

# The LEGO Group Annual Report 2015

CVR: 54 56 25 19



# Financial highlights of the LEGO Group

(mDKK)	2015	2014	2013	2012	2011
<b>Consolidated Income Statement:</b>					
Revenue	35,780	28,578	25,294	23,095	18,731
Expenses	(23,536)	(18,881)	(16,958)	(15,489)	(13,065)
Operating profit	12,244	9,697	8,336	7,606	5,666
Financial income and expenses	(96)	(206)	(97)	(84)	(124)
Profit before income tax	12,148	9,491	8,239	7,522	5,542
Net profit for the year	9,174	7,025	6,119	5,613	4,160
<b>Consolidated Balance Sheet:</b>					
Total assets	27,877	21,419	17,952	16,352	12,904
Equity	17,751	12,832	11,075	9,864	6,975
Liabilities	10,126	8,587	6,877	6,488	5,929
<b>Consolidated Cash Flow Statement:</b>					
Cash flows from operating activities	10,559	7,945	6,744	6,220	3,828
Investment in intangible assets	126	59	103	61	129
Investment in property, plant and equipment	2,822	3,115	2,644	1,729	1,451
Cash flows from financing activities	(6,816)	(5,302)	(3,466)	(4,535)	(2,519)
Total cash flows	808	(521)	574	(88)	(233)
<b>Employees:</b>					
Average number (full-time)	13,974	12,582	11,755	10,400	9,374
<b>Financial ratios (in %):</b>					
Gross margin	72.6	71.8	70.7	70.6	70.5
Operating margin	34.2	33.9	33.0	32.9	30.2
Net profit margin	25.6	24.6	24.2	24.3	22.2
Return on equity (ROE)	60.0	58.8	58.4	66.7	66.8
Return on invested capital	113.5	106.3	114.4	134.9	133.4
Equity ratio	63.7	59.9	61.7	60.3	54.1

The Financial Highlights are adjusted as a consequence of a change in classification in the income statement. The Financial Highlights for 2012 and 2011 have not been changed.

The Financial Highlights are adjusted as a consequence of a change in classification in the income statement relating to cash flow hedges. The Financial Highlights for 2011 have not been changed.

Financial ratios have been calculated in accordance with the "Recommendations and Financial Ratios 2015", issued by the Danish Society of Financial Analysts. For definitions, please see the section on accounting policies.

Parentheses denote negative figures.

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## **LEGO A/S**

Aastvej 1 DK-7190 Billund Denmark Tel: +45 79 50 60 70  
CVR no: 54 56 25 19 Incorporated: 19 December, 1975 Residence: Billund  
Financial Year: 1 January – 31 December Internet: [www.LEGO.com](http://www.LEGO.com)

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# Company Information

## Management Board

### Jørgen Vig Knudstorp

President and Chief Executive Officer

### John Goodwin

Executive Vice President and Chief Financial Officer

### Julia Goldin

Executive Vice President and Chief Marketing Officer

### Loren I. Shuster

Executive Vice President and Chief Commercial Officer

### Bali Padda

Executive Vice President and Chief Operations Officer

## Board of Directors

### Niels Jacobsen

Chairman of the Board and member since 2008.

President and CEO of William Demant Holding A/S.  
Deputy Chairman of the Board of KIRKBI A/S.  
Deputy Chairman of the Board of A.P. Møller-Mærsk A/S.  
Deputy Chairman of the Board of Jeudan A/S.  
Chairman of the Board of Össur hf.  
Member of the Board of Boston Holding A/S.

### Kjeld Kirk Kristiansen

Deputy Chairman of the Board since 1996.

Chairman of the Board of KIRKBI A/S and board member in 6 fully owned subsidiaries.  
Chairman of the Board of LEGO Foundation, Ole Kirk's Foundation and Koldingvej 2, Billund A/S.  
Member of the Board of Capital of Children Office A/S.  
President and CEO of the LEGO Group 1979-2004.

### Thomas Kirk Kristiansen

Member of the Board since 2007.

Representing the fourth generation of the owner family.  
Member of the Board of KIRKBI A/S and board member in 4 fully owned subsidiaries.  
Deputy Chairman of the Board of the LEGO Foundation.  
Executive Management member of Kirk & Kirk Holding ApS and management roles in 4 subsidiaries.

## Auditors

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

### Kåre Schultz

Member of the Board since 2007.

CEO of H. Lundbeck A/S.  
Chairman of the Board of Royal Unibrew A/S.

### Søren Thorup Sørensen

Member of the Board since 2010.

CEO of KIRKBI A/S, KIRKBI Invest A/S and Koldingvej 2, Billund A/S.  
Chairman of the Board of K&C Holding A/S and Boston Holding A/S.  
Deputy Chairman of KIRKBI AG and INTERLEGO AG.  
Chairman of Topdanmark A/S, Topdanmark Forsikring A/S and Danske Forsikring A/S.  
Member of the Board of LEGO Juris A/S, KIRKBI Invest A/S, TDC A/S, Falck Holding A/S, Koldingvej 2, Billund A/S, Ole Kirk's Fond and Merlin Entertainments PLC.

### Eva Berneke

Member of the Board since 2011.

CEO of KMD A/S.  
Member of the Board of Schibsted. Member of the Board of DTU.  
Member of the Foreign Economic Forum.  
Member of the Board of Directors of Nationalbanken.

### Jan Nielsen

Member of the Board since 2013.

Senior Managing Director and Partner in Blackstone.  
Chairman of the Board of Antares Restaurants Group.  
Member of the Board of Blackstone Hong Kong.  
Member of the Board of Ixom Ltd.  
Member of the Board of Simone Acc. Collection.



## Management's Review

The LEGO Group delivered a year of exceptional growth in 2015. Revenue increased by 25.2% in 2015 to DKK 35.8 billion against DKK 28.6 billion the year before. This was on top of a particularly strong 2014 that was aided by the successful LEGO Movie.

Revenue growth excluding foreign exchange impacts was 19.3% year over year (on a local currency basis).

All the LEGO Group's market regions experienced double digit sales growth while the traditional toy market in most countries grew by mid-single digit rates.

The LEGO Group's profit before tax amounted to DKK 12.1 billion in 2015 against DKK 9.5 billion the year before, a growth of 28.0%. The result is considered highly satisfactory.

### **Operating profit**

The LEGO Group's operating profit amounted to DKK 12.2 billion in 2015 against DKK 9.7 billion in 2014.

The operating margin was 34.2% in 2015 against 33.9% in 2014.

### **Financial income and expenses**

Net financials created a total expense of DKK 96 million in 2015 against an expense of DKK 206 million in 2014.

### **Corporate income tax**

Corporate income tax amounts to DKK 3.0 billion against DKK 2.5 billion the year before. The effective tax rate for the year is 24.5% against 26.0% in 2014.

### **Profit for the year**

The LEGO Group's profit for the year amounted to DKK 9.2 billion in 2015 against DKK 7.0 billion in 2014, which is higher than expected at the beginning of the year.

The positive results are closely related to the LEGO Group's strategy of globalising its operations. This has resulted in reaching new consumers in new areas of the world. The results are further driven by the continued, innovative expansion of the product portfolio. As new products make up approximately 60% of the total sales each year, an innovative and consumer-oriented development process is key to continued success. Delivering on customer and consumer demands has been enabled by a focus on continuous improvement and a strong collaboration across the entire value chain while evolving the company's organisation design to ensure ability to support the broader global reach in a consistent and cohesive manner.

## Management's Review

### Cash flows and equity

The LEGO Group's assets increased by DKK 6.5 billion in 2015 and amount to DKK 27.9 billion against DKK 21.4 billion at the end of 2014.

Cash flows from operating activities amounted to DKK 10.6 billion against DKK 7.9 billion in 2014.

After recognition of the profit for the year and distribution of dividend, the LEGO Group's equity has increased by DKK 5.0 billion to DKK 17.8 billion in 2015.

At the end of 2015, the equity ratio of the LEGO Group was 63.7% against 59.9% in 2014.

Return on equity for the LEGO Group was 60.0% in 2015 against 58.8% in 2014.

### Capacity investments

In 2015 the LEGO Group continued its extensive investments in production capacity, building on its overall strategy to locate production close to core markets. Investments in property, plant and equipment amounted to DKK 2.8 billion in 2015 against DKK 3.1 billion in 2014.

In April 2015, a major new extension of the LEGO factory in Kladno, the Czech Republic, was completed. The new hall was the final element in an expansion project that started in 2013.

During 2015, production has started at the new LEGO factory in Jiaxing, China. The facility is expected to be fully built out in 2017.

In October 2015, the LEGO Group announced plans for very large expansions of the LEGO factories in Nyíregyháza, Hungary, and Monterrey, Mexico, in order to meet the continued high demand for LEGO products.

At the Mexican plant, construction started late 2015, and based on current projections, the factory could in terms of size be expanded by up to 190,000 square metres and add another 3,000 employees to LEGO

operations in Mexico. The expansion will include moulding, processing and warehousing. Manufacturing will begin in 2018, and the new facility will be fully operational by 2022, according to current plans.

At the Hungarian plant, construction will start during 2016. Depending on the development of LEGO sales as many as 1,600 new jobs may be created in Nyíregyháza towards 2020. In terms of size, the factory will be expanded from its present size of 120,000 square metres up to a total of 290,000 square metres. The expansion will include moulding, processing, packing, warehousing and offices.

As a consequence of the LEGO Group's growth in the Asian region, the global main office in Singapore moved to a new and larger location during 2015. 250 employees work at the new office, which is being prepared to accommodate up to 400 employees. Also at the global main office in Shanghai, China, a move to larger premises is anticipated in the coming period.

### Research and development activities

Each year, new launches account for approximately 60% of the LEGO Group's sales to consumers. More than 250 designers from 35 different countries make up the creative core of product development within the company, with the majority being based in the company's headquarter in Billund, Denmark.

The considerable development activities that enable such an extensive degree of innovation comprise a wide range of activities from trend spotting and anthropological studies to the actual development of specific products and campaigns.

In June 2015, the LEGO Group announced its decision to invest DKK 1 billion in setting up a Sustainable Materials Centre. The objective for the centre is to fulfill the company's ambition of finding sustainable alternatives to its present raw materials and packing by 2030. The centre is expected to have a staff of

## Management's Review

approximately 100, the majority of whom will be located at the company's headquarters in Denmark.

Moreover, the LEGO Group cooperates with a number of educational institutions concerning various research projects within, among other things, children's play and new technologies.

### **Intellectual capital resources**

The considerable success of the company is only possible because of the skills, dedication and commitment of LEGO employees.

The average number of full-time employees was 13,974 in 2015 compared to 12,582 in 2014.

Due to the significant intake of new employees, it is therefore of the utmost importance to the company that new employees are carefully on-boarded with a focus on the Group's cultural foundation, governance approach and strategic outlook. A global induction programme is at the heart of this effort, but just as importantly all employees are encouraged to support the onboarding of new colleagues to the LEGO culture.

Not least due to the considerable growth and on-going globalisation, it is key to the company and its performance to ensure a clear link between the overall targets and objectives of the company and the individual employees' targets. Therefore, all employees in the LEGO Group participate in the Performance Management Programme (PMP). This Programme ensures that the targets set for the performance of the employees relate directly to the overall objectives of the Group. On a current basis during the year, the manager and the employee follow up on progress on the targets that can be either individual or shared with other colleagues in order to foster collaboration. A total evaluation of the employee's and the company's performance compared with the defined targets, which is carried out at year-end, decides the amount of bonus for each individual employee.

