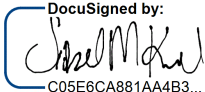


# 19

Approved at the Annual General Meeting  
on 4<sup>th</sup> May 2020

DocuSigned by:



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Sidsel Marie Kristensen  
Chairman of the meeting

## ANNUAL REPORT 2019

Koldingvej 2  
DK-7190 Billund  
CVR-no. 18591235



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\* Pages 16 – 31 comprise KIRKBI's communication on progress in implementing the ten UN Global Compact principles.



# FINANCIAL HIGHLIGHTS

## KIRKBI Group (m DKK)

	2019	2018	2017	2016	2015
<b>Income statement:</b>					
Operating profit from LEGO Brand Group activities	11,791	12,220	11,944	14,136	14,044
Operating profit from investment activities	9,326	(551)	4,398	3,078	3,304
Total operating profit	20,601	11,352	16,002	16,885	16,997
Profit for the year	16,774	8,681	12,679	13,285	13,396
<b>Balance sheet:</b>					
Total assets	119,902	103,132	95,456	85,667	75,463
KIRKBI Group's share of equity	96,807	82,514	76,305	66,407	56,295
Non-controlling interests	5,672	5,553	5,285	5,105	4,460
Liabilities	17,423	15,065	13,866	14,155	14,708
<b>Cash flow statement:</b>					
Cash flows from operating activities	9,049	11,191	10,253	12,516	12,076
Investment in property, plant and equipment, net	(3,345)	(2,394)	(2,233)	(7,572)	(4,473)
Investment in intangible assets	(360)	(57)	(143)	(92)	(126)
<b>Employees:</b>					
Average number (full-time)	16,631	15,523	16,909	17,136	14,241
<b>Financial ratios (in %):</b>					
Equity ratio	85.5 %	85.4 %	85.5 %	83.5 %	80.5 %
Return on equity	16.4 %	8.4 %	15.0 %	17.8 %	21.9 %

The Financial Highlights for 2019 are impacted by the implementation of IFRS 16 Leases as from 1 January 2019. Comparative figures for 2015 to 2018 have not been restated. Implementation of IFRS 16 Leases is described in note 1.3.

Comparative financial information for 2015 to 2018 have been adjusted for reclassifications in the income statement.

### Financial ratios

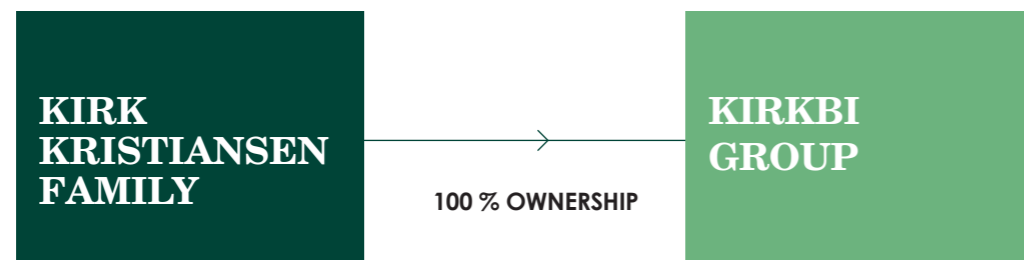
Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios" as issued by the Danish Society of Financial Analysts.

**Return on equity (ROE):**  $\frac{\text{Profit for the year (excl. non-controlling interests)} \times 100}{\text{Average equity (excl. non-controlling interests)}}$

**Equity ratio:**  $\frac{\text{Equity (incl. non-controlling interests)} \times 100}{\text{Total liabilities and equity}}$

# KIRKBI

– A family-owned company



## 2019 KEY FIGURES

**16,631**

Full-time employees

**9.0 (bn DKK)**

Cash flows from Operating activities

**16.8 (bn DKK)**

Profit for the year

**102.5 (bn DKK)**

Total equity

## ASSOCIATED FOUNDATIONS

KIRKBI provides administrative support to associated foundations:

