Playscape, Inc. Japan

New Zealand  
Playground People, Ltd. New Zealand

Philippines  
PLAYPOINT  
PHILIPPINES, INC.

Republic of Korea  
Kompan Korea Co., Ltd.

Manoj Stores, India  
Grd & 1st F1

Singapore  
Playpoint Singapore Pte. Ltd.

Taiwan  
David-Sports, Taiwan

Thailand  
PLAYMODE, Thailand

Vietnam  
Playpoint Viet Company Ltd

Central Asia  
Kazakhstan  
APS Investment

Europe  
Austria  
OBRA Design

Bulgaria  
BPC EOOD, Bulgaria

Croatia  
SIBR

Cyprus  
Argetco Ltd. Cyprus

Estonia  
ATIX OÜ, Estonia

Greece  
KOMPAN Hellas Ltd. Greece

Hungary  
KOMPAN Képviselet, Hungary

Iceland  
Barnasmidjan ehf, Iceland

Ireland  
Go Play Ltd, Ireland

Go Play Ltd, Ireland  
Wexford Office

Northern Ireland  
Unique Playgrounds Ltd.

Israel  
N.E.LABA

Latvia  
SIA "CDL", Latvia

Lithuania  
Tomas Zutautas

Poland  
KOMPANIA ZABAW, Poland

Portugal  
FERNANDO L. GASPAR, SA,  
Portugal

Serbia  
Musculus, Serbia

Romania  
AA MARKETING AND  
MANAGEMENT SRL, Romania

Slovakia  
EUROFIMA s.r.o. Slovakia

Slovenia  
CONA PLUS D.O.O

Switzerland  
Bürli Spiel- und Sportgeräte

Ukraine  
K-Sport

**North America**

Mexico  
PARC, SA CV. Mexico  
Lazaro Cardenas 3422 - 301

**South America**

Republic of Chile  
Urbanplay, Chile  
Iluminacion y Paisaje Ltda.

Venezuela  
CONSORCIO PALDACA, C.A.

**Middle East / Africa**

Algeria  
SARL SPORTLEIS

Egypt  
Sportica Sports & Leisure  
Solutions, Egypt

Cairo, Egypt

Jordan  
Sukkarieh Grou, Jordan

Iran  
Pars Gostaran Company, Iran

Tehran, Iran

Lebanon  
Advanced Trading Co, Lebanon

Oman  
HAMED AND SAID TRADING  
AND SERVICES CO.LCC

Saudi Arabia  
Al-Rawasi Co. Ltd. Saudi Arabia

Kuwait  
AL RYADH GROUP CO

Turkey  
GELAR

United Arab Emirates  
SSK Enterprises, United Arab  
Emirates

Morocco  
CIEC, Morocco

## Appendix D: Segment Information

IN DKK MILLION

### 3. SEGMENT INFORMATION

KOMPAN's reportable segments can be divided into a number of geographical areas of countries which in relation to location and uniform market conditions, including access to customers and KOMPAN's market representation are closely related.

	2010						Total
	Nordic countries	Western Europe	Southern/ Eastern Europe	Asia/Pacific	America	Other reportable segments	reportable segments
Revenue to external customers	370.4	395.5	282.1	161.5	92.2	85.6	1,387.3
Inter-segment revenue						32.3	32.3
<b>Total segment revenue</b>	<b>370.4</b>	<b>395.5</b>	<b>282.1</b>	<b>161.5</b>	<b>92.2</b>	<b>117.9</b>	<b>1,419.6</b>

