

# Annual Report 2019



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# Management's review



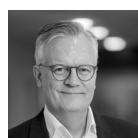
# Information about the LEGO Foundation

<b>Name</b>	LEGO Fonden (in English: the LEGO Foundation)
<b>Address</b>	Højmarksvej 8, 7190 Billund
<b>Country</b>	Denmark
<b>CVR no.</b>	12 45 83 39

## Leadership team as per 9 March 2020



**John Paul Goodwin**  
CEO



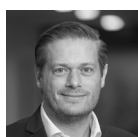
**Søren Holm**  
Head of Experiences & Facilitation



**Sarah Bouchie**  
Head of Global Programmes



**Bo Stjerne Thomsen**  
Chair of Learning through Play



**Kasper Ottosson Kanstrup**  
Head of Focus Geographies



**Diana Ringe Krogh**  
Head of LEGO Collaboration & New Ventures



**Amy Jo Dowd**  
Head of Evidence



**Carsten Klokkeholm Wammen**  
Head of PMO & Operations



**Euan Wilmshurst**  
Head of Advocacy & Communication



**Charlotte Qvist Frandsen**  
Head of People & Governance



# Legal overview

## Koldingvej 2, Billund A/S

Koldingvej 2, Billund A/S is a 100%-owned subsidiary of the LEGO Foundation. The most significant asset in the company is the 25% shareholding in the LEGO Group.

Another significant asset in the company consists of ownership and operation of the LEGO® House, an experience house in Billund opened in September 2017 and designed to give LEGO fans of all ages the ultimate LEGO experience.

## CoC Office A/S (CoC Playful Minds A/S)

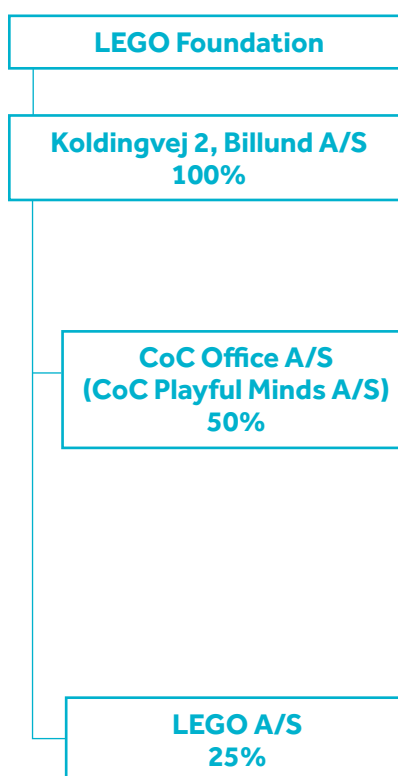
CoC Office A/S (CoC Playful Minds A/S) is an independent public-private corporation, founded on 1 January 2012, in which the LEGO Foundation, through Koldingvej 2, Billund A/S, and Billund Municipality each own 50% of the shares.

"CoC" is an abbreviation of "Capital of Children" and the company is a unique partnership between a municipality and a foundation, with a shared desire to develop Billund into an outstanding place for children, play, learning and creativity, to benefit everyone who lives in Billund Municipality – and children all over the world.

## The LEGO Group

The LEGO Group is 25%-owned by the LEGO Foundation through the Koldingvej 2, Billund A/S share of ownership in LEGO A/S. The remaining 75% is owned through KIRKBI A/S by the Kirk Kristiansen family.

The LEGO Group is engaged in the development of children's creativity through play and learning. Based on the world-famous LEGO® brick, the company today provides toys, experiences and teaching materials for children in more than 140 countries. The head office is in Billund, Denmark.



# Board of Directors



**Chairman of the Board**  
Thomas Kirk Kristiansen

**Born:** 1979

**Gender:** Male

**Education:** Degree in marketing

**Year elected:** 2013 (chairman since 2016)

**Re-elected:** Yes

**Term expires:** 2020

**Short bio:** Shareholder of KIRKBI A/S and representing the fourth generation of the LEGO® owner family. Deputy Chairman of the LEGO Brand Group

**Special competences:** Family-owned companies and board work

**Other management positions:** Chairman of the Board of LEGO A/S and Great Northern A/S. Board member of KIRKBI A/S and three subsidiaries of KIRKBI A/S. Executive Manager of Kirk og Kirk Holding ApS and management roles in three subsidiaries of Kirk og Kirk Holding ApS

**Appointed by authorities:** No

**Independent member:** No

**2019 board remuneration:** DKK 0



**1st Deputy Chairman of the Board**  
Kjeld Kirk Kristiansen

**Born:** 1947

**Gender:** Male

**Education:** MBA from IMD, Lausanne, CH

**Year elected:** 2000

**Re-elected:** Yes

**Term expires:** 2021

**Short bio:** Third generation of the LEGO® owner family and principal shareholder of the family-owned LEGO Group through KIRKBI A/S. President and CEO of the LEGO Group 1979–2004. Appointed Knight 1st Degree in 2008. Appointed Chamberlain in 2012