In October 2015, the LEGO Group announced its plans to consolidate certain service activities within the HR and Finance areas in a new global function located at the company's existing sites in Kladno, Czech Republic, Monterrey, Mexico and in Singapore. The transition into the new set-up will be completed in 2018.

The new function is established to support the LEGO Group's growth and global expansion. The aim is to create a function that is able to scale up and down in a responsive and agile manner to support the further globalisation of the LEGO Group, as well as direct professional focus and resources according to the changing business needs.

Globally, 190 LEGO employees have been informed that their current jobs will move to other locations over the coming two years, and during the transition phase, a number of activities will be initiated to support the affected employees.

### **Responsible business conduct**

The LEGO Group wants to have a positive impact on its stakeholders and its surroundings.

This is at the core of the Group's culture and the foundation of the strategy it pursues.

In 2003, the LEGO Group was the first company in the toy industry to sign the United Nations Global Compact. This was a confirmation of the company's many years' of support of human rights, labour standards, anti-corruption and the environment.

The LEGO Group confirms its support to United Nations Global Compact and has issued its Responsibility Report 2015 (COP report) describing how the Group is working within the areas of human rights, labour standards, the environment and anti-corruption. Pursuant to section 99 a and 99 b of the Danish Financial Statements Act, the Responsibility Report 2015 constitutes the statutory statement of corporate social responsibility. This also includes the required

## Management's Review

quantitative targets for the underrepresented gender on the Board of Directors.

The Responsibility Report furthermore describes the LEGO Group's efforts to achieve its non-financial goals.

The Responsibility Report 2015 is available at: [www.LEGO.com/responsibility](http://www.LEGO.com/responsibility)

### Market development

The LEGO Group's main activity is the development, production, marketing and sale of play materials.

The market for traditional toys, in which the Group operates, saw healthy growth during 2015.

North American and most European toy markets experienced mid-single digit growth during the year – with these regions posting the highest year over year growth in the last 10 years. Most of the Asian toy markets also posted solid growth but have slowed compared to more recent periods.

### LEGO® sales

Most major LEGO markets experienced growth in 2015. The Group's largest market, the US, grew double digit, as did the UK, France, Italy and China, while Central and Northern European markets achieved healthy single digit growth rates. The only major market that saw a significant decrease measured in DKK was Russia due to the difficult currency conditions.

Among the top selling lines in 2015 were core themes like LEGO® City, LEGO® Star Wars™, LEGO NINJAGO, LEGO Friends and LEGO® DUPLO®. Furthermore, the new fantasy theme LEGO Elves is off to a good start as is LEGO DIMENSIONS, a new play experience that merges physical LEGO brick building with interactive console gameplay. Like with LEGO video games, LEGO DIMENSIONS is developed by TT Games and published by Warner Bros. Interactive Entertainment.

During the coming years, the LEGO Group expects to grow moderately ahead of the global toy market that is expected to grow low single digit. This is expected to be achievable due to the Group's continued focus on innovation and its commitment to global expansion.

As a consequence of the LEGO Group's global growth, the company experiences an increase in the risk related to trade receivables. This is reflected in an increase in provisions for bad debts, ref. note 16.

The majority of the LEGO Group's sales are in foreign currency, the risks relating to currency are described in note 24.

### Events after the reporting date

No events have occurred after the balance sheet date that would influence the evaluation of the Annual Report.

### Expectations for 2016

The LEGO Group expects continued sales growth in 2016, in line with the long-term expectations mentioned above. The LEGO Group expects satisfactory results for 2016.



# The LEGO Group 2015

**25.2%**

Revenue growth 2015

**35.8 billion**

Revenue 2015 (DKK)

**9.2 billion**

Net profit 2015 (DKK)



# Management's Statement

The Management Board and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January to 31 December 2015.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements are prepared in accordance with additional Danish disclosure requirements. Management's Review is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give

a true and fair view of the financial position at 31 December 2015 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year 1 January to 31 December 2015.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Billund, 22 February 2016

## Management Board

### Jørgen Vig Knudstorp

President and  
Chief Executive Officer

### Julia Goldin

Executive Vice President and  
Chief Marketing Officer

### Bali Padda

Executive Vice President and  
Chief Operations Officer

### John Goodwin

Executive Vice President and  
Chief Financial Officer

### Loren I. Shuster

Executive Vice President and  
Chief Commercial Officer

## Board of Directors

### Niels Jacobsen

Chairman

### Kjeld Kirk Kristiansen

Deputy Chairman

### Thomas Kirk Kristiansen

### Søren Thorup Sørensen

### Eva Berneke

### Jan Nielsen

### Kåre Schultz

# Independent Auditor's Report

## To the shareholders of LEGO A/S

### Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LEGO A/S for the financial year 1 January to 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act.

### Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

## Independent Auditor's Report

### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Billund, 22 February 2016

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab  
CVR: 33 77 12 31



**Mogens Nørgaard Mogensen**  
State Authorised Public Accountant

### Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.



**Henrik Trangeled Kristensen**  
State Authorised Public Accountant

A young boy with blonde hair, wearing a red, white, and blue plaid shirt, is holding a colorful LEGO airplane in his right hand. He is looking up at the plane with a focused expression. The background is a plain, light color.

# The LEGO Group Financial Statements

**2.8 billion**

Capacity investments 2015 (DKK)

**13,974**

Average employees 2015

# Consolidated Income Statement and Consolidated Statement of Comprehensive Income

1 January – 31 December

(mDKK)	Note	2015	2014
<b>Consolidated Income Statement:</b>			
Revenue	3	35,780	28,578
Production costs	4,6,7	(9,814)	(8,071)
<b>Gross profit</b>		<b>25,966</b>	<b>20,507</b>
Sales and distribution expenses	4,6,7	(9,765)	(7,782)
Administrative expenses	4,5,6,7	(2,239)	(1,444)
Other operating expenses	4,6,8	(1,718)	(1,584)
<b>Operating profit</b>		<b>12,244</b>	<b>9,697</b>
Financial income	9	12	12
Financial expenses	10	(108)	(218)
<b>Profit before income tax</b>		<b>12,148</b>	<b>9,491</b>
Tax on profit for the year	11	(2,974)	(2,466)
<b>Net profit for the year</b>		<b>9,174</b>	<b>7,025</b>
<b>Consolidated Statement of Comprehensive Income:</b>			
Profit for the year		9,174	7,025
<i>Items that will be reclassified subsequently to the income statement, when specific conditions are met:</i>			
Change in market value of cash flow hedges		(537)	(378)
<i>Reclassification of cash flow hedges from equity to be recognised as part of:</i>			
Revenue in the income statement		734	40
Production costs in the income statement		20	4
Tax on cash flow hedges		(53)	83
Currency translation differences		79	12
<i>Items that will not be reclassified subsequently to the income statement:</i>			
Remeasurements of defined benefit plans		2	14
<b>Total comprehensive income for the year</b>		<b>9,419</b>	<b>6,800</b>

# Consolidated Balance Sheet

at 31 December

(mDKK)	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Development projects		139	85
Software		138	126
Licences, patents and other rights		55	60
<b>Intangible assets</b>	12	<b>332</b>	<b>271</b>
Land, buildings and installations		5,016	3,299
Plant and machinery		3,033	2,494
Other fixtures and fittings, tools and equipment		1,176	1,072
Fixed assets under construction		1,076	1,591
<b>Property, plant and equipment</b>	13	<b>10,301</b>	<b>8,456</b>
Deferred tax assets	19	419	494
Investments in associates	14	3	3
Prepayments		169	162
<b>Other non-current assets</b>		<b>591</b>	<b>659</b>
<b>Total non-current assets</b>		<b>11,224</b>	<b>9,386</b>
<b>Current assets:</b>			
Inventories	15	2,747	2,182
Trade receivables	16,25	6,410	5,891
Other receivables	25	920	683
Prepayments		179	149
Current tax receivables		254	48
Receivables from related parties	25,29	4,932	2,598
Cash at banks	25,28	1,211	482
<b>Total current assets</b>		<b>16,653</b>	<b>12,033</b>
<b>TOTAL ASSETS</b>		<b>27,877</b>	<b>21,419</b>

# Consolidated Balance Sheet

at 31 December

(mDKK)	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	17	20	20
Reserve for hedge accounting		6	(158)
Reserve for currency translation		(283)	(362)
Retained earnings	18	18,008	13,332
<b>Total equity</b>		<b>17,751</b>	<b>12,832</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Borrowings	25	187	196
Deferred tax liabilities	19	29	209
Pension obligations	20	95	82
Provisions	22	64	95
Debt to related parties	25, 29	600	600
Other long-term debt	21, 25	98	96
<b>Total non-current liabilities</b>		<b>1,073</b>	<b>1,278</b>
<b>Current liabilities:</b>			
Borrowings	25	189	162
Trade payables	25	3,143	2,530
Current tax liabilities		230	154
Provisions	22	158	228
Other short-term debt	21, 25	5,333	4,235
<b>Total current liabilities</b>		<b>9,053</b>	<b>7,309</b>
<b>Total liabilities</b>		<b>10,126</b>	<b>8,587</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,877</b>	<b>21,419</b>



# Consolidated Statement of Changes in Equity

2015 (mDKK)	Share capital	Reserve for hedge-accounting	Reserve for currency translation	Retained earnings	LEGO A/S' share of equity	Non-controlling interests	Total equity
<b>Balance at 1 January</b>	<b>20</b>	<b>(158)</b>	<b>(362)</b>	<b>13,332</b>	<b>12,832</b>	<b>–</b>	<b>12,832</b>
Profit for the year	–	–	–	9,174	<b>9,174</b>	–	<b>9,174</b>
Other comprehensive income/ (expenses) for the year	–	164	79	2	<b>245</b>	–	<b>245</b>
Dividend paid relating to prior year	–	–	–	(4,500)	<b>(4,500)</b>	–	<b>(4,500)</b>
<b>Balance at 31 December</b>	<b>20</b>	<b>6</b>	<b>(283)</b>	<b>18,008</b>	<b>17,751</b>	<b>–</b>	<b>17,751</b>

2014 (mDKK)	Share capital	Reserve for hedge-accounting	Reserve for currency translation	Retained earnings	LEGO A/S' share of equity	Non-controlling interests	Total equity
<b>Balance at 1 January</b>	<b>20</b>	<b>94</b>	<b>(374)</b>	<b>11,335</b>	<b>11,075</b>	<b>–</b>	<b>11,075</b>
Profit for the year	–	–	–	7,025	<b>7,025</b>	–	<b>7,025</b>
Other comprehensive income/ (expenses) for the year	–	(252)	12	15	<b>(225)</b>	–	<b>(225)</b>
Acquisition of non-controlling interest in subsidiary	–	–	–	(43)	<b>(43)</b>	43	–
Dividend paid relating to prior year	–	–	–	(5,000)	<b>(5,000)</b>	(43)	<b>(5,043)</b>
<b>Balance at 31 December</b>	<b>20</b>	<b>(158)</b>	<b>(362)</b>	<b>13,332</b>	<b>12,832</b>	<b>–</b>	<b>12,832</b>

# Consolidated Cash Flow Statement

1 January – 31 December

(mDKK)	Note	2015	2014
<b>Cash flows from operating activities:</b>			
Cash generated from operations	27	13,850	10,707
Interest paid etc.		(40)	(218)
Interest received etc.		12	12
Income tax paid		(3,263)	(2,556)
<b>Net cash generated from operating activities</b>		<b>10,559</b>	<b>7,945</b>
<b>Cash flows from investing activities:</b>			
Purchases of intangible assets	12	(126)	(59)
Purchases of property, plant and equipment	13	(2,822)	(3,115)
Proceeds from sale of property, plant and equipment		13	10
<b>Net cash used in investing activities</b>		<b>(2,935)</b>	<b>(3,164)</b>
<b>Cash flows from financing activities:</b>			
Dividend paid to shareholders		(4,500)	(5,000)
Dividend paid to non-controlling interests		–	(43)
Acquisition of non-controlling interest		–	(36)
Payment to related parties	29	(12,144)	(12,948)
Repayment from related parties	29	9,810	12,660
Repayments of borrowings		18	65
<b>Net cash used in financing activities</b>		<b>(6,816)</b>	<b>(5,302)</b>
<b>Total cash flows</b>		<b>808</b>	<b>(521)</b>
Cash and cash equivalents at 1 January		482	1,024
Exchange losses on cash at banks		(79)	(21)
<b>Cash at banks at 31 December</b>	28	<b>1,211</b>	<b>482</b>

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# Note 1. Significant accounting policies

The Consolidated Financial Statements of the LEGO Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

The Consolidated Financial Statements have been prepared in accordance with the historical cost conversion, as modified by the revaluation of financial assets and financial liabilities (including financial instruments) at fair value.