The LEGO Foundation

Ole Kirk's Fond



LEGO Brand Group

**THE LEGO GROUP**  
**75 %**

<b>Revenue</b>	<b>38.5 bn DKK</b>	Founded by Ole Kirk Kristiansen in 1932. Based on the LEGO® brick, the company provides unique play experiences for children of all ages.
<b>Profit for the year</b>	<b>8.3 bn DKK</b>	
<b>Investments</b>	<b>2.2 bn DKK</b>	
<b>Employees (FTE)</b>	<b>16,112</b>	

**MERLIN ENTERTAINMENTS**  
**50 %**

<b>Revenue</b>	<b>15.3 bn DKK</b>	Europe's leading and the world's second-largest visitor attraction operator. Owns the LEGOLAND® parks which were founded by Godtfred Kirk Christiansen in 1968 and the LEGOLAND® Discovery Centres, among other activities.
<b>Profit for the year</b>	<b>1.1 bn DKK</b>	
<b>Number of visitors</b>	<b>67 million</b>	

**TRADEMARKS**  
**100 %**

<b>Royalty</b>	<b>1.5 bn DKK</b>	The LEGO® and LEGOLAND® trademarks.
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**LEGO VENTURES**  
**100 %**

<b>Operating profit</b>	<b>(0.1) bn DKK</b>	LEGO Ventures explores investment opportunities at the intersection of Play, Learning and Creativity to leverage and develop the original LEGO® Idea and support the LEGO® brand mission 'to inspire and develop the builders of tomorrow'.
<b>Investments</b>	<b>0.3 bn DKK</b>	

**RENEWABLES**  
**31.5 %**

<b>Borkum Riffgrund 1 Capacity</b>	<b>312 MW</b>	KIRKBI supports the LEGO Group's commitment to balance global consumption of energy with renewable energy from solar and wind and contribute to a sustainable development in the world.
<b>Burbo Bank Extension Capacity</b>	<b>258 MW</b>	
<b>Enerparc Inc. Capacity</b>	<b>100 MW</b>	

**INVESTMENT PORTFOLIO**

- Long-term Equity

- Real Estate
- Private Equity
- Quoted Equities
- Bonds and corporate debt

**INVESTMENT PORTFOLIO (m DKK)**

Year	Investment Portfolio (m DKK)
2015	~40,000
2016	~45,000
2017	~55,000
2018	~60,000
2019	~75,000

# 2019 AT A GLANCE

2019 has been a very satisfactory year for the KIRKBI Group with **progress in strategic priorities and strong results** in the LEGO Group and the investment activities

The owner family's\* mission for the LEGO® brand is to inspire and develop the builders of tomorrow. The family aims to fulfill the mission, helping all children grow and develop to their full potential through play by dedicated efforts driven by the LEGO® branded entities. KIRKBI is the owner family's private holding and investment company founded to build a sustainable future for the family ownership of the LEGO brand through generations.

In 2019, LEGO Brand Group launched the vision for the LEGO brand towards 2032 across the LEGO® branded entities. The 2032 LEGO® brand vision and strategy expresses the owner family's vision, wishes and dreams for the LEGO brand towards 2032 – the year the LEGO brand turns 100 years old.

An important milestone was reached later in the year, when KIRKBI together with a consortium of long-term investors completed the take-private of Merlin Entertainments. As the long-term owner of the LEGO® brand and as a strategic shareholder in Merlin Entertainments since 2005, KIRKBI has great pride and passion for the company and we are very committed to ensuring that LEGOLAND® Parks, LEGOLAND® Discovery Centres and the other activities in Merlin Entertainments reach their full potential and continue to deliver fantastic experiences to visitors around the world.

During 2019, KIRKBI has finalised a new strategy towards 2032. KIRKBI has developed significantly over the past years. The generational change from the 3rd to the 4th generation is well under way. LEGO Brand Group has developed an ambitious LEGO brand strategy, and KIRKBI has grown in size. The overarching objective for KIRKBI is to build a sustain-

able future for the family ownership of the LEGO brand through generations. The KIRKBI strategy towards 2032 sets the direction for KIRKBI's responsibilities within each of the pillars of LEGO Brand Group, Investment activities, Support activities and Sustainability.