## Appendix E: GDP growth and Public Finances

### Growth, %

	2009	2010	2011E	2012E	2013E
World <sup>1)</sup>	-0.9	4.4	3.2	3.3	3.8
USA	-3.5	3.0	1.3	1.6	2.7
Euro area	-4.1	1.7	1.6	0.6	1.8
China	9.2	10.3	9.1	8.5	8.1
Japan	-6.3	4.0	-0.2	2.5	1.2
Denmark	-5.2	1.7	1.0	1.3	1.5
Norway	-1.8	2.1	2.6	2.5	3.0
Sweden	-5.3	5.7	4.2	0.8	2.5
UK	-3.4	0.0	1.2	2.1	2.6
Switzerland	-1.9	2.6	2.1	1.8	2.3
Germany	-4.7	3.6	2.9	1.2	2.1
France	-2.6	1.6	1.5	1.0	1.8
Italy	-5.2	1.3	0.7	0.2	0.9
Spain	-3.7	-0.1	0.8	0.2	1.5
Netherlands	-3.9	1.8	1.8	0.9	2.3
Austria	-3.9	2.0	2.1	1.1	1.9
Portugal	-2.5	1.3	-2.2	-1.8	0.8
Greece	-2.0	-4.5	-4.9	-1.0	0.5
Finland	-8.2	3.6	3.4	1.6	2.7
Ireland	-7.6	-1.0	0.6	0.5	1.8
Estonia	1.7	0.0	7.5	3.6	4.8
Poland	1.7	3.8	3.3	3.4	4.0
Russia	-7.6	4.0	4.9	5.3	5.6
Lithuania	-14.7	1.3	6.0	3.7	4.8
Latvia	-18.0	-0.3	4.6	3.6	4.9
Czech Republic	-4.1	2.3	2.3	2.0	2.9
Hungary	-6.7	1.2	2.2	2.0	3.0
Kazakhstan	1.2	7.0	6.0	6.5	6.3
Romania	-7.1	-1.3	1.6	3.1	3.8
Turkey	-4.8	8.9	5.5	3.5	4.0
South Africa	-1.7	2.8	3.5	3.5	3.9
India	9.1	8.8	7.7	8.0	8.2
Brazil	-0.7	7.6	3.9	4.1	4.2
Mexico	-6.3	5.4	4.1	3.9	4.0

Source: Økonomisk perspektiv, august 2011, Nordea

## Public finances, % of GDP

	2009	2010	2011E	2012E	2013E
USA	-10.3	-8.8	-9.3	-7.1	-4.9
Euro area	-6.3	-6.0	-4.5	-3.6	-2.5
China	-2.1	-1.6	-2.2	-1.9	-2.0
Japan	-7.1	-7.7	-10.0	-8.0	-7.0
Denmark	-2.8	-2.8	-3.8	-4.7	-3.0
Norway	10.5	10.6	15.0	16.4	15.5
Sweden	-0.9	-0.2	0.1	0.4	0.9
UK	-2.7	-10.4	-8.5	-6.5	-4.5
Switzerland	0.8	0.2	0.2	0.6	0.7
Germany	-3.0	-3.3	-1.5	-1.8	-1.5
France	-7.5	-7.0	-5.8	-4.8	-3.0
Italy	-5.4	-4.6	-3.9	-2.0	-0.8
Finland	-2.6	-2.5	-2.0	-1.5	-0.6
Estonia	-1.7	0.1	-0.3	-1.5	0.0
Poland	-7.3	-7.9	-5.5	-4.5	-3.0
Russia	6.4	-4.0	-0.7	-0.5	0.0
Lithuania	-9.2	-7.8	-5.0	-2.8	-2.4
Latvia	-9.7	-7.7	-4.8	-2.6	-2.3
Czech Republic	-5.9	-4.7	-4.4	-3.5	-3.0
Hungary	-4.5	-4.2	1.8	-3.0	-3.0
Kazakhstan	-3.0	-4.1	-2.0	-1.2	-1.2
Romania	-8.5	-6.4	-4.4	-3.5	-3.0
Turkey	-5.5	-3.6	-2.3	-2.1	-1.5
South Africa	-5.8	-5.3	-5.3	-4.2	-3.8
India	-6.1	-5.0	-5.5	-5.0	-4.5
Brazil	-3.2	-2.7	-2.5	-2.8	-2.8
Mexico	-2.3	-2.9	-2.2	-1.8	0.5

Source: Økonomisk perspektiv, august 2011, Nordea

# COMMERCIAL RISKS

KOMPAN generates the vast part of revenue from direct or indirect sales to public authorities. Accordingly, KOMPAN is affected by the volume of demand from this segment. As Europe serves as KOMPAN's principal market, demand is deemed to be affected by the cost-cutting measures initiated in several European countries to cut public borrowing.]

## DEBTORS

KOMPAN is deemed to be exposed to a low credit risk. Public authorities account for the vast part of the Company's European sales, for which reason the Company has a past record of only minor bad debts. In the US, Australia, France, and Spain, a large part of sales takes place via sales agents, who resell products to authorities and public institutions. Therefore, this sales model is subject to a more predominant risk of loss. Moreover, credit insurance has been taken out for a number of importers in Eastern Europe, the Middle East, and Asia/Pacific.



**Appendix G: Examples from KOMPANs product portfolio.**