**Special competences:** Business development, sales, marketing, production and board work

**Other management positions:** Chairman of the Board of KIRKBI A/S, Koldingvej 2 Billund A/S, Ole Kirk's Foundation and three subsidiaries of KIRKBI A/S. Board member of CoC Office A/S and a subsidiary of KIRKBI A/S

**Appointed by authorities:** No

**Independent member:** No

**2019 board remuneration:** DKK 0



**2nd Deputy Chairman of the Board**  
Jørgen Vig Knudstorp

**Born:** 1968

**Gender:** Male

**Education:** Master's degree in economics and PhD from the University of Aarhus. Executive MBA from Cranfield School of Management

**Year elected:** 2008

**Re-elected:** Yes

**Term expires:** 2021

**Short bio:** Executive Chairman of the LEGO Brand Group. Former President and CEO of the LEGO Group from 2004–2016

**Special competences:** Business development, sales, marketing, production and board work

**Other management positions:** Board member of LEGO A/S and Starbucks Coffee Company

**Appointed by authorities:** No

**Independent member:** No

**2019 board remuneration:** DKK 0



**Member of the Board**  
**Agnete Kirk Thinggaard**

**Born:** 1983

**Gender:** Female

**Education:** Bachelor's degree in psychology

**Year elected:** 2016

**Re-elected:** Yes

**Term expires:** 2020

**Short bio:** Professional dressage rider and owner of Julianelyst in Østbirk, Denmark. Founder of Center for ADHD S/I in Aarhus, Denmark. Fourth generation of the LEGO® owner family and shareholder of KIRKBI A/S

**Special competences:** Family-owned companies and board work

**Other management positions:** Chairman of the Board of Julianelyst Aps and Executive Manager of A&C Holding ApS

**Appointed by authorities:** No

**Independent member:** No

**2019 board remuneration:** DKK 0



**Member of the Board**  
**Mette Morsing**

**Born:** 1963

**Gender:** Female

**Education:** PhD at Copenhagen Business School

**Year elected:** 2010

**Re-elected:** Yes

**Term expires:** 2020

**Short bio:** Professor at Copenhagen Business School and Executive Director and Mistra Chair of Sustainable Markets at the Stockholm School of Economics

**Special competences:** Leadership, corporate social responsibility and sustainability, and public-private research collaborations

**Other management positions:** Board member of the Claus Meyer Melting Pot Foundation and Copenhagen Business School. Editorial Board member of the "Business, Society and Value Creation" series for Cambridge University Press

**Appointed by authorities:** No

**Independent member:** Yes

**2019 board remuneration:** DKK 200,000



**Member of the Board**  
**William Ervin Hoover**

**Born:** 1949

**Gender:** Male

**Education:** MBA from Harvard Business School

**Year elected:** 2010

**Re-elected:** Yes

**Term expires:** 2020

**Short bio:** Previously Director of McKinsey & Company – 30 years in total, of which 27 years in Scandinavia

**Special competences:** Strategy, organisation, supply chain, M&A and performance transformation

**Other management positions:** Working Chairman of ReD associates Holding A/S. Deputy Chairman of GN Store Nord A/S and two subsidiaries of GN Store Nord A/S. Member of the Board of Danfoss A/S, Neopost S.A. and SPECIALISTERNE FOUNDATION

**Appointed by authorities:** No

**Independent member:** Yes

**2019 board remuneration:** DKK 200,000

# Report on distribution policy\*

In accordance with the LEGO Foundation charter, strategy and distribution policy\*\*, our aim is to build a future where Learning through Play empowers children to become creative, engaged, life-long learners, and to ensure the ongoing existence and development of the LEGO Group.

Based on our charter and strategy, the Board of Directors laid down the framework for grants by approving the 2019 annual budget and plan. During the year and within that framework, the leadership team put forward individual grant proposals for the Board's approval.

The Foundation's grant distribution supports the following areas:

- **Learning through Play in Early Childhood** is a global programme supporting the need for quality early childhood development programmes targeted at children up to the age of six.
- **Humanitarian Assistance** seeks to improve the lives of children in crisis context by improving their access to quality Learning through Play experiences that support them and their caregiver.
- **Connecting Play and Education** is focusing on integrating play-based learning into the educational system and making Learning through Play a part of development for children between the age of five and twelve.
- **Communities of Learning through Play** targets our four strategic countries South Africa, Mexico, Ukraine and Denmark. Here we work to create synergies through partnerships and collaboration across the full learning ecosystem in each country in order to support and increase the impact of Learning through Play. We also support Capital of Children, a centre of excellence for Learning through Play in and around the town of Billund in Denmark, where both the Foundation and the LEGO Group have their headquarters.
- **LEGO Foundation Centre for Creativity, Play and Learning** is tasked with understanding and communicating the role of play in supporting a more creative and resilient society.
- **Experiences & Facilitation** is demonstrating children's Learning through Play with unique products and experiences facilitated by the Foundation and Play Ambassadors.
- **Other charter-related programmes** include among others funding to the philanthropic foundation Ole Kirk's Foundation. The purpose of Ole Kirk's Foundation is to increase quality of life for children and their families, primarily in Denmark.