## Effects of new and amended accounting standards

All new and amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2015 have been adopted by the LEGO Group. The application of the new IFRS's has not had a material impact on the Consolidated Financial Statements in 2015 and we do not anticipate any significant impact on future periods from the adoption of these new IFRS's.

The following standards which are not yet effective and have not yet been endorsed by the EU are relevant for the LEGO Group:

- IFRS 9, Financial instruments. IFRS 9 is the new standard on classification and measurement of financial instruments. Among other amendments, it introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities. It includes amendments to the treatment of option premiums and the possibility to hedge net positions. The standard is effective for annual periods beginning on or after 1 January 2018.
- IFRS 15, Revenue from contracts with customers. IFRS 15 deals with revenue recognition and establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue.

The standard is effective for annual periods beginning on or after 1 January 2018.

It is Management's assessment that the above mentioned changes in accounting standards and interpretations will not have any significant impact on the Consolidated Financial Statements upon adoption of these standards.

IASB issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessee. The standard has not yet been endorsed by the EU. The standard is effective for annual periods beginning on or after 1 January 2019. Management has not yet finalised the investigation of the impact on the Consolidated Financial Statements upon adoption of IFRS 16.

## Consolidation practice

The Consolidated Financial Statements comprise LEGO A/S (Parent Company) and the companies in which LEGO A/S directly or indirectly holds more than 50% of the votes or otherwise exercises control (subsidiaries). LEGO A/S and these companies are referred to as the LEGO Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the LEGO Group. They are de-consolidated from the date on which control ceases.

Associates are all entities over which the LEGO Group has significant influence but not control, and are generally represented by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the LEGO Group.

## Note 1. Significant accounting policies

Non-controlling interests include third party shareholders' share of the equity and the results for the year in subsidiaries which are not 100% owned.

The part of the subsidiaries' results that can be attributed to non-controlling interests forms part of the profit or loss for the period. Non-controlling interests' share of the equity is stated as a separate item in equity.

### Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the LEGO Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the Parent Company.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as reserve for exchange rate adjustments.

#### Group companies

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each subsidiary are translated into DKK at the closing rate at the balance sheet date.
- Income and expenses for each subsidiary are translated at average exchange rates.
- Differences deriving from translation of the foreign subsidiaries opening equity to the exchange rates

prevailing at the balance sheet date, and differences owing to the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognised in other comprehensive income and classified as a separate reserve for exchange adjustments under equity.

### Derivative financial instruments

The effective portion of changes to the fair value of derivative financial instruments which meet the criteria for hedging future cash flows are recognised in other comprehensive income and in a separate reserve under equity. Income and expenses relating to these hedge transactions are reclassified from equity when the hedged item affects the income statement or the hedged transaction is no longer to take place. The amount is recognised in the same line as the hedged item. Fair value changes attributable to the time value of options are recognised in financial income or expenses in the income statement.

#### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'financial items'. Amounts accumulated in other comprehensive income are reclassified to the income statement in the period when the hedged item affects the income statement.

#### Other derivatives

Changes to the fair value of other derivatives are recognised in the financial income or expenses.

## Note 1. Significant accounting policies

### Income statement

#### Recognition of sales and revenues

Sales represent the fair value of the sale of goods excluding value added tax and after deduction of provisions for returned products, rebates and trade discounts relating to the sale.

Provisions and accruals for rebates to customers are made in the period in which the related sales are recorded. Historical data are readily available and reliable and are used for estimating the amount of the reduction in sales.

Revenues from the sale of goods are recognised when all the following specific conditions have been met and the control over the goods has been transferred to the buyer.

- Significant risks and rewards of ownership of the goods have been transferred to the buyer.
- The revenues can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the LEGO Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are usually met by the time the products are delivered to the customers.

Licence fees are recognised on an accrual basis in accordance with the relevant agreements. Revenues are measured at the fair value of the consideration received or receivable.

#### Production costs

Production costs comprise costs incurred to achieve revenue for the year. Costs comprise raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

#### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

#### Sales and distribution expenses

Distribution expenses comprise costs in the form of salaries

to sales and distribution staff, advertising and marketing expenses as well as depreciation, etc.

#### Other operating expenses

Other operating expenses include royalty and research and development costs.

#### Taxes

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full in the Consolidated Financial Statements, using the liability method.

Deferred tax reflects the effect of any temporary differences. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

### Balance sheet

#### Software and development projects

Research expenses are charged to the income statement as incurred. Software and development projects that are clearly defined and identifiable and which are expected to generate future economic profit are recognised as intangible non-current assets at historical cost less accumulated amortisation and any impairment loss. Amortisation is provided on a straight-line basis over the expected useful life which is normally 3-6 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible assets under construction is performed.

## Note 1. Significant accounting policies

Borrowing costs related to financing development projects that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

### Licences, patents and other rights

Acquired licences, patents and other rights are capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

### Property, plant and equipment

Land and buildings comprise mainly factories, warehouses and offices. Property, plant and equipment (PPE) are measured at cost, less subsequent depreciation and impairment losses, except for land, which is measured at cost less impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	40 years
Installations	10-20 years
Plant and machinery	5-15 years
Moulds	2 years
Furniture, fittings and equipment	3-10 years

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in the income statement.

Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self constructed assets comprises direct expenses for wage consumption and materials. Borrowing costs related to financing self constructed assets that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

### Leases

Leases of assets where the LEGO Group has substantially all risks and rewards of ownership are capitalised as finance leases under property, plant and equipment and depreciated over the estimated useful lives of the assets, according to the periods listed under the section property, plant and equipment. The corresponding finance lease liabilities are recognised in liabilities.

Operating lease expenses are recognised in the income statement on a straight-line basis over the period of the lease.

### Impairment of assets

Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under development are tested for impairment at each reporting date.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less expenses to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of raw materials, consumables and purchased goods comprises the invoice price plus delivery expenses. The cost of finished goods and work in progress comprises the purchase price of materials and direct labour costs plus indirect production costs. Indirect production costs include indirect materials and wages, maintenance and depreciation of plant and machinery, factory buildings and other equipment as well as expenses for factory administration and management.

### Other receivables and prepayments

Other receivables and prepayments recognised under assets include VAT, financial instruments, royalty and prepaid expenses on leases.

## Note 1. Significant accounting policies

### Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less write down for losses. Provisions for losses are made on basis of an objective indication if an individual receivable or a portfolio of receivables are impaired.

### Equity

#### Reserve for hedge accounting

The reserve for hedge accounting consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges.

#### Reserve for currency translation

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the LEGO Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

#### Dividend distribution

Dividends are recognised as a liability in the period in which they are adopted at the Annual General Meeting.

### Liabilities

#### Borrowings

Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the LEGO Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary employee benefits are accrued in the year in which the associated services are rendered by the employees of the LEGO Group. Where the LEGO Group provides long-term employee benefits, the costs are accumulated to match the rendering of the services by the employees concerned.

#### Retirement benefit obligation

Costs regarding defined contribution plans are recognised in the income statement in the periods in which the related employee services are delivered.

Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates are based on the market yield of high quality corporate bonds in the country concerned approximating to the terms of the LEGO Group's pension obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method. When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement over the vesting period. To the extent that the benefits are vested, the expense is recognised in the income statement immediately.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they occur.

Past service costs are recognised immediately in profit/loss.

Net pension assets are recognised to the extent that the LEGO Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

#### Provisions

Provisions are recognised when the LEGO Group identifies legal or constructive obligations as a result of past events and it is



## Note 1. Significant accounting policies

probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the LEGO Group makes the estimate based upon an evaluation of the individual, most likely outcome of the cases. In cases where a reliable estimate cannot be made, these are disclosed as contingent liabilities.

Further provisions for restructuring expenses are only recognised when the decision is made and announced before the balance sheet date. Provisions are not made for future operating losses.

Provisions are measured at the present value of the estimated obligation at the balance sheet date.

### Other liabilities

Other liabilities are measured at amortised cost unless specifically stated otherwise.

### Cash flow statement

The consolidated cash flow statement shows cash flows for the year broken down by operating, investing and financing activities, changes for the period in cash and bank overdrafts and cash and bank overdrafts at the beginning of the year.

Cash flows from operating activities are calculated indirectly as operating profit adjusted for non-cash items, financial expenses paid, income taxes paid and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisitions and disposals of activities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments. Furthermore they comprise interest and dividends received.

Cash flows from financing activities comprise proceeds from borrowings, repayment of interestbearing debt and dividend paid to shareholders.

Cash and cash equivalents comprise cash that can readily be converted into cash reduced by short-term bank debt.

### Financial ratios

Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios 2015", issued by the Danish Society of Financial Analysts.

Average invested capital is calculated as property, plant and equipment, inventories and receivables excluding tax receivables less provisions, excluding provisions relating to restructuring and deferred tax, and less short-term debt, excluding mortgage loans and tax.

<b>Gross margin</b>	$\frac{\text{GROSS PROFIT X 100}}{\text{REVENUE}}$
<b>Operating margin</b>	$\frac{\text{OPERATING PROFIT (EBIT) X 100}}{\text{REVENUE}}$
<b>Net profit margin</b>	$\frac{\text{NET PROFIT FOR THE PERIOD X 100}}{\text{REVENUE}}$
<b>Return on equity (ROE)</b>	$\frac{\text{NET PROFIT FOR THE PERIOD X 100}}{\text{AVERAGE EQUITY}}$
<b>ROIC</b>	$\frac{\text{OPERATING PROFIT BEFORE AMORTISATION (EBITA) X 100}}{\text{AVERAGE INVESTED CAPITAL}}$
<b>Equity ratio</b>	$\frac{\text{EQUITY X 100}}{\text{TOTAL LIABILITIES AND EQUITY}}$

## Note 2. Significant accounting estimates and judgements

When preparing the Consolidated Financial Statement it is necessary that Management makes a number of accounting estimates and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses.

Estimates and judgements used in the determination of reported results are continuously evaluated. Management bases the judgements on historical experience and other assumptions that Management assesses are reasonable under the given circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The following accounting estimates and judgements are those that Management assesses to be material:

### **Property, plant and equipment**

Assessment of estimated residual value and useful life of property, plant and equipment requires judgements. It is Management's assessment that the estimates are reasonable (note 13).