In 2019 KIRKBI signed up for UN Global Compact. As a signatory, KIRKBI will complete an annual Communication on Progress (COP) submission starting from the financial year 2019, demonstrating progress in working towards the UN Global Compact's ten principles. The COP report is integrated into this 2019 annual report. As KIRKBI grows, we wish to increase transparency towards all our stakeholders on how we progress on raising the bar further on sustainable business operations and responsible ownership and investments.

## 2019 HIGHLIGHTS

Profit for the year for the KIRKBI Group amounted to DKK 16.8 billion compared to DKK 8.7 billion last year.

In 2019, the LEGO Group made good progress against its ambition to bring LEGO play to more children around the world. It achieved top-line growth, while making significant investments in future growth initiatives. Revenue increased with 6% to DKK 38.5 billion. All Market Groups delivered year-on-year revenue growth, with established markets growing single digits and China delivering strong double digit growth. Operating profit grew 2% to DKK 10.8 billion. This was achieved after significant investments in projects focused on innovating play, innovating retail experiences, and expanding into new markets. The operational cash flows remained strong at DKK 9.6 billion.

Within Merlin Entertainments, the total number of visitors grew by 1.0% to 67 million on a like-for-like basis and revenue grew by 3.6% in 2019 compared to 2018. In the LEGOLAND® parks, revenue increased by 5.1%. In 2019, Merlin announced the opening of LEGOLAND New York to be 4th of July 2020. Merlin also announced the planning of a new LEGOLAND park in Korea with targeted opening in 2022. In addition, Merlin entered into an agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI A/S to develop a LEGOLAND Resort in the Jinshan District of Shanghai, China.

In 2019 KIRKBI completed the acquisition of U.S. solar company Enerparc Inc. which develops, builds and operates solar parks in the United States. The acquisition marked a significant development in KIRKBI's long-term investment strategy within renewables, which also includes ownership stakes in the two off-shore wind farms Burbo Bank Extension and Borkum Riffgrund 1.

Operating profit from the investment activities was DKK 9.3 billion against a net loss of DKK 0.6 billion last year. The strong investment result was impacted by strong financial markets following a very challenging 2018. Most significantly quoted equities, private equity and real estate performed well. The investment portfolio in KIRKBI increased to DKK 71 billion by the end of 2019 from DKK 58 billion at the end of 2018.

In 2019, KIRKBI increased its holding of shares in Landis+Gyr AG, Nilfisk A/S and ISS A/S. Furthermore, together with PAI, KIRKBI increased the ownership in Armacell S.A., which is a leading provider of insulation materials for technical equipment.



↑ Kjeld Kirk Kristiansen, Chairman of the Board  
Søren Thorup Sørensen, CEO

We would like to thank all employees for their dedicated contributions and professional support within a broad span of services and disciplines. We look forward to continuing the positive development of KIRKBI in 2020.

**Kjeld Kirk Kristiansen**  
Chairman of the Board

**Søren Thorup Sørensen**  
CEO

\* Camilla and Kjeld Kirk Kristiansen and their descendants

# ANNUAL REVIEW

## INCOME STATEMENT

The KIRKBI Group's profit for the year 2019 amounted to DKK 16,774 million against DKK 8,681 million in 2018. The profit excluding non-controlling interests for 2019 was DKK 14,682 million compared with DKK 6,655 million last year.

KIRKBI's financial result is mainly influenced by the performance of the LEGO Group and financial return from the investment activities.

The LEGO Group has had a strong financial performance for 2019. The company achieved 6% revenue growth, which was especially satisfactory given the challenging operating environment, with a global toy market declining 3% in 2019. The LEGO Group continued to make significant investments in initiatives to drive future growth such as retail experiences, innovating play and new geographies. After these significant investments, the LEGO Group delivered a 2% growth in result before tax compared to 2018. Result before tax from the LEGO Group increased to DKK 10,752 million from DKK 10,510 million. Cash flow from operating activities remained strong at DKK 9.6 billion.