### The grants were distributed accordingly between the areas:

(DKK million)	2019	2018
Learning through Play in Early Childhood (From 2020 "Global Programmes")	74	32
Humanitarian Assistance	112	50
Connecting Play and Education (From 2020 "Global Programmes")	94	44
Communities of Learning through Play (From 2020 "Focused Geographies")	68	24
LEGO Foundation Centre for Creativity, Play and Learning (From 2020 "Evidence")	10	97
Experiences & Facilitation	86	-
Other charter related	199	144
<b>Total of current year's grant activity</b>	<b>643</b>	<b>391</b>

The Foundation reports the list of individual grant recipients directly to the Danish Business Authority, in its list of grantees (*legatarfortegnelse*).

\* "Lovpligtig redegørelse for fondens uddelingspolitik, jf. årsregnskabsloven § 77 b"

\*\* The distribution policy is available at [www.legofoundation.com/da-dk/who-we-are/policies](http://www.legofoundation.com/da-dk/who-we-are/policies)



# Governance and leadership

The LEGO Foundation is managed by a Board of Directors composed of six members elected in accordance with its charter. The Board approves the strategy of the Foundation and makes decisions about how the Foundation directs its use of resources, including grants.

Furthermore, the Board also supports and supervises the organisation and makes sure that the Foundation is managed appropriately and in accordance with applicable legislation and its charter.

The Board of Directors has appointed a CEO who is responsible for the overall leadership and day-to-day management of the Foundation. In 2019 the CEO was supported by a leadership team consisting of eight members. As of the beginning of 2020 the leadership team has added further professional management resources to reflect the increased number of activities, initiatives and areas of responsibilities.

A minimum of four board meetings are held each year, supplemented by additional conference call meetings when necessary.

The work of the Board is regulated in its Rules of Procedure. The Rules of Procedure are drawn up to describe the responsibilities of the Board of Directors and the CEO, as well as regulating the operation of the board work.

The Board of the Foundation reviews the Foundation's strategy and the distribution policy on an annual basis and warrants that policies and procedures are in place to ensure good governance.

The six members of the Board are elected for a period of two consecutive years, taking the need for new talent and continuity in the Board's work into consideration. In compliance with the Recommendations on foundation governance, two members are independent.

In accordance with the Board's Rules of Procedure, the Board of Directors annually evaluates the competences and composition of the Board to ensure that the required collective competences are present to serve the overall purposes of the Foundation.

New board members are nominated and appointed with due respect to the rights in the Foundation's charter. Members of the Board are appointed on the basis of their personal qualities and competences.

No one over the age of 75 can be elected or re-elected to the Board.

The independent members of the Board are rewarded a fixed remuneration that does not depend on the financial results. The remuneration of each member is specified in the annual report. No board members received extraordinary remuneration for special tasks in 2019.

The Foundation is providing transparency with regards to all its activities via information on the LEGO Foundation website, where the activities of the year are described in more detail.

The LEGO Foundation Board of Directors has approved the LEGO Foundation 2019 Mandatory Report on Recommendations on Foundation Governance\*.

With reference to the Danish Financial Statement Act (årsregnskabsloven §77a, stk. 2 and BEK no. 558 01.06.2016) the Mandatory Report on Recommendation on Foundation Governance is published at the LEGO Foundation website: [www.legofoundation.com/da-dk/who-we-are/policies](http://www.legofoundation.com/da-dk/who-we-are/policies).

\* Redegørelse for god fondsledelse jf. årsregnskabsloven §77a

# Annual review

## Income statement

The LEGO Foundation annual result for 2019 amounted to DKK 2,944 million compared with DKK 1,697 million in 2018.

The predominant contribution to this result is the DKK 3,116 million result from subsidiaries, where the 25% share of the result in the LEGO Group amounted to DKK 2,077 million (DKK 2,019 million in 2018).

Due to a positive development in the global financial market, financial yield from investment activities in Koldingvej 2, Billund A/S increased from DKK -145 million in 2018 to DKK 1,077 million in 2019.

## Activity statement

The total activities for the Foundation in 2019 amounted to DKK 850 million compared with DKK 532 million in 2018.

In 2019, the Foundation continued to apply substantial resources to strengthening the Foundation's strategic focus to systemically reach children with Learning through Play. During 2019 the Foundation continued onboarding more employees (16 people net) with a wide array of capabilities, in order to enable the Foundation to have an even stronger impact, that is needed to positively influence children's learning all over the world.

A higher level of grant activities has been achieved in 2019, with total grant activities of DKK 643 million compared with DKK 391 million in 2018. During 2019 the Board of Directors approved grant commitments totalling DKK 1,832 million compared to last year's highest ever total commitments of DKK 1,169 million. The Board of Directors again in 2019 approved a grant of USD 100 million to a Humanitarian Assistance initiative, supporting children in a crisis context. A significant share of this will be part of future activities.