### **Inventories**

Calculation of indirect production costs requires estimates and judgements regarding various assumptions. The sensitivity of the measurement to these assumptions can be significant. It is the assessment of Management that the assumptions and estimates made are reasonable (note 15).

### **Trade receivables**

Management makes allowance for doubtful trade receivables in anticipation of estimated losses resulting from the subsequent inability of customers to make required payments. Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness and payment history and changes in customer payment terms (note 16).

## Note 3. Revenue

Revenue contains sale of goods and licence income. Sale of goods amounts to DKK 35,359 million (DKK 28,141 million in 2014), and licence income amounts to DKK 421 million (DKK 437 million in 2014).

## Note 4. Expenses by nature

(mDKK)	Note	2015	2014
Raw materials and consumables used		5,366	4,062
Employee expenses	6	5,956	4,754
Depreciation and amortisation	7	1,081	947
Licence and royalty expenses		2,523	2,019
Other external expenses		8,610	7,099
<b>Total operating expenses</b>		<b>23,536</b>	<b>18,881</b>

## Note 5. Auditors' fees

(mDKK)	Note	2015	2014
<b>Fee to PwC:</b>			
Statutory audit of the Financial Statements		10	9
Other assurance engagements		1	1
Tax assistance		20	18
Other services		34	12
		<b>65</b>	<b>40</b>

## Note 6. Employee expenses

(mDKK)	Note	2015	2014
Wages and salaries		5,266	4,201
Termination benefit and restructuring		25	8
Pension costs	20	235	262
Other expenses and social security expenses		475	327
<b>Total employee costs for the year</b>		<b>6,001</b>	<b>4,798</b>
<b>Employee costs included in:</b>			
Intangible assets		(12)	(13)
Property, plant and equipment		(33)	(31)
<b>Total employee costs expensed in the income statement</b>		<b>5,956</b>	<b>4,754</b>
<b>Classified as:</b>			
Production costs		1,833	1,533
Sales and distribution expenses		2,579	2,050
Administrative expenses		1,300	966
Other operating expenses		244	205
		<b>5,956</b>	<b>4,754</b>
<b>Including Key Management Personnel (Management Board):</b>			
Salaries		43	25
Pension		2	1
Short-term incentive plans		12	8
Long-term incentive plans		23	19
		<b>80</b>	<b>53</b>
<b>Including fee to Board of Directors:</b>		<b>4</b>	<b>4</b>
Incentive plans comprise a short-term incentive plan based on yearly performance and a long-term incentive plan related to long-term goals regarding value creation.			
<b>Average number of full-time employees</b>		<b>13,974</b>	<b>12,582</b>
<b>Number of employees (Headcount)</b>		<b>17,294</b>	<b>14,762</b>

## Note 7. Depreciation and amortisation

(mDKK)	2015	2014
Software	51	45
Licences, patents and other rights	13	9
Buildings and installations	145	103
Plant and machinery	662	612
Other fixtures and fittings, tools and equipment	210	178
	<b>1,081</b>	<b>947</b>
<b>Classified as:</b>		
Production costs	854	763
Sales and distribution expenses	131	122
Administrative expenses	96	62
	<b>1,081</b>	<b>947</b>

## Note 8. Research and development costs

(mDKK)	2015	2014
Research and development costs charged during the year	533	437
	<b>533</b>	<b>437</b>

## Note 9. Financial income

(mDKK)	2015	2014
Interest income from related parties	–	1
Interest income from credit institutions measured at amortised cost	7	6
Other interest income	5	5
	<b>12</b>	<b>12</b>

## Note 10. Financial expenses

(mDKK)	2015	2014
Interest expenses on mortgage loans measured at amortised cost	1	2
Interest expenses to related parties	19	19
Interest expenses to credit institutions measured at amortised cost	10	8
Other interest expenses	10	14
Exchange loss, net	68	175
	<b>108</b>	<b>218</b>

## Note 11. Tax on profit for the year

(mDKK)	2015	2014
Current tax on profit for the year	3,182	2,593
Deferred tax on profit for the year	(115)	(137)
Other	2	3
Revaluation of deferred tax assets and liabilities	(8)	5
Deferred tax, effect of change in tax rate	8	(5)
Adjustment of tax relating to previous years, current tax	(48)	50
Adjustment of tax relating to previous years, deferred tax	(47)	(43)
	<b>2,974</b>	<b>2,466</b>
<b>Income tax expenses are specified as follows:</b>		
Calculated 23.5% (24.5% in 2014) tax on profit for the year before income tax	<b>2,855</b>	<b>2,325</b>
<b>Tax effect of:</b>		
Higher/lower tax rate in subsidiaries	106	43
Non-taxable income	(69)	(36)
Non-deductible expenses	74	101
Deferred tax, effect of change in tax rate	8	(5)
Adjustment of tax relating to previous years	(95)	8
Revaluation of deferred tax assets and liabilities	(8)	5
Other	103	25
	<b>2,974</b>	<b>2,466</b>
<b>Effective tax rate</b>	<b>24.5%</b>	<b>26.0%</b>

## Note 12. Intangible assets

2015 (mDKK)	Development projects	Software	Licences, patents and other rights	Total
Cost at 1 January	85	461	222	768
Exchange rate adjustment to year-end rate	–	–	6	6
Additions	117	6	3	126
Disposals	–	(205)	–	(205)
Transfers	(63)	63	–	–
<b>Cost at 31 December</b>	<b>139</b>	<b>325</b>	<b>231</b>	<b>695</b>
Amortisation and impairment losses at 1 January	–	335	162	497
Exchange rate adjustment to year-end rate	–	6	1	7
Amortisation for the year	–	51	13	64
Disposals	–	(205)	–	(205)
<b>Amortisation and impairment losses at 31 December</b>	<b>–</b>	<b>187</b>	<b>176</b>	<b>363</b>
<b>Carrying amount at 31 December</b>	<b>139</b>	<b>138</b>	<b>55</b>	<b>332</b>

2014 (mDKK)	Development projects	Software	Licences, patents and other rights	Total
Cost at 1 January	71	431	194	696
Exchange rate adjustment to year-end rate	–	4	23	27
Additions	49	5	5	59
Disposals	–	(14)	–	(14)
Transfers	(35)	35	–	–
<b>Cost at 31 December</b>	<b>85</b>	<b>461</b>	<b>222</b>	<b>768</b>
Amortisation and impairment losses at 1 January	–	300	136	436
Exchange rate adjustment to year-end rate	–	3	17	20
Amortisation for the year	–	45	9	54
Disposals	–	(13)	–	(13)
<b>Amortisation and impairment losses at 31 December</b>	<b>–</b>	<b>335</b>	<b>162</b>	<b>497</b>
<b>Carrying amount at 31 December</b>	<b>85</b>	<b>126</b>	<b>60</b>	<b>271</b>



## Note 13. Property, plant and equipment

2015 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	3,981	6,023	1,862	1,591	<b>13,457</b>
Exchange adjustment to year-end rate	(45)	16	58	78	<b>107</b>
Additions	252	882	182	1,506	<b>2,822</b>
Disposals	–	(279)	(95)	–	<b>(374)</b>
Transfers	1,654	322	123	(2,099)	–
<b>Cost at 31 December</b>	<b>5,842</b>	<b>6,964</b>	<b>2,130</b>	<b>1,076</b>	<b>16,012</b>
Depreciation and impairment losses at 1 January	682	3,529	790	–	<b>5,001</b>
Exchange adjustment to year-end rate	(1)	6	27	–	<b>32</b>
Depreciation for the year	145	662	210	–	<b>1,017</b>
Disposals	–	(266)	(73)	–	<b>(339)</b>
<b>Depreciation and impairment losses at 31 December</b>	<b>826</b>	<b>3,931</b>	<b>954</b>	–	<b>5,711</b>
<b>Carrying amount at 31 December</b>	<b>5,016</b>	<b>3,033</b>	<b>1,176</b>	<b>1,076</b>	<b>10,301</b>
<b>Including assets under finance leases</b>	<b>19</b>	–	–	–	<b>19</b>

### Property, plant and equipment in general:

An obligation regarding the purchase of property, plant and equipment of DKK 2,014 million exists at 31 December 2015 (DKK 1,258 million at 31 December 2014).

### Assets under finance leases:

Assets under finance leases consist of buildings.

## Note 13. Property, plant and equipment

2014 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	2,356	5,346	1,473	1,553	<b>10,728</b>
Exchange adjustment to year-end rate	(2)	(20)	63	(63)	<b>(22)</b>
Additions	737	830	280	1,268	<b>3,115</b>
Disposals	(3)	(312)	(49)	–	<b>(364)</b>
Transfers	893	179	95	(1,167)	–
<b>Cost at 31 December</b>	<b>3,981</b>	<b>6,023</b>	<b>1,862</b>	<b>1,591</b>	<b>13,457</b>
Depreciation and impairment losses at 1 January	579	3,232	627	–	<b>4,438</b>
Exchange adjustment to year-end rate	1	(8)	25	–	<b>18</b>
Depreciation for the year	103	612	178	–	<b>893</b>
Disposals	(1)	(307)	(40)	–	<b>(348)</b>
<b>Depreciation and impairment losses at 31 December</b>	<b>682</b>	<b>3,529</b>	<b>790</b>	–	<b>5,001</b>
<b>Carrying amount at 31 December</b>	<b>3,299</b>	<b>2,494</b>	<b>1,072</b>	<b>1,591</b>	<b>8,456</b>
<b>Including assets under finance leases</b>	<b>21</b>	–	–	–	<b>21</b>

## Note 14. Investments in associates

(mDKK)	2015	2014
Cost at 1 January	4	4
<b>Cost at 31 December</b>	<b>4</b>	<b>4</b>
Value adjustment at 1 January	(1)	(1)
<b>Value adjustment at 31 December</b>	<b>(1)</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>3</b>	<b>3</b>

Investments in associates comprise of KABOOKI A/S, Denmark. The LEGO Group owns 19.8% of the share capital, and is considered to have significant influence in KABOOKI A/S as the LEGO Group is represented on the Board of Directors of KABOOKI A/S. The company is therefore classified as investment in associates.

## Note 15. Inventories

(mDKK)	2015	2014
Raw materials and components	177	138
Work in progress	1,073	801
Finished goods	1,497	1,243
	<b>2,747</b>	<b>2,182</b>
Indirect production costs included in inventories	1,007	795
Share of total inventories	36.7%	36.4%
Cost of sales recognised in production costs	7,704	6,180
<b>Including:</b>		
Write-down of inventories to net realisable value (income)/expense	37	9

## Note 16. Trade receivables

(mDKK)	2015	2014
<b>Trade receivables (gross)</b>	<b>6,770</b>	<b>5,970</b>
<b>Provision for bad debts:</b>		
Balance at 1 January	(79)	(48)
Exchange adjustment to year-end rate	(2)	1
Change in provision for the year	(291)	(44)
Realised losses for the year	12	12
<b>Balance at 31 December</b>	<b>(360)</b>	<b>(79)</b>
<b>Trade receivables (net)</b>	<b>6,410</b>	<b>5,891</b>

All trade receivables fall due within one year. The nominal value is considered equal to the fair value of receivables falling due within one year from the balance sheet date.