Merlin Entertainments experienced an organic revenue growth of 3.6% during 2019. The growth was driven by opening eight new Midway attractions and new accommodation offers by adding 372 rooms across three parks. On the other hand, Merlin Entertainments disposed of its two Australian ski resorts. In November 2019, Merlin Entertainments was delisted from London Stock Exchange and taken into private ownership by a consortium of long-term investors comprising Blackstone Core Equity Advisors LLC, Canada Pension Plan Investment Board and KIRKBI. Following the delisting, KIRKBI increased its ownership from app. 30%

to 50%. This transaction had a negative impact on the financial performance of Merlin Entertainments due to transaction costs and increased financing costs. KIRKBI's share of profit for 2019 was DKK 135 million compared with DKK 567 million in 2018.

Royalties from the trademarks LEGO® and LEGOLAND® grew 7% from DKK 1,400 million to DKK 1,495 million in 2019 due to the increase in revenue from both the LEGO Group and Merlin Entertainments.

LEGO Ventures continued to build the organisation throughout 2019 and has invested further into seven new start-ups during the year. Result from the activities has been negative with DKK 114 million compared to DKK -16 million in 2018, mainly due to operating costs and fair value adjustments of investments.

Trademark costs and LEGO Brand Group administration costs have increased from DKK 274 million in 2018 to DKK 514 million in 2019. The increase is mainly due to contribution to the global brand campaign "Rebuild the World".

The global financial markets have developed very positively throughout 2019, following a very challenging end of 2018. Increasing company valuations within quoted and private equities, combined with disciplined asset management, led to a strong result for the investment activities for 2019. The return for 2019 investment activities was 14.9% where all of KIRKBI's asset classes performed positively. Profit from the investment activities amounted to DKK 9,326 million compared to a loss of DKK 551 million in 2018.

Throughout 2019, KIRKBI has made donations to, among others, Ole Kirk's Foundation. Total donations and sponsor-

ships amount to DKK 72 million compared to DKK 34 million in 2018 reported within Administration costs.

The 2019 financial results for the KIRKBI Group are considered strong and exceed the expectations disclosed in the annual report for 2018.

It is proposed to distribute dividends of DKK 200 million.

## BALANCE SHEET

Total assets for the KIRKBI Group amounted to DKK 120 billion compared to DKK 103 billion in 2018. The increase in total assets of DKK 17 billion is mainly due to increased value of the investment portfolio of DKK 13.5 billion.

Consolidation of the LEGO Group's activities led to an increase in assets of DKK 2.5 billion, mainly from adoption of IFRS 16 regarding leases capitalising right-of-use assets with DKK 2.2 billion.

Total liabilities for the KIRKBI Group increased to DKK 17.4 billion from DKK 15.1 billion. The increase in total liabilities is mainly due to the implementation of IFRS 16 regarding leases, which led to recognition of lease liabilities of DKK 2.2 billion.

The KIRKBI Group's equity ratio increased to 85.5% from 85.4% end of 2018.

## PEOPLE RESOURCES

In the KIRKBI Group's core activities, employees are the single most important resource. The KIRKBI Group's results are accomplished thanks to the motivation and commitment of its employees. As part of the overall corporate strategy, employees and management work together to continuously secure job satisfaction and a healthy working environment.

In 2019, the average number of full-time employees in the KIRKBI Group was 16,631 against 15,523 in 2018. These numbers are exclusive of the employees in Merlin Entertainments. 97% of employees work in the LEGO Group.

The majority of employees in the LEGO Group and KIRKBI are subject to a Performance Management Programme, which aims to link business objectives with individual employee objectives. This programme includes a tiered bonus scheme.

## RISKS

The KIRKBI Group's risks primarily relate to developments within the global toy markets where the LEGO Group operates, the market for family entertainment and other leisure activities and the financial markets.