Expenses related to programmes increased during the year from DKK 101 million to DKK 155 million due to increased programme activities and expenses related to administration increased from DKK 40 million to DKK 52 million.

## Balance sheet

At the end of the year, the LEGO Foundation assets totaled DKK 17,269 million compared with DKK 14,899 million in 2018. This increase is primarily due to increase in securities and short term receivables at Koldingvej 2, Billund A/S. The book value of the equity is at the end of the year DKK 14,279 million compared with DKK 13,135 million in 2018. The equity ratio is 83% compared with 88% in 2018.

## Cash flows

In 2019, cash flows from operating activities amounted to DKK -97 million compared with DKK -185 million in 2018. Cash flows from investment activities amounted to DKK 748 million compared with DKK 581 million in 2018. Cash flow from financing activities amounted to DKK -643 million compared with DKK -391 million in 2018.

## Development in activities and financial position

Overall the Management is very satisfied with the financial result for the Foundation and the increase in profit compared to last year. The financial result for 2019 exceeds the expectations for the financial year.

The core foundation activities showed an increased activity level as planned.

The global financial markets have developed very positively throughout 2019, following a very challenging end of 2018. Increasing company valuations within quoted equities, combined with disciplined asset management led to a strong result for the investment activities for 2019. Return of the investment portfolio in the subsidiary Koldingvej 2, Billund A/S increased

to a positive net return of DKK 1,077 million, equivalent to a return of 12.5%, compared to last year's return of -1.6%. Net interests in the LEGO Foundation carried to the income statement in 2019 were positive totaling DKK 35 million compared to last year's DKK 4 million.

The LEGO Group has had a strong performance in 2019. The company achieved 6% revenue growth, which was especially satisfactory given the challenging operating environment, with a declining global toy market of -3% in the year. The LEGO Group continued to make significant investments in initiatives to drive future growth such as retail experiences, innovating play and new geographies. Despite significant investments the LEGO Group delivered a 2% growth on profit before tax, compared to last year. The LEGO Group profit before tax in 2019 increased to DKK 10,752 million from DKK 10,510 million in 2018.

#### Knowledge resources

The staff are the single most critical resource for the Foundation's activities. Due to the complexity of the social impact the Foundation is looking to achieve, it requires staff that possess a wide range of skills and capabilities. Their motivation and commitment are critical for success, as is their ability to combine their talents for the collective objective.

At the end of the financial year 2019, the total number of employees in Billund (DK), Johannesburg (SA), Kiev (UA), Mexico City (MX) and Boston (US) was 84 compared with 68 at the end of 2018.

#### Research and development activities

The Foundation has its own research department that works intensively with children's development and learning. The Foundation also

maintains an extensive network of partners working with research on children's development and learning, including many of the most reputable universities in the world.

#### Business Model

The Foundation has 25% ownership of the LEGO Group through its subsidiary Koldingvej 2, Billund A/S. This primarily is how the Foundation funds activities.

The Foundation seeks to systemically reach children with Learning through Play to enable them to become creative, engaged, lifelong learners with the skills they need to thrive in the 21st century.

#### Responsibility

The LEGO Foundation core mission is rooted in a sense of responsibility and a promise to support the global society by promoting Learning through Play for the wellbeing and development of children.

The Foundation strives to observe and maintain high ethical standards in all operations carried out by the Foundation itself as well as when working with strategic partners. The Foundation wants to have a positive impact on its stakeholders and its surroundings.

The Foundation has standards and policies in place to ensure corporate responsibility during the Foundation's operations. These policies among others include a Child Protection Policy and a Anti-harassment Policy. In 2019 the Foundation prepared a Corporate Social Responsibility Report describing how the Foundation is working within the areas of human rights, labor standards, the environment and anti-corruption.



The LEGO Foundation Corporate Social Responsibility Report 2019 (Sustainability Report 2019) is available at [www.legofoundation.com/da-dk/who-we-are/policies](http://www.legofoundation.com/da-dk/who-we-are/policies).

#### **Diversity policy**

The Board of Directors has adopted a general policy, recognising the value of a diversified organisation, and striving for a balance between genders.

For the Board of Directors, a specific commitment has been adopted keeping the minority gender at 25% or higher. The current Board of Directors consists of four men and two women, which is living up to the commitment.

The management level also shows a balanced composition of gender, as the leadership team consist of six men and four women.

#### **Compliance status report**

The LEGO Foundation governance and leadership are managed with respect for good governance in corporate foundations. A compliance status report from the Board of Directors is available at [www.LEGOFoundation.com/da-dk/who-we-are/policies](http://www.LEGOFoundation.com/da-dk/who-we-are/policies).

#### **Risks**

The Foundation's financial risks primarily relate to the global markets where the LEGO Group is active, and to developments in the financial markets.