### The age distribution of gross trade receivables is as follows:

(mDKK)	2015	2014
Not overdue	6,234	5,329
0 - 60 days overdue	449	577
61 - 120 days overdue	13	23
121 - 180 days overdue	21	9
More than 180 days overdue	53	32
	<b>6,770</b>	<b>5,970</b>

The LEGO Group has no significant trade receivables concentrated in specific countries, but has some single significant trade debtors. The LEGO Group has fixed procedures for determining the LEGO Group's granting of credit. The LEGO Group's risk relating to trade receivables is considered to be moderate. For more information, see note 24.

As a consequence of the LEGO Group's global growth, the company experiences an increase in the risk related to trade receivables. This is reflected in an increase in provisions for bad debts.

## Note 17. Share capital

	2015	2014
The share capital consists of:		
A-shares of DKK 100,000	9	9
A-shares of DKK 10,000	10	10
B-shares of DKK 500,000	3	3
B-shares of DKK 100,000	67	67
B-shares of DKK 10,000	80	80
C-shares of DKK 500,000	16	16
C-shares of DKK 100,000	20	20
<b>Total shares at 31 December</b>	<b>205</b>	<b>205</b>

The total number of shares is 205 (205 in 2014). All issued shares are fully paid up.

Each ordinary A-share of DKK 1,000 gives 10 votes, while each ordinary B-share of DKK 1,000 gives 1 vote, and each ordinary C-share of DKK 1,000 gives 1 vote. C-shares can as a maximum receive an annual dividend of 8%.

### Shareholders that own more than 5% of the share capital:

KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark

Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

## Note 18. Dividend per share

Dividend of DKK 4,500 million was paid in May 2015, corresponding to DKK 22.0 million in average per share (DKK 5,000 million in 2014, DKK 24.4 million in average per share).

Proposed dividend for 2015 is DKK 7,000 million, corresponding to DKK 34.1 million in average per share.

## Note 19. Deferred tax

(mDKK)	2015	2014
Deferred tax, net at 1 January	285	14
Change in tax rates recognised in income statement	(8)	5
Exchange rate adjustments	(4)	8
Income statement charge	170	175
Charged to other comprehensive income	(53)	83
<b>Deferred tax, net at 31 December</b>	<b>390</b>	<b>285</b>
<b>Classified as:</b>		
Deferred tax assets	419	494
Deferred tax liabilities	(29)	(209)
	<b>390</b>	<b>285</b>

## Note 19. Deferred tax

<b>2015</b> (mDKK)	Deferred tax assets	Deferred tax liabilities	<b>Deferred tax net</b>
Non-current assets	115	(109)	<b>6</b>
Receivables	49	(5)	<b>44</b>
Inventories	245	(183)	<b>62</b>
Provisions	147	–	<b>147</b>
Other liabilities	132	(47)	<b>85</b>
Other	70	(27)	<b>43</b>
Offset	(342)	342	–
Tax loss carry-forwards	3	–	<b>3</b>
	<b>419</b>	<b>(29)</b>	<b>390</b>

  

<b>2014</b> (mDKK)	Deferred tax assets	Deferred tax liabilities	<b>Deferred tax net</b>
Non-current assets	117	(87)	<b>30</b>
Receivables	1	(2)	<b>(1)</b>
Inventories	257	(158)	<b>99</b>
Provisions	128	–	<b>128</b>
Other liabilities	94	6	<b>100</b>
Other	24	(111)	<b>(87)</b>
Offset	(143)	143	–
Tax loss carry-forwards	16	–	<b>16</b>
	<b>494</b>	<b>(209)</b>	<b>285</b>

### Tax loss carry-forwards:

Tax assets arising from tax losses carried forward are capitalised based on an assessment of whether they can be utilised in the future.

DKK 2 million of the LEGO Group's capitalised tax losses expire after 7 years (DKK 3 million in 2014 expire after 5 years).

## Note 20. Pension obligations

### Defined contribution plans

In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (e.g. a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish companies and some of the foreign companies are all defined contribution plans. In the LEGO Group, DKK 235 million (DKK 262 million in 2014) have been recognised in the income statement as costs relating to defined contribution plans.

### Defined benefit plans

In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the Group include employees in Germany and in the UK. In the LEGO Group, a net obligation of DKK 95 million (DKK 82 million in 2014) has been recognised relating to the LEGO Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the LEGO Group, DKK -12 million (DKK -5 million in 2014) have been recognised in the income statement and DKK 2 million (DKK -14 million in 2014) have been recognised in other comprehensive income.

(mDKK)	2015	2014
<b>The amounts recognised in the balance sheet are calculated as follows:</b>		
Present value of funded obligations	(193)	(171)
Fair value of plan assets	153	144
	(40)	(27)
Present value of unfunded obligations	(55)	(55)
<b>Net liability recognised in the balance sheet</b>	<b>(95)</b>	<b>(82)</b>
Of which included as part of the liabilities	(95)	(82)
<b>The change in present value of defined benefit obligations for the year is as follows:</b>		
Present value at 1 January	(226)	(172)
Exchange adjustment to year-end rate	(15)	(12)
Pension costs relating to current financial year	(9)	(3)
Interest expenses	(8)	(7)
Remeasurement gains/(losses)	3	(37)
Benefits paid	7	5
<b>Present value at 31 December</b>	<b>(248)</b>	<b>(226)</b>



## Note 20. Pension obligations

(mDKK)	2015	2014
<b>The change in fair value of plan assets for the year is as follows:</b>		
Plan assets at 1 January	144	115
Exchange adjustment to year-end rate	6	5
Interest income	5	5
Remeasurement gains/(losses)	(1)	22
Benefits paid	(1)	(3)
<b>Plan assets at 31 December</b>	<b>153</b>	<b>144</b>
<b>Movements in the net liability recognised in the balance sheet are as follows:</b>		
Net liability at 1 January	(82)	(57)
Exchange adjustment to year-end rate	(9)	(8)
Total expenses charged to the income statement	(12)	(5)
Total income charged to other comprehensive income gains/(losses)	2	(14)
Contributions paid	6	2
<b>Net liability at 31 December</b>	<b>(95)</b>	<b>(82)</b>
<b>The actual return on plan assets amounts to</b>	<b>(1)</b>	<b>22</b>

The actuarial assumptions applied in the calculations vary from country to country due to local economic and social conditions. The average assumptions applied are specified as follows:

(mDKK)	2015	2014
Discount rate	2% - 4%	2% - 4%
Future salary increases	2% - 6%	2% - 6%
Future pension increases	1% - 3%	1% - 3%

## Note 21. Other debt

(mDKK)	2015	2014
Wage-related payables and other charges	1,844	1,282
Debt to related parties	521	374
Finance lease obligations	27	28
VAT and other indirect taxes	408	330
Amortised debt	147	151
Discounts	768	698
Other current liabilities	1,716	1,468
	<b>5,431</b>	<b>4,331</b>
<b>Specified as follows:</b>		
Non-current	98	96
Current	5,333	4,235
	<b>5,431</b>	<b>4,331</b>

### Finance lease obligations:

The fair value of obligations regarding assets under finance leases corresponds to the carrying amount.

The fair value is estimated to equal the present value of expected future cash flows at a market interest rate for similar leases.

(mDKK)	2015	2014
<b>Obligations regarding finance leases are as follows:</b>		
0-1 year	7	6
1-5 years	26	26
> 5 years	2	6
	<b>35</b>	<b>38</b>
<b>Reconciliation of carrying amount and gross liability:</b>		
Carrying amount of the liability	27	28
Interest expenses not yet accrued	8	10
<b>Gross liability</b>	<b>35</b>	<b>38</b>

No contingent leases have been recognised in expenses in 2015 or 2014.

None of the assets under finance leases have been subleased.

## Note 22. Provisions

<b>2015</b> (mDKK)	Restructuring	Other	Total
Provisions at 1 January	27	296	<b>323</b>
Exchange adjustment to year-end rate	–	1	<b>1</b>
Additions	40	251	<b>291</b>
Used	(20)	(140)	<b>(160)</b>
Reversed	(6)	(227)	<b>(233)</b>
<b>Provisions at 31 December</b>	<b>41</b>	<b>181</b>	<b>222</b>

### Specified as follows:

Non-current		64
Current		158
		<b>222</b>

<b>2014</b> (mDKK)	Restructuring	Other	Total
Provisions at 1 January	55	143	<b>198</b>
Exchange adjustment to year-end rate	–	1	<b>1</b>
Additions	–	313	<b>313</b>
Used	(24)	(114)	<b>(138)</b>
Reversed	(4)	(47)	<b>(51)</b>
<b>Provisions at 31 December</b>	<b>27</b>	<b>296</b>	<b>323</b>

### Specified as follows:

Non-current		95
Current		228
		<b>323</b>

Provisions for restructuring obligations relate primarily to close-down and movement of activities and redundancy programmes. The majority of these obligations are expected to result in cash outflows in the period 2016-2018.

Other provisions consist of various types of provisions, including provisions for loyalty programmes. There are provisions in respect of certain outstanding litigation, of which the Management expects the outcome of these legal disputes to be resolved within the next 2 years. The actual outcome of these disputes and the timing of the resolution cannot be estimated by the LEGO Group at this time. Further information ordinarily required by IAS 37 has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

## Note 23. Contingent assets, contingent liabilities and other obligations

(mDKK)	2015	2014
Guarantees	127	96
Operating lease obligations	2,702	2,214
Other obligations	262	368
	<b>3,091</b>	<b>2,678</b>

Guarantees relate to bank guarantees for commitments.

The LEGO Group leases various offices, LEGO retail stores, warehouses and plant and machinery under non-cancellable operating leases. The leases have varying terms, clauses and rights. The LEGO Group also leases plant and machinery under cancellable operating leases. The LEGO Group is required to give various notices of termination of these agreements.

(mDKK)	2015	2014
Lease expenses for the year charged to the income statement amount to	747	633

**Future minimum lease payments under non-cancellable operating leases are specified as follows:**

(mDKK)	2015	2014
<b>Related parties:</b>		
0-1 year	53	60
1-5 years	117	125
> 5 years	189	157
	<b>359</b>	<b>342</b>
<b>Other:</b>		
0-1 year	500	414
1-5 years	1,425	1,010
> 5 years	418	448
	<b>2,343</b>	<b>1,872</b>

Security has been given in land, buildings and installations with a net carrying amount of DKK 344 million (DKK 318 million in 2014) for the LEGO Group's mortgage loans.

The LEGO Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 108 million (DKK 116 million in 2014), of which DKK 0 million has been recognised as provision for deferred tax. The amount of DKK 108 million is not expected to be recaptured. The Danish companies in the LEGO Group are jointly and severally liable for corporate income tax according to the joint taxation in the LEGO Group, KIRKBI A/S and in the companies controlled by KIRKBI A/S. The total amount of current tax liabilities, as well as related current tax credit counterparts are shown in the Annual Report of KIRKBI A/S, which is the administration company of the joint taxation. The Danish companies in the LEGO Group are furthermore jointly and severally liable for Danish taxes at source withheld on behalf of nonresident companies for dividend, royalty and interest.

The LEGO Group is part in certain legal disputes. For further information see note 22.

## Note 24. Financial risks

The LEGO Group has centralised the management of the financial risks. The overall objectives and policies for the LEGO Group's financial risk management are outlined in an internal Treasury Policy.

The LEGO Group only hedges commercial exposures and consequently does not enter into derivative transactions for trading or speculative purpose. A fully integrated Treasury Management System is used to manage all financial positions.

### Credit risk

Financial instruments are entered into with counterparties with investment grade level ratings.

Similarly, the LEGO Group only uses insurance companies with investment grade level ratings.