## RESEARCH AND DEVELOPMENT ACTIVITIES

The Parent Company does not engage in research or development activities. Group enterprises conduct research and development within their respective business areas.

## EXPECTATIONS FOR 2020

Expectations for the KIRKBI Group's financial performance for 2020, depend on the development in the global economy in 2020 and individual development within its different operational entities. Hence it is difficult to express clear expectations of the result for the year.

## LEGO Brand Group activities

Both the LEGO Group and Merlin Entertainments expect single-digit revenue growth rates for 2020, which will also impact trademark royalties positively. KIRKBI expects that results before tax from LEGO Brand Group activities to be in the level around DKK 12 billion.

## Investment activities

KIRKBI is a long-term investor and a one-year view for the investment activities is highly dependent on the development in the financial markets and hence it is difficult to predict financial return for the investment activities. A normalised investment return for the KIRKBI Group would be an investment return between DKK 3.5 bn and DKK 5 bn, equal to an investment return between 5% and 7%.

## Profit before tax

Based on the assumptions above on normalised investment returns, profit before tax for the KIRKBI Group for 2020 is expected to be in the level of DKK 15 – 16 billion.



# ABOUT KIRKBI

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14	KIRKBI Fundamentals
16	How we work with Sustainability*
18	Our Approach
20	Own Operations
26	Responsible Investing and Ownership
30	Our future Focus and Targets 2020
32	Associated Foundations
34	Board of Directors
36	Executive Leadership Team

\* Pages 16 – 31 comprise KIRKBI's communication on progress in implementing the ten UN Global Compact principles.

# KIRKBI FUNDAMENTALS

KIRKBI is the owner family's\* private holding and investment company **founded to build a sustainable future for the family ownership of the LEGO® brand** through generations.

The LEGO® brand mission is to inspire and develop the builders of tomorrow. The owner family aims to fulfill the mission, helping all children grow and develop to their full potential through creative play, by dedicated efforts driven by the LEGO® branded entities.

KIRKBI is the owner family's private holding and investment company with the purpose of building a sustainable future for the family ownership of the LEGO® brand through generations. KIRKBI shares the same mission, promises, spirit and values as the LEGO branded entities.

This shared foundation for the family enterprises is reflected in the LEGO® Idea Paper – a short internal document written by the Kirk Kristiansen family. The LEGO Idea Paper describes the family's fundamental belief that "Children are our

role models", the mission, the vision, the LEGO® Idea, the values and the promises.

The KIRKBI Fundamentals serve as the compass in all our business activities and outline how we are contributing to enabling the owner family to succeed with the mission.

### KIRKBI (TOWARDS 2032)

During 2019, KIRKBI has defined the owner direction towards 2032. The owner direction is reflected in the KIRKBI Fundamentals, which has been adjusted to clearly articulate the purpose of KIRKBI as of today and in the future, as well as the fundamental objectives. Based on the owner direction and KIRKBI Fundamentals, the KIRKBI strategy towards 2032 has been outlined within each of the three fundamental objectives. Towards 2032, it is KIRKBI's responsibility to:

- Protect, develop and leverage the LEGO brand across all the LEGO branded entities.
- Ensure a sound financial foundation for the family's activities via responsible equity investments. Furthermore, ensure theme-based investing in order to maximise impact through investing inspired by the family's wish to contributing to a sustainable development in the world.
- Ensure a support organisation, which is set up to deliver support for the family members across generations as well as their private entities and associated foundations.
- Pursue ambitious sustainability requirements for own operations and ensure responsible ownership and investments.
- Build and maintain a strong governance model for all KIRKBI activities.