The Foundation has adopted a comprehensive set of standards and procedures to mitigate risks on its grant activities, including due diligence processes and randomly selected onsite external audits.

#### **Expectations for 2020**

Based on a high level of grant commitments at the end of 2019, the Foundation expects increased core foundation activities for 2020 compared with 2019.

Koldingvej 2, Billund A/S expects normalisation of the return on financial investments to a level of 3% to 4% of the investment portfolio, however the uncertainty of the financial markets must be considered.

The LEGO Group expects single-digits revenue growth in 2020, ahead of the global toy market. This is expected to be achievable due to continued focus on innovation, growth in established markets and continued growth in strategic markets, such as China. The LEGO Group also plans to continue investing in initiatives to address evolving trends and drive long term sustainable growth.

The overall result for 2020 for the LEGO Foundation is expected to decrease compared to the result for 2019, due to expected lower returns on the investment portfolio at Koldingvej 2, Billund A/S.

# Financial highlights

(DKK million)	2019	2018	2017	2016	2015
<b>Income statement</b>					
Net result from subsidiaries	3,116	1,835	2,023	2,551	2,344
Other operating income	-	-	-	9	1
Result of financial items, net	35	4	8	4	1
Result before tax	2,944	1,697	1,919	2,442	2,249
Result for the year	2,944	1,697	1,919	2,442	2,248
<b>Balance sheet at 31 December</b>					
Total assets	17,269	14,899	13,620	12,024	9,872
Committed grants	2,922	1,728	949	1,009	1,052
Equity	14,279	13,135	12,616	10,981	8,786
<b>Activities and commitments</b>					
Grant activities during the year	643	391	295	256	272
Expenses related to programmes	155	101	70	70	70
Expenses related to administration	52	40	42	51	27
Total activities during the year	850	532	407	378	370
Grant commitments during the year	1,832	1,169	252	210	983
<b>Employees</b>					
Average number (full-time) during the year	78	64	46	41	38
<b>Financial ratios</b>					
Portfolio cost share of total activities	94%	92%	90%	86%	93%
Administration cost share of total activities	6%	8%	10%	14%	7%

## Definitions, key figures and ratios

Activities: Administration costs + programme costs  
+ grant activities related to the financial year

Portfolio costs: Programme costs  
+ grant activities related to the financial year

Key figures and ratios have been calculated in accordance with descriptions below:

Portfolio cost share:  
Portfolio costs  
 Activities

Administration cost share:  
Administration costs  
 Activities



# Financial statements





# Management's statement

The Board of Directors and executive management have today considered and adopted the annual report of the LEGO Foundation for the financial year 1 January–31 December 2019.

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2019, and of the Foundation's

activities and cash flows for the financial year 1 January–31 December 2019.

We believe the management's review includes a fair review of the development in the Foundation's activities and finances, the result for the year and the financial position of the Foundation, as well as a review of the most significant risks and elements of uncertainty facing the Foundation.

We recommend the adoption of the annual report at the annual ordinary meeting.

Billund, 9 March 2020

## Executive management

[John Paul Goodwin](#)  
CEO

## Board of Directors

[Thomas Kirk Kristiansen](#)  
Chairman of the Board

[Kjeld Kirk Kristiansen](#)  
1st Deputy Chairman of the Board

[Jørgen Vig Knudstorp](#)  
2nd Deputy Chairman of the Board

[Agnete Kirk Thinggaard](#)  
Member of the Board

[Mette Morsing](#)  
Member of the Board

[William Ervin Hoover](#)  
Member of the Board







# Independent auditor's report

## To the Board of Directors and executive management of the LEGO Foundation

### Opinion

We have audited the financial statements of the LEGO Foundation for the financial year 1 January 2019–31 December 2019, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2019 and of its operations and cash flows for the financial year 1 January–31 December 2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's report under "Auditor's responsibility for the audit of the financial statements". As required by the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Foundation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibility of the Board of Directors and executive management for the financial statements

The Board of Directors and executive management are responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial

Statements Act and for such internal control as the Board of Directors and executive management consider necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and executive management are responsible for assessing the Foundation's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting in preparing the financial statements unless the Board of Directors and executive management either intends to liquidate the Foundation or to suspend operations, or has no realistic alternative but to do so.

### The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by the Board of Directors and executive management are reasonable.
- Conclude on whether the Board of Directors and executive management's use of the going concern basis of accounting in preparing the financial statements is appropriate, and, based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions, which could cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Foundation can no longer remain a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which we identify during our audit.

#### Statement on the management's review

The Board of Directors and executive management are responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of opinion providing assurance regarding the management's review.

In connection with our audit of the financial statement, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

We did not identify any material misstatements of the management's review.

Aarhus, 9 March 2020

#### Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

**Thomas Rosquist Andersen**

State-Authorised Public Accountant  
mne31482

**Nikolaj Thomsen**

State-Authorised Public Accountant  
mne33276

# Accounting policies

The accounting policies applied to the annual report in general are described below.