For trade receivables the exposures are managed globally through fixed procedures, and credit limits set as deemed appropriate for the customer taking into account current local market conditions. The LEGO Group has no significant trade receivables concentrated in specific countries, but has some single significant trade debtors. Credit risk relating to trade receivables is disclosed in note 16.

For banks and financial institutions, only independently rated parties with investment grade level ratings are accepted as main banks. The LEGO Group uses the related company KIRK-BI Invest A/S for loans and deposits. No independent rating exists but no significant risks are recognised. The maximum credit risk corresponds to the carrying amount of loans granted and receivables, cf. note 25. The LEGO Group has a strong capital structure; no significant risks are recognised.

The credit risks of the LEGO Group are considered to be low.

### Foreign exchange risk

The LEGO Group has significant net inflows in EUR, USD and GBP, while CZK, HUF and MXN account for the most significant exposure on the outflow side.

The LEGO Group's foreign exchange risk is managed centrally based on a Treasury policy approved by the Board of Directors. Forward contracts and options are used to cover purchases and sales in foreign currencies. These forward contracts are classified as hedging and meet the accounting requirements for hedging of future cash flows.

The isolated effects of the financial instruments on profit and equity after tax of a currency strengthening of 10% against DKK at 31 December 2015 are specified as follows:

(mDKK)	%-change	2015	2014
<b>EUR:</b>			
Equity	10%	(46)	8
Net profit for the year	10%	(37)	14
<b>USD:</b>			
Equity	10%	(245)	(252)
Net profit for the year	10%	50	53
<b>GBP:</b>			
Equity	10%	(37)	(76)
Net profit for the year	10%	(22)	(9)
<b>CZK:</b>			
Equity	10%	93	54
Net profit for the year	10%	93	54
<b>MXN:</b>			
Equity	10%	41	59
Net profit for the year	10%	29	41
<b>HUF:</b>			
Equity	10%	106	61
Net profit for the year	10%	97	55

## Note 24. Financial risks

The financial instruments included in the foreign exchange sensitivity analysis are the LEGO Group's; Cash at banks, Trade receivables, Trade payables, Current and Non-current Borrowings and foreign exchange forwards and foreign exchange options.

### Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The LEGO Group's interest-bearing assets consist mainly of liquid funds. Liquid funds yield interest on the short-term money market. An increase in the interest level of 1.0% for 2015 would have had a positive impact on the LEGO Group's profit before tax of approx. DKK 13.8 million in 2015 (DKK 4.4 million in 2014). The LEGO Group's interest rate risk is considered immaterial and is not expected to have a significant impact on the LEGO Group's results.

### Other market risk

#### Liquidity risk

Liquidity is managed centrally and is continually assessed. It is ensured that, at any given time, sufficient financial resources are available. Based on the financial reserves with banks and credit facilities available in credit institutions and from related parties, there are no liquidity problems. The liquidity risk is therefore not significant. Furthermore excess liquidity is placed at KIRKBI Invest A/S which is why the counterparty risk is assessed to be low.

#### Capital risk management

Dividend of DKK 4,500 million has been paid in May 2015 (DKK 5,000 million in 2014). It is expected that the dividend for 2015, to be paid in 2016 will amount to DKK 7,000 million. The dividend payment reflects the strategy behind the capital structure where the LEGO Group is the operational company and any surplus liquidity is distributed to the owners.

## Note 25. Financial assets and liabilities

The maturity profile of financial liabilities is disclosed according to category and class distributed on period to maturity. All interest payments on and repayments of financial assets and liabilities are based on contracts. Interest payments on floating-rate instruments are fixed by means of a zero coupon interest structure. None of the cash flows are discounted.

At 31 December 2015 forward contracts and options have been applied for hedging of cash flows covering future finan-

cial periods. The hedging mainly relates to the LEGO Group's sales of goods and services in USD, EUR, GBP, AUD and CAD as well as purchases of goods in CZK, MXN and HUF. All contracts are expected to expire - and thus affect results - in the financial year 2016.

The following table shows the timing of cash flows related to financial liabilities and hedging instruments.

## Note 25. Financial assets and liabilities

2015 (mDKK)	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	Total cash flows
<b>Measured at amortised cost (liabilities):</b>						
Debt to credit institutions	376	376	189	42	149	<b>380</b>
Debt to related parties	600	600	19	638	–	<b>657</b>
Trade payables	3,143	3,143	3,143	–	–	<b>3,143</b>
Other debt <sup>1</sup>	3,076	3,076	3,056	26	2	<b>3,084</b>
	<b>7,195</b>	<b>7,195</b>	<b>6,407</b>	<b>706</b>	<b>151</b>	<b>7,264</b>
<b>Derivative financial instruments:</b>						
Measured at fair value through the income statement	56	56	56	–	–	<b>56</b>
Measured at fair value through other comprehensive income (cash flow hedging)	32	32	32	–	–	<b>32</b>
	<b>88</b>	<b>88</b>	<b>88</b>	<b>–</b>	<b>–</b>	<b>88</b>
<b>Total financial liabilities</b>	<b>7,283</b>	<b>7,283</b>	<b>6,495</b>	<b>706</b>	<b>151</b>	<b>7,352</b>
<b>Measured at amortised cost (loans and receivables):</b>						
Trade receivables	6,410	6,410	6,410	–	–	<b>6,410</b>
Other receivables <sup>1</sup>	579	579	579	–	–	<b>579</b>
Receivables from related parties	4,932	4,932	4,932	–	–	<b>4,932</b>
Cash at bank and in hand	1,211	1,211	1,211	–	–	<b>1,211</b>
	<b>13,132</b>	<b>13,132</b>	<b>13,132</b>	<b>–</b>	<b>–</b>	<b>13,132</b>
<b>Derivative financial instruments:</b>						
Measured at fair value through the income statement	12	12	12	–	–	<b>12</b>
Measured at fair value through other comprehensive income (cash flow hedging)	43	43	43	–	–	<b>43</b>
	<b>55</b>	<b>55</b>	<b>55</b>	<b>–</b>	<b>–</b>	<b>55</b>
<b>Total financial assets</b>	<b>13,187</b>	<b>13,187</b>	<b>13,187</b>	<b>–</b>	<b>–</b>	<b>13,187</b>

<sup>1</sup> Prepayments are excluded from the other receivables balance and taxes and duties payable and wage related payables are excluded from other debt balance as this analysis is only required for financial instruments.

## Note 25. Financial assets and liabilities

2014 (mDKK)	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	Total cash flows
<b>Measured at amortised cost (liabilities):</b>						
Debt to credit institutions	358	358	163	42	167	372
Debt to related parties	600	600	19	657	–	676
Trade payables	2,530	2,530	2,530	–	–	2,530
Other debt <sup>1</sup>	2,378	2,378	2,356	26	6	2,388
	<b>5,866</b>	<b>5,866</b>	<b>5,068</b>	<b>725</b>	<b>173</b>	<b>5,966</b>
<b>Derivative financial instruments:</b>						
Measured at fair value through the income statement	87	87	87	–	–	87
Measured at fair value through other comprehensive income (cash flow hedging)	246	246	246	–	–	246
	<b>333</b>	<b>333</b>	<b>333</b>	<b>–</b>	<b>–</b>	<b>333</b>
<b>Total financial liabilities</b>	<b>6,199</b>	<b>6,199</b>	<b>5,401</b>	<b>725</b>	<b>173</b>	<b>6,299</b>
<b>Measured at amortised cost (loans and receivables):</b>						
Trade receivables	5,891	5,891	5,891	–	–	5,891
Other receivables <sup>1</sup>	385	385	385	–	–	385
Receivables from related parties	2,598	2,598	2,598	–	–	2,598
Cash at bank and in hand	482	482	482	–	–	482
	<b>9,356</b>	<b>9,356</b>	<b>9,356</b>	<b>–</b>	<b>–</b>	<b>9,356</b>
<b>Derivative financial instruments:</b>						
Measured at fair value through the income statement	16	16	16	–	–	16
Measured at fair value through other comprehensive income (cash flow hedging)	37	37	31	6	–	37
	<b>53</b>	<b>53</b>	<b>47</b>	<b>6</b>	<b>–</b>	<b>53</b>
<b>Total financial assets</b>	<b>9,409</b>	<b>9,409</b>	<b>9,403</b>	<b>6</b>	<b>–</b>	<b>9,409</b>

<sup>1</sup> Prepayments are excluded from the other receivables balance and taxes and duties payable and wage related payables are excluded from other debt balance as this analysis is only required for financial instruments.



## Note 25. Financial assets and liabilities

The following table presents the LEGO Group's assets and liabilities measured at fair value at 31 December 2015:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (what is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

2015 (mDKK)	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<b>Financial assets at fair value through income statement:</b>				
Derivative financial instruments	–	12	–	<b>12</b>
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial instruments (cash flow hedging)	–	43	–	<b>43</b>
<b>TOTAL ASSETS</b>	<b>–</b>	<b>55</b>	<b>–</b>	<b>55</b>
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through income statement:</b>				
Derivative financial instruments	–	56	–	<b>56</b>
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial instruments (cash flow hedging)	–	32	–	<b>32</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>88</b>	<b>–</b>	<b>88</b>

## Note 25. Financial assets and liabilities

2014 (mDKK)	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<b>Financial assets at fair value through income statement:</b>				
Derivative financial instruments	–	16	–	<b>16</b>
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial instruments (cash flow hedging)	–	37	–	<b>37</b>
<b>Total assets</b>	<b>–</b>	<b>53</b>	<b>–</b>	<b>53</b>
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through income statement:</b>				
Derivative financial instruments	–	87	–	<b>87</b>
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial instruments (cash flow hedging)	–	246	–	<b>246</b>
<b>Total liabilities</b>	<b>–</b>	<b>333</b>	<b>–</b>	<b>333</b>

## Note 26. Derivative financial instruments

### Total hedging activities

The LEGO Group uses a number of derivatives to hedge currency exposure. The hedging activities are categorised into hedging of forecast transactions (cash flow hedges), and hedging of assets and liabilities (fair value hedges).

The changes in fair value of the financial instruments qualifying for hedge accounting are recognised directly under other comprehensive income until the hedged items affect the income statement. The changes in fair value of the financial instruments not qualifying for hedge accounting are recognised directly in the income statement. This includes time value of options.

All changes in fair value of hedging of assets and liabilities (fair value hedging) are recognised directly in the income statement.

## Note 26. Derivative financial instruments

The table below shows the fair value of hedging activities specified by hedging instruments and the major currencies.