## Legislation

The LEGO Foundation annual report for 2019 has been prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting on class C large enterprises.

The income statement presents "expenses related to programmes" and "expenses related to administration" in order to give a fair and true view of the Foundation's activities. The clarification has no impact on the result for the year or the equity at the beginning or the end of the year.

## Consolidated financial statements

No consolidated financial statements have been prepared, as the company is a commercial foundation with no more than one subsidiary, the Foundation itself has only limited business activities, and the Foundation has no receivables at the subsidiary, besides receivable dividends and convertible outstandings, see section 111(2) of the Danish Financial Statements Act.

## Reporting currency

The annual report is presented in Danish kroner (DKK).

## Translation of foreign currency

Transactions in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable on the transaction date. Monetary assets and liabilities in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable on the balance sheet date. Realised and unrealised foreign exchange gains and losses are recognised in the income statement under financial income and expenses, except exchange gains and losses related to grant commitments.

## Recognition and measurement in general

Income is recognised in the income statement as earned. Furthermore, all expenses incurred to generate the year's earnings, including depreciation and amortisation, impairment losses and write-downs and provisions, are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the entity, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the entity and the value of such liabilities can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost.

On recognition and measurement, allowance is made for foreseeable losses and risks arising before the time at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

## Income statement

### Investments in subsidiaries

Income from investments in subsidiaries consists of the proportional share of its profit after tax and any adjustment of internal profit/loss and deduction of amortisation of goodwill on consolidation.

## Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts related to the financial year. Financial income and expenses include interest income and interest expenses, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies.

## Tax

The LEGO Foundation has opted to use section 3(4) of the Danish Corporation Tax Act. Under these



rules, the taxable income of Koldingvej 2, Billund A/S is considered to have been earned by the LEGO Foundation if the taxable income is distributed as dividends to the LEGO Foundation. Since the LEGO Foundation's taxable income is regularly offset against grants for the year and provisions for future grants, no current or deferred tax is recognised.

#### **Investments in subsidiaries**

Investments in subsidiaries are measured according to the equity method based on the proportionally owned share of the subsidiaries' equity plus any consolidated goodwill and less intra-group gains and negative goodwill. Entities with negative equity are recognised at zero, with the negative value corresponding to the proportionate share being offset against any receivables. Any amounts over and above this are recognised under provisions if a legal obligation or other obligation to cover the deficit exists.

#### **Securities etc.**

Securities etc. are measured at fair value. For listed equities at market value, and at estimated fair value for unlisted equities.

#### **Other receivables**

Other receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provisions for expected losses.

#### **Cash**

Cash comprises cash at bank and in hand.

#### **Liabilities**

Liabilities are measured at amortised cost, which usually corresponds to nominal value.

Committed grants comprise grants that are conditional upon fulfilment of certain conditions.

#### **Cash flow statement**

The cash flow statement shows the Foundation's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Foundation's cash and cash equivalents at the beginning and end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, and changes in working capital.

#### **Cash flows from investing activities**

Cash flows from investing activities comprise dividends received less dividends that has not yet been paid. Furthermore it includes repayment of interest-bearing debt and net investments in securities etc.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise payments of committed grants.

# Income statement

1 January–31 December

(DKK thousand)	Note	2019	2018
Net result from subsidiaries		3,116,148	1,834,874
Financial income		42,023	17,038
Financial expenses		(6,890)	(13,363)
<b>Total net income</b>		<b>3,151,281</b>	<b>1,838,549</b>
<b>Expenses related to programmes</b>			
Employee expenses	1	(53,612)	(43,196)
Operating expenses	2	(101,157)	(57,920)
<b>Total expenses related to programmes</b>		<b>(154,769)</b>	<b>(101,116)</b>
<b>Expenses related to administration</b>			
Employee expenses	1	(26,265)	(23,595)
Operating expenses	2, 3	(25,755)	(16,437)
<b>Total expenses related to administration</b>		<b>(52,020)</b>	<b>(40,032)</b>
<b>Total expenses</b>		<b>(206,789)</b>	<b>(141,148)</b>
<b>Result before tax</b>		<b>2,944,492</b>	<b>1,697,401</b>
Tax on result for the year		3	(37)
<b>Result for the year</b>	4	<b>2,944,495</b>	<b>1,697,364</b>

# Activity reporting

1 January–31 December

(DKK thousand)	2019	2018
<b>Grants (executed during the year)</b>		
Grant to Ole Kirk's Foundation	164,700	131,300
Grant activities, other core programmes, committed current year	197,277	85,491
Grant activities, other core programmes, committed previous years	280,757	173,909
<b>Current year's grant activities</b>	<b>642,734</b>	<b>390,700</b>
<b>Expenses</b>		
Expenses related to programmes	154,769	101,116
Expenses related to administration	52,020	40,032
<b>Current year's expenses in total</b>	<b>206,789</b>	<b>141,148</b>
<b>Total activities during the year</b>	<b>849,523</b>	<b>531,848</b>

## Activity reporting

The income statement for the LEGO Foundation is prepared in accordance with the provisions of the Danish Act on Corporate Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class C large enterprises (Danish GAAP).

The Foundation measures its "activities" as the sum of grant activities, expenses related to programmes

and expenses related to administration. The total activities for the year are specified above because this information cannot be seen directly in the income statement.

Grant activities for each programme described in the LEGO Foundation distribution policy have been summarised in the section "Report on distribution policy" as part of the management's review.

# Balance sheet

at 31 December

(DKK thousand)	Note	2019	2018
<b>ASSETS</b>			
<b>Financial non-current assets</b>			
Investments in subsidiaries	5	12,603,157	13,456,009
Receivables from subsidiaries	6	-	282,726
<b>Financial non-current assets</b>		<b>12,603,157</b>	<b>13,738,735</b>
<b>Total non-current assets</b>		<b>12,603,157</b>	<b>13,738,735</b>
<b>Current assets</b>			
Receivables from subsidiaries		1,835,000	-
Receivables from associates		-	23,908
Other receivables		15,706	28,826
Securities etc.		2,711,620	1,011,623
Cash		103,760	95,999
<b>Total current assets</b>		<b>4,666,086</b>	<b>1,160,356</b>
<b>Total assets</b>		<b>17,269,243</b>	<b>14,899,091</b>



# Balance sheet

at 31 December

(DKK thousand)	Note	2019	2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Basic capital		262,453	262,453
Reserve from the use of the equity method		10,644,164	8,797,016
Reserved for future grants		3,324,938	1,406,783
Retained earnings		47,276	2,668,912
<b>Total equity</b>		<b>14,278,831</b>	<b>13,135,164</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Committed grants	7	2,010,155	1,163,510
<b>Total non-current liabilities</b>		<b>2,010,155</b>	<b>1,163,510</b>
<b>Current liabilities</b>			
Short-term part of committed grants	7	912,343	564,691
Trade payables		10,212	4,762
Payables to associates		34,011	22,917
Other payables		23,691	8,047
<b>Total current liabilities</b>		<b>980,257</b>	<b>600,417</b>
<b>Total liabilities</b>		<b>2,990,412</b>	<b>1,763,927</b>
<b>Total equity and liabilities</b>		<b>17,269,243</b>	<b>14,899,091</b>
Contingent liabilities and other obligations	8		
Related party transactions	9		

# Statement of changes in equity

(DKK thousand)	2019	2018
<b>Basic capital</b>		
Balance at 1 January	262,453	262,453
<b>Basic capital at 31 December</b>	<b>262,453</b>	<b>262,453</b>
<b>Reserve from the use of the equity method</b>		
Balance at 1 January	8,797,016	11,356,392
Dividend distributed	-	(385,000)
Expected dividend	(1,300,000)	(4,000,000)
Distribution of result	3,116,148	1,834,874
Other comprehensive expenses	31,000	(9,250)
<b>Reserve from the use of the equity method at 31 December</b>	<b>10,644,164</b>	<b>8,797,016</b>
<b>Reserved for future grants</b>		
Balance at 1 January	1,406,783	805,521
Extraordinary reserved during the year	1,250,000	520,000
Distribution of result	2,500,000	1,250,000
Commitments during the year	(1,831,844)	(1,168,738)
<b>Reserved for future grants at 31 December</b>	<b>3,324,938</b>	<b>1,406,783</b>
<b>Retained earnings</b>		
Balance at 1 January	2,668,912	191,509
Dividend received	-	385,000
Expected dividend	1,300,000	4,000,000
Extraordinary reserved during the year	(1,250,000)	(520,000)
Distribution of result	(2,671,653)	(1,387,510)
Currency translation	17	(87)
<b>Retained earnings at 31 December</b>	<b>47,276</b>	<b>2,668,912</b>
<b>Total equity</b>	<b>14,278,831</b>	<b>13,135,164</b>

# Cash flow statement

1 January–31 December

(DKK thousand)	2019	2018
Result for the year	2,944,495	1,697,364
Net result from subsidiaries	(3,116,148)	(1,834,874)
Financial expenses with no effects on result for the year	5,187	1,188
Currency translation	17	(87)
Changes in receivables from associates	23,908	(23,908)
Changes in receivables	13,120	(4,683)
Changes in payables	32,188	(19,558)
<b>Cash flows from operating activities</b>	<b>(97,233)</b>	<b>(184,558)</b>
Changes in receivables from subsidiaries	(1,552,274)	526,180
Dividend received	4,000,000	385,000
Investment in securities etc., net	(1,699,997)	(329,827)
<b>Cash flows from investment activities</b>	<b>747,729</b>	<b>581,353</b>
Grants paid	(642,734)	(390,700)
<b>Cash flows from financing activities</b>	<b>(642,734)</b>	<b>(390,700)</b>
<b>Net cash flows for the year</b>	<b>7,762</b>	<b>6,095</b>
Cash and cash equivalents at 1 January	95,999	89,904
<b>Cash and cash equivalents at 31 December</b>	<b>103,760</b>	<b>95,999</b>