2015 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
<b>Hedging of forecast transactions qualifying for hedge accounting:</b>				
USD (Sale of currency)	3,382	19	15	12 months
JPY (Sale of currency)	284	–	11	11 months
GBP (Sale of currency)	203	7	–	5 months
Other (Purchase of currency)	278	–	3	11 months
Other (Sale of currency)	589	17	3	4 months
<b>Total forward contracts</b>	<b>4,736</b>	<b>43</b>	<b>32</b>	
<b>Hedging of balance items qualifying for hedge accounting:</b>				
USD (Sale of currency)	666	–	–	4 months
<b>Total currency options</b>	<b>666</b>	<b>–</b>	<b>–</b>	
<b>Hedging of balance items qualifying for hedge accounting:</b>				
USD (Sale of currency)	915	7	38	2 months
JPY (Sale of currency)	57	–	4	2 months
GBP (Sale of currency)	305	–	3	2 months
CZK (Purchase of currency)	34	–	–	2 months
Other (Purchase of currency)	162	2	–	2 months
Other (Sale of currency)	59	1	3	2 months
<b>Total forward contracts</b>	<b>1,532</b>	<b>10</b>	<b>48</b>	
USD (Sale of currency)	666	–	–	2 months
<b>Total currency options</b>	<b>666</b>	<b>–</b>	<b>–</b>	
<b>Total for which hedge accounting applies</b>	<b>7,600</b>	<b>53</b>	<b>80</b>	
<b>Other forecast transaction hedges for which hedge accounting is not applied:</b>				
Other	6	–	–	1 month
<b>Total forward contracts</b>	<b>6</b>	<b>–</b>	<b>–</b>	
Options (Time Value)	–	2	8	4 months
<b>Total currency options</b>	<b>–</b>	<b>2</b>	<b>8</b>	
<b>Total for which hedge accounting is not applied</b>	<b>6</b>	<b>2</b>	<b>8</b>	
<b>Total of forecast transactions</b>	<b>7,606</b>	<b>55</b>	<b>88</b>	

## Note 26. Derivative financial instruments

2014 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
<b>Hedging of forecast transactions qualifying for hedge accounting:</b>				
USD (Sale of currency)	4,063	–	200	12 months
JPY (Sale of currency)	256	13	–	17 months
GBP (Sale of currency)	884	–	24	11 months
Other (Purchase of currency)	311	–	17	14 months
Other (Sale of currency)	948	10	5	12 months
<b>Total forward contracts</b>	<b>6,462</b>	<b>23</b>	<b>246</b>	
JPY (Sale of currency)	205	14	–	7 months
<b>Total currency options</b>	<b>205</b>	<b>14</b>	<b>–</b>	
<b>Hedging of balance items qualifying for hedge accounting:</b>				
USD (Sale of currency)	555	1	67	2 months
JPY (Sale of currency)	21	3	–	2 months
GBP (Sale of currency)	96	5	9	2 months
CZK (Purchase of currency)	47	–	–	2 months
Other (Purchase of currency)	99	1	–	2 months
Other (Sale of currency)	180	5	10	2 months
<b>Total forward contracts</b>	<b>998</b>	<b>15</b>	<b>86</b>	
<b>Total for which hedge accounting applies</b>	<b>7,665</b>	<b>52</b>	<b>332</b>	
<b>Other forecast transaction hedges for which hedge accounting is not applied:</b>				
Other	34	–	1	11 months
<b>Total forward contracts</b>	<b>34</b>	<b>–</b>	<b>1</b>	
Electricity	4	–	–	12 months
<b>Energy contracts</b>	<b>4</b>	<b>–</b>	<b>–</b>	
JPY (Time Value)	–	1	–	7 months
<b>Total currency options</b>	<b>–</b>	<b>1</b>	<b>–</b>	
<b>Total for which hedge accounting is not applied</b>	<b>38</b>	<b>1</b>	<b>1</b>	
<b>Total of forecast transactions</b>	<b>7,703</b>	<b>53</b>	<b>333</b>	

## Note 27. Other reversals with no effect on cash flows

(mDKK)	Note	2015	2014
<b>Profit before income tax</b>		<b>12,148</b>	<b>9,491</b>
<b>Adjustments for:</b>			
Depreciation	7	1,081	947
Loss on sale of property, plant and equipment		22	6
Net movements in provisions		(101)	125
Remeasurements of defined benefit plans		2	14
Net movements in pension		13	25
Financial income and expenses	9,10	96	206
Hedge accounting		217	(334)
Other adjustments		–	55
<b>Changes in working capital:</b>			
Trade receivables		(424)	(1,021)
Inventory		(567)	(358)
Other receivables		(222)	213
Prepayments		(26)	(41)
Trade payables		587	329
Other debt		1,024	1,050
		<b>13,850</b>	<b>10,707</b>

## Note 28. Cash at banks

(mDKK)	2015	2014
Cash at banks	1,211	482
	<b>1,211</b>	<b>482</b>

## Note 29. Related party transactions

The Parent of the LEGO Group is LEGO A/S, a company incorporated in Denmark, whose shares are owned by KIRKBI A/S (75%) and Koldingvej 2, Billund A/S (25%). The shares in KIRKBI A/S are wholly owned by the Kirk Kristiansen family (Billund, Denmark). Related parties are considered to be Key Management, KABOOKI A/S, KIRKBI A/S, subsidiaries of KIRKBI A/S, KIRKBI AG Group and Merlin Entertainments Group, in which the above-mentioned family has significant interest. None of the related party transactions are secured.

The following transactions were carried through with related parties:

(mDKK)	2015	2014
<b>Transactions with KIRKBI A/S:</b>		
Acquisitions of assets	(2)	–
Sale of assets	–	1
Rent charged	(41)	(44)
Service fee charged	–	(3)
Service fee received	21	19
<b>Total transactions with KIRKBI A/S</b>	<b>(22)</b>	<b>(27)</b>
<b>Transactions with Koldingvej 2, Billund A/S:</b>		
Service fee received	50	42
<b>Total transactions with Koldingvej 2, Billund A/S</b>	<b>50</b>	<b>42</b>
<b>Transactions with associates:</b>		
Trademark fee received	8	9
Purchase of products	(3)	(4)
<b>Total transactions with associates</b>	<b>5</b>	<b>5</b>
<b>Transactions with KIRKBI Invest A/S Group:</b>		
Interest received	–	1
Rent charged	(19)	(18)
Interest charged	(19)	(19)
Service fee received	15	30
Trademark fee charged	(1,324)	(1,036)
<b>Total transactions with KIRKBI Invest A/S Group</b>	<b>(1,347)</b>	<b>(1,042)</b>
<b>Transactions with Merlin Entertainments Group:</b>		
Sale of products	481	373
Trademark fee received	23	19
Service fee charged	(11)	(10)
<b>Total transactions with Merlin Entertainments Group</b>	<b>493</b>	<b>382</b>

## Note 29. Related party transactions

(mDKK)	2015	2014
<b>Transactions with other related parties:</b>		
Sale of products	–	2
Donations received	27	10
Rent charged	(1)	(1)
Service fee charged	–	(2)
Service fee received	1	–
<b>Total transactions with other related parties</b>	<b>27</b>	<b>9</b>

Remuneration to Key Management Personnel is disclosed in note 6.

Transactions with related parties were carried out on an arm's length basis.

### Year-end balances arising from sales/purchases of goods/services:

(mDKK)	2015	2014
<b>Balances with KIRKBI A/S:</b>		
Receivables	7	5
Payables	(3)	–
	<b>4</b>	<b>5</b>
<b>Balances with Koldingvej 2, Billund A/S:</b>		
Receivables	30	3
	<b>30</b>	<b>3</b>
<b>Balances with associates:</b>		
Receivables	4	–
Payables	(1)	–
	<b>3</b>	<b>–</b>
<b>Balances with KIRKBI Invest A/S Group:</b>		
Receivables	14	18
Payables	(524)	(360)
	<b>(510)</b>	<b>(342)</b>

## Note 29. Related party transactions

(mDKK)	2015	2014
<b>Balances with Merlin Entertainments Group:</b>		
Receivables	50	60
Payables	(2)	(1)
	<b>48</b>	<b>59</b>
<b>Balances with other related parties:</b>		
Receivables	7	1
	<b>7</b>	<b>1</b>

### Year-end balances regarding loans:

2015 (mDKK)	KIRKBI Invest A/S
Balance at 1 January – Loan investment	2,598
Loans advanced during the year	12,144
Repayments - loan investment	(9,810)
<b>Balance at 31 December</b>	<b>4,932</b>
<b>Specified as follows:</b>	
Non-current	–
Current	4,932
	<b>4,932</b>
Balance at 1 January – Loan borrowing	(600)
<b>Balance at 31 December</b>	<b>(600)</b>
<b>Specified as follows:</b>	
Non-current	(600)
Current	–
	<b>(600)</b>



## Note 29. Related party transactions

2014 (mDKK)	KIRKBI Invest A/S
Balance at 1 January – Loan investment	2,310
Loans advanced during the year <sup>1</sup>	10,948
Repayments - loan investment <sup>1</sup>	(10,660)
<b>Balance at 31 December</b>	<b>2,598</b>
<b>Specified as follows:</b>	
Non-current	–
Current	2,598
	<b>2,598</b>
Balance at 1 January – Loan borrowing	(600)
Loans raised during the year <sup>1</sup>	(2,000)
Repayments – loan borrowing <sup>1</sup>	2,000
<b>Balance at 31 December</b>	<b>(600)</b>
<b>Specified as follows:</b>	
Non-current	(600)
Current	–
	<b>(600)</b>

<sup>1</sup> Payments to related parties amounting to DKK 12,948 million and payments from related parties amounting to DKK 12,660 million.

Parent Company  
Financial  
Statements



# Income Statement

1 January – 31 December

(mDKK)	Note	2015	2014
Revenue		119	97
<b>Gross profit</b>		<b>119</b>	<b>97</b>
Other operating expenses	2	(85)	(73)
<b>Operating profit</b>		<b>34</b>	<b>24</b>
Net profit for the year from subsidiaries		9,133	7,023
Financial income	3	38	2
Financial expenses	4	(60)	(36)
<b>Profit before income tax</b>		<b>9,145</b>	<b>7,013</b>
Tax on profit for the year	5	(2)	(14)
<b>Net profit for the year</b>		<b>9,143</b>	<b>6,999</b>
<b>Proposed distribution of profit:</b>			
Dividend		7,000	4,500
Reserve from the use of the equity method		2,620	1,228
Retained earnings		(477)	1,271
		<b>9,143</b>	<b>6,999</b>

# Balance Sheet

at 31 December

(mDKK)	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Patents		5	6
<b>Intangible assets</b>	6	<b>5</b>	<b>6</b>
Land, buildings and installations		6	6
<b>Property, plant and equipment</b>	7	<b>6</b>	<b>6</b>
Deferred tax assets	10	7	2
Investments in subsidiaries	8	19,353	15,714
Investments in associates	8	3	3
<b>Other non-current assets</b>		<b>19,363</b>	<b>15,719</b>
<b>Total non-current assets</b>		<b>19,374</b>	<b>15,731</b>
<b>Current assets:</b>			
Receivables from subsidiaries		1,810	311
Other receivables		4	4
<b>Total current assets</b>		<b>1,814</b>	<b>315</b>
<b>TOTAL ASSETS</b>		<b>21,188</b>	<b>16,046</b>

# Balance Sheet

at 31 December

(mDKK)	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	20	20
Reserve from the use of the equity method		5,877	2,999
Retained earnings		4,949	5,426
Proposed dividend		7,000	4,500
<b>Total equity</b>		<b>17,846</b>	<b>12,945</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Debt to related parties	12	600	600
<b>Total non-current liabilities</b>		<b>600</b>	<b>600</b>
<b>Current liabilities:</b>			
Debt to subsidiaries		2,577	2,358
Trade payables		4	6
Current tax liabilities		14	23
Other short-term debt		147	114
<b>Total current liabilities</b>		<b>2,742</b>	<b>2,501</b>
<b>Total liabilities</b>		<b>3,342</b>	<b>3,101</b>
<b>Total equity and liabilities</b>		<b>21,188</b>	<b>16,046</b>

# Statement of Changes in Equity

2015 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
<b>Equity at 1 January</b>	<b>20</b>	<b>2,999</b>	<b>5,426</b>	<b>4,500</b>	<b>12,945</b>
Dividend paid relating to prior year	–	–	–	(4,500)	(4,500)
Net profit for the year	–	2,620	(477)	–	2,143
Currency translation adjustments	–	92	–	–	92
Entries recognised directly on equity in subsidiaries	–	166	–	–	166
Proposed dividend	–	–	–	7,000	7,000
<b>Equity at 31 December</b>	<b>20</b>	<b>5,877</b>	<b>4,949</b>	<b>7,000</b>	<b>17,846</b>

  

2014 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
<b>Equity at 1 January</b>	<b>20</b>	<b>2,029</b>	<b>4,155</b>	<b>5,000</b>	<b>11,204</b>
Dividend paid relating to prior year	–	–	–	(5,000)	(5,000)
Net profit for the year	–	1,228	1,271	–	2,499
Currency translation adjustments	–	22	–	–	22
Entries recognised directly on equity in subsidiaries	–	(280)	–	–	(280)
Proposed dividend	–	–	–	4,500	4,500
<b>Equity at 31 December</b>	<b>20</b>	<b>2,999</b>	<b>5,426</b>	<b>4,500</b>	<b>12,945</b>

# Notes

## Basis for preparation

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## Note 1. Significant accounting policies

The Financial Statements of the Parent Company have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C (medium-sized).