# Notes

## NOTE 1. EMPLOYEE EXPENSES

(DKK thousand)	2019	2018
Employee expenses related to programmes	53,612	43,196
Employee expenses related to administration	26,265	23,595
<b>Total employee expenses</b>	<b>79,877</b>	<b>66,791</b>
<b>Which can be split into:</b>		
Wages and salaries	67,536	55,141
Pension costs	2,496	1,891
Other staff and social security expenses	9,845	9,759
<b>Total employee expenses</b>	<b>79,877</b>	<b>66,791</b>
Salaries and remuneration for leadership team*	19,250	17,293
Remuneration for the Board of Directors	400	400
Average number of employees	78	64
Number of employees at 31 December	84	68

\*) Since the LEGO Foundation executive management consists of one person, the LEGO Foundation CEO, remuneration for management is disclosed as the total remuneration amount, including benefits, paid to the LEGO Foundation leadership team.

## NOTE 2. OPERATING EXPENSES

(DKK thousand)	2019	2018
Operating expenses related to programmes	(101,157)	(57,920)
Operating expenses related to administration	(25,755)	(16,437)
<b>Total operating expenses</b>	<b>(126,912)</b>	<b>(74,357)</b>

## NOTE 3. AUDITORS' FEES

(DKK thousand)	2019	2018
Statutory audit of the financial statements	163	119
Other assistance	462	25
<b>Total auditors' fees</b>	<b>625</b>	<b>144</b>

# Notes

## NOTE 4. DISTRIBUTION OF RESULT

(DKK thousand)	2019	2018
Extraordinary reserved during the year for future grants	1,250,000	520,000
Reserved for future grants	2,500,000	1,250,000
Reserve from the use of the equity method	3,116,148	1,834,874
Retained earnings	(3,921,653)	(1,907,510)
<b>Total distribution of result</b>	<b>2,944,495</b>	<b>1,697,364</b>

## NOTE 5. INVESTMENTS IN SUBSIDIARIES

(DKK thousand)	2019	2018
<b>Cost</b>		
Cost at 1 January	658,992	658,992
<b>Cost at 31 December</b>	<b>658,992</b>	<b>658,992</b>
<b>Value adjustment</b>		
Value adjustment at 1 January	12,797,016	11,356,392
Share of result for the year	3,116,148	1,834,874
Dividend distributed	(4,000,000)	(385,000)
Other comprehensive expenses	31,000	(9,250)
<b>Value adjustment at 31 December</b>	<b>11,944,164</b>	<b>12,797,016</b>
<b>Carrying amount at 31 December</b>	<b>12,603,157</b>	<b>13,456,009</b>

### Information about subsidiaries:

Name	Municipality	Ownership
Koldingvej 2, Billund A/S	Billund	100%



# Notes

## NOTE 6. LONG-TERM RECEIVABLES FROM SUBSIDIARIES

(DKK thousand)	2019	2018
<b>Cost</b>		
Cost at 1 January	282,726	808,906
Additions	-	3,820
Reductions	(282,726)	(530,000)
<b>Cost at 31 December</b>	<b>-</b>	<b>282,726</b>
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>282,726</b>

The long-term receivables from subsidiaries, a convertible loan, was fully repaid during 2019.

## NOTE 7. COMMITTED GRANTS

(DKK thousand)	2019	2018
Committed grants at 1 January	1,728,201	948,975
Grant commitments during the year	1,831,844	1,168,738
Grant activities during the year	(642,734)	(390,700)
Currency adjustments	5,187	1,188
<b>Committed grants at 31 December</b>	<b>2,922,498</b>	<b>1,728,201</b>
Committed grants, due within one year (current liabilities)	912,343	564,691
Committed grants, due after one year (non-current liabilities)	2,010,155	1,163,510
<b>Total committed grants</b>	<b>2,922,498</b>	<b>1,728,201</b>

## NOTE 8. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The LEGO Foundation has lease obligations of DKK 3,7 million (2018: DKK 4,3 million)

The Foundation has rental and professional service obligations with related parties of DKK 2,9 million.

# Notes

## NOTE 9. RELATED PARTY TRANSACTIONS

The LEGO Foundation's related parties comprise the Board of Directors and the executive management of the LEGO Foundation. Related parties also comprise subsidiaries and associates and Boards of Directors and executive management in these companies.

There were no transactions in the financial year with the Board of Directors or the executive management besides remuneration, see note 1.

Transactions with subsidiaries and associates include the following:

(DKK thousand)	2019	2018
Grants	104,580	82,278
Purchase of goods and services	15,591	7,638
<b>Total related party transactions</b>	<b>120,171</b>	<b>89,916</b>

Receivables and liabilities related to subsidiaries and associates are specified in the balance sheet.

Transactions with related parties have been conducted at arm's length.

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