The accounting policies are the same as for the Consolidated Financial Statements with the following additions.

The accounting policies for the Financial Statements of the Parent Company are unchanged from the latest financial year.

### Supplementary accounting policies for the Parent Company

#### Taxes

Current income tax, based on taxable income for the year, is expensed together with changes in deferred tax for the year.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full using the liability method.

The provision of deferred tax reflects the effect of any tax losses carried forward etc. to the extent it is considered likely that such items can be utilised against future taxable income. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

#### Investments in subsidiaries and associates

Subsidiaries and associates of the Parent Company are recognised under the equity method, which is at the respective share of the net asset values in subsidiaries and associates.

Any costs in excess of net assets in the acquired company are capitalised in the Parent Company under Investments in subsidiaries as part of the investments ("Goodwill"). Amortisation of the goodwill is provided under the straight-line method over a period not exceeding 5 years based on estimated useful life.

To the extent it exceeds declared dividend from subsidiaries, net revaluation of investments in subsidiaries and associates is transferred to net revaluation reserve according to the equity method under equity.

Profits in subsidiaries and associates are disclosed as profit after tax in the income statement of the Parent Company.

### Equity

#### Dividend distribution

Dividend distribution proposed by Management for the financial year is disclosed as a separate item under equity.



## Note 2. Employee expenses

(mDKK)	2015	2014
<b>Management Board<sup>1</sup>:</b>		
Salaries	43	25
Pension	2	1
Short-term incentive plans	12	8
Long-term incentive plans	23	19
	<b>80</b>	<b>53</b>
<b>Including fee to Board of Directors:</b>	<b>4</b>	<b>4</b>
<b>Number of employees</b>	<b>5</b>	<b>4</b>

<sup>1</sup> Management Board includes Executive Vice Presidents and the CEO for the LEGO Group.

Employee expenses to Management Board are the total amount expensed in all entities within the LEGO Group.

## Note 3. Financial income

(mDKK)	2015	2014
Interest income from subsidiaries	38	2
	<b>38</b>	<b>2</b>

## Note 4. Financial expenses

(mDKK)	2015	2014
Interest expenses on mortgage loans	–	2
Interest expenses to related parties	19	19
Interest expenses to subsidiaries	41	15
	<b>60</b>	<b>36</b>

## Note 5. Tax on profit for the year

(mDKK)	2015	2014
Current tax on profit for the year	6	10
Deferred tax on profit for the year	(6)	(5)
Adjustment of tax relating to previous years, current tax	2	9
	<b>2</b>	<b>14</b>

## Note 6. Intangible assets

2015 (mDKK)	Patents
Cost at 1 January	10
<b>Cost at 31 December</b>	<b>10</b>
Amortisation and impairment losses at 1 January	4
Amortisation for the year	1
<b>Amortisation and impairment losses at 31 December</b>	<b>5</b>
<b>Carrying amount at 31 December</b>	<b>5</b>

2014 (mDKK)	Patents
Cost at 1 January	4
Additions	6
<b>Cost at 31 December</b>	<b>10</b>
Amortisation and impairment losses at 1 January	4
<b>Amortisation and impairment losses at 31 December</b>	<b>4</b>
<b>Carrying amount at 31 December</b>	<b>6</b>

## Note 7. Property, plant and equipment

<b>2015</b> (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	<b>Total</b>
Cost at 1 January	6	1	<b>7</b>
<b>Cost at 31 December</b>	<b>6</b>	<b>1</b>	<b>7</b>
Depreciation and impairment losses at 1 January	–	1	<b>1</b>
<b>Depreciation and impairment losses at 31 December</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Carrying amount at 31 December</b>	<b>6</b>	<b>–</b>	<b>6</b>

  

<b>2014</b> (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	<b>Total</b>
Cost at 1 January	6	1	<b>7</b>
<b>Cost at 31 December</b>	<b>6</b>	<b>1</b>	<b>7</b>
Depreciation and impairment losses at 1 January	–	1	<b>1</b>
<b>Depreciation and impairment losses at 31 December</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Carrying amount at 31 December</b>	<b>6</b>	<b>–</b>	<b>6</b>

## Note 8. Investments in associates and subsidiaries

2015 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	7,215	4
Additions	761	–
<b>Cost at 31 December</b>	<b>7,976</b>	<b>4</b>
Value adjustment at 1 January	8,499	(1)
Currency translation adjustments	92	–
Share of net profit for the year	9,133	–
Dividend	(6,513)	–
Entries recognised directly on equity in subsidiaries	166	–
<b>Value adjustment at 31 December</b>	<b>11,377</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>19,353</b>	<b>3</b>
2014 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	6,668	4
Additions	547	–
<b>Cost at 31 December</b>	<b>7,215</b>	<b>4</b>
Value adjustment at 1 January	7,529	(1)
Currency translation adjustments	22	–
Share of net profit for the year	7,023	–
Dividend	(5,795)	–
Entries recognised directly on equity in subsidiaries	(280)	–
<b>Value adjustment at 31 December</b>	<b>8,499</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>15,714</b>	<b>3</b>

## Note 9. Share capital

(mDKK)	2015	2014
<b>The Company's share capital consists of:</b>		
A-shares of DKK 1,000 or multiples hereof	1	1
B-shares of DKK 1,000 or multiples hereof	9	9
C-shares of DKK 1,000 or multiples hereof	10	10
<b>Total shares at 31 December</b>	<b>20</b>	<b>20</b>

There have been no changes in the share capital during the last 5 years.

### Shareholders that own more than 5% of the share capital:

KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark

Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

## Note 10. Deferred tax

(mDKK)	2015	2014
Deferred tax, net at 1 January	2	(3)
Change in deferred tax	5	5
<b>Deferred tax, net at 31 December</b>	<b>7</b>	<b>2</b>
<b>Classified as:</b>		
Deferred tax assets	7	2
Deferred tax liabilities	–	–
	<b>7</b>	<b>2</b>

## Note 11. Contingent liabilities and other obligations

LEGO A/S is jointly and severally liable for corporate income tax according to the joint taxation in the LEGO Group, KIRKBI A/S and in the companies controlled by KIRKBI A/S. The total amount of current tax liabilities, as well as related current tax credit counterparts are shown in the Annual Report of KIRKBI A/S, which is the administration company of the joint taxation. LEGO A/S is furthermore jointly and severally liable for Danish taxes at source withheld on behalf of nonresident companies for dividend, royalty and interest.

The Company has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 108 million (DKK 116 million in 2014), of which DKK 0 million has been recognised as provision for deferred tax. The amount of DKK 108 million is not expected to be recaptured.

## Note 12. Related party transactions

(mDKK)	2015	2014
<b>Transactions with KIRKBI Invest A/S:</b>		
Interest charged	(19)	(19)
<b>Total transactions with KIRKBI Invest A/S</b>	<b>(19)</b>	<b>(19)</b>
<b>Transactions with Merlin Entertainments Group:</b>		
Trademark fee received	23	19
<b>Total transactions with Merlin Entertainments Group</b>	<b>23</b>	<b>19</b>
<b>Balances with KIRKBI Invest A/S:</b>		
Payable	–	(10)
Loan	(600)	(600)
	<b>(600)</b>	<b>(610)</b>
<b>Balances with Merlin Entertainments Group:</b>		
Receivables	4	3
	<b>4</b>	<b>3</b>

# Group Structure

## LEGO A/S

- LEGO System A/S
- LEGO Security Billund ApS
- LEGO Park Holding UK Ltd.
  - LEGO Lifestyle International Ltd. (UK)
- LEGO Company Limited (UK)
- LEGO Belgium n.v.
- LEGO Netherland B.V.
- LEGO Sverige AB
- LEGO Norge A/S
- Oy Suomen LEGO Ab (Finland)
- LEGO GmbH (Germany)
- LEGO Handelsgesells. GmbH (Austria)
- LEGO S.A.S. (France)
- LEGO Brand Retail S.A.S. (France)
- LEGO S.p.A. (Italy)
- LEGO S.A. (Spain)
- LEGO Lda. (Portugal)
- LEGO Production s.r.o. (Czech Republic)
- LEGO Trading s.r.o. (Czech Republic)
- LEGO Schweiz AG
- LEGO Hungária Kft. (Hungary)
- LEGO Manufacturing Kft. (Hungary)
- LEGO Polska Sp. z.o.o.
- LEGO Romania S.R.L.
- LEGO Ukraine LLC
- OOO LEGO (Russia)
- LLD Share verwaltungs GmbH (Germany)
  - LLD Share GmbH & Co. KG (Germany)
- LEGO Turkey Oyuncak Tiarret Anonim Sirketi
- LEGO do Brazil Ltda.
- LEGO do Brasil Comércio e Distribuição de Brinquedos Ltda
- LEGO Canada Inc.
- LEGO Mexico S.A. de C.V. (Mexico)
- Administración de Servicios LEGO, S. de R.L. de C.V. (Mexico)
- LEGO Operaciones de Mexico S.A. de C.V. (Mexico)
- LEGO Real Estate, S.A. de C.V. (Mexico)
- LEGO System Inc. (US)
  - LEGO Brand Retail Inc. (US)
- LEGO Hong Kong Limited
- LEGO Australia Pty. Ltd.
- LEGO New Zealand Ltd.
- LEGO Korea Co. Ltd.
- LEGO South Africa (Pty.) Ltd.
- LEGO Japan Ltd.
- LEGO Company Ltd. (Hong Kong)
- LEGO Trading (Beijing) Co., Ltd.
- LEGO Singapore Pte. Ltd.
- LEGO India Private Limited
- LEGO Trading (Malaysia) Sdn. Bhd.
- LEGO Toy Manufacturing (Jiaxing) Co.
- LEGO Toy (Shanghai) Co., Ltd.
- LEGO Trading (Taiwan) Co., Ltd.

Ownership is 100% unless stated otherwise.

LEGO A/S is 75% owned by KIRKBI A/S and is included in the Consolidated Annual Report of KIRKBI A/S. KIRKBI A/S is the ultimate Parent Company.

LEGO A/S owns 19.8% of KABOOKI A/S which is an associate.

In our Responsibility Report you will find detailed information on the LEGO Group's non-financial results for 2015.

[www.LEGO.com/responsibility](http://www.LEGO.com/responsibility)

**The LEGO Group**

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