## THE KIRKBI FUNDAMENTALS

<b>MISSION</b>	Inspire and develop the builders of tomorrow			
<b>PURPOSE</b>	Building a sustainable future for the family ownership of the LEGO® brand through generations			
<b>FUNDAMENTAL OBJECTIVES</b>	We work to protect, develop and leverage the LEGO brand across all the LEGO® branded entities	We are committed to a long-term and responsible investment strategy to ensure a sound financial foundation for the owner family's activities as well as contributing to a sustainable development in the world	We are dedicated to support the owner family members as they prepare for future generations to continue the active and engaged ownership as well as supporting their private activities, companies and philanthropic work	
<b>VALUES</b>	Imagination — Creativity — Fun — Learning — Caring — Quality			
<b>PROMISES</b>	<b>Play Promise</b> Joy of building, pride of creation	<b>People Promise</b> Succeed together	<b>Partner Promise</b> Mutual value creation	<b>Planet Promise</b> Positive impact
<b>SPIRIT</b>	Only the best is good enough — always strive to do better			

\* Camilla and Kjeld Kirk Kristiansen and their descendants

### ACTIVE AND ENGAGED FAMILY OWNERSHIP THROUGH GENERATIONS

Through generations, active and engaged family ownership of the LEGO brand has been viewed by the owner family as not only a task, but also as an obligation to make a true difference in children's lives. The ownership is rooted in the family heritage, the values and the greater purpose of enabling children to learn, grow and develop through play, which is also reflected in the name 'LEGO®' – play well. Ole Kirk Kristiansen, the founder of the LEGO Group, was focused on providing quality play materials for children from the very beginning in the 1930s. He had a saying: 'Only the best is good enough', which he used to explain how children deserve the best. The saying is still used and referred to by employees across all entities as the 'LEGO® spirit'.

Being an active and engaged owner of the LEGO brand today is defined by the owner family as having a deep interest and engagement in how the family enterprises develop, how the enterprises engage with children of all ages as well as stakeholders in general, what the culture is like and how the values are lived and not least – caring for employees.

In short, active and engaged ownership is about being guardians of how the family enterprises do business.

To ensure a continued active and engaged family ownership of the LEGO brand, the family has carefully prepared for the smooth handover between the third and fourth generation, which is ongoing.

The owner family has decided that in each generation one person should take the role as the most active owner. The most active owner will, on behalf of the whole family, be close to KIRKBI and the LEGO branded entities. The family has agreed that Thomas Kirk Kristiansen should from this role represent the fourth generation.

Furthermore, the family has agreed that all owners in each generation are engaged

and responsible shareholders as well as ambassadors and culture carriers of the family values. All owners are engaged in different ways in the business of the LEGO Brand Group, the LEGO branded entities, KIRKBI and the associated foundations – acting as members of the Board or undertaking representative duties.

In addition, the fourth generation of the owner family has established a programme for their children in the fifth generation named 'The LEGO® School'. The LEGO School is not a school in the traditional sense. In fact, the purpose of the programme is to support the children in developing their own identity, as individuals and as part of a family community, around being future owners – in a fun, safe and playful environment.

### The ongoing handover between third and fourth generation

In 2016, Kjeld Kirk Kristiansen and Thomas Kirk Kristiansen took the first formal steps in the smooth handover as they swapped roles in the Board of Directors of LEGO A/S where Thomas Kirk Kristiansen became deputy chairman and Kjeld Kirk Kristiansen took on the role as board member. On the board of the LEGO Foundation, Thomas Kirk Kristiansen became chairman and Kjeld Kirk Kristiansen deputy chairman.

In 2017, LEGO Brand Group was established to protect, develop and leverage the full potential of the LEGO brand and support the continued family ownership through generations. Read more about LEGO Brand Group on page 40.

In 2019, Kjeld Kirk Kristiansen stepped down from the Board of Directors of LEGO A/S.

Today, Kjeld Kirk Kristiansen is Chairman of the Board of Directors of KIRKBI A/S, Deputy Chairman of the Board of Directors of the LEGO Foundation and Chairman of the Board of Directors of Ole Kirk's Fond. Thomas Kirk Kristiansen is Chairman of the Board of Directors of the LEGO Foundation, Chairman of LEGO A/S and member of the Board of Directors of KIRKBI A/S.



**As a family and owners of the LEGO® brand and the LEGO® branded entities we fundamentally believe that Children are our role models. Children are curious, creative and imaginative. They embrace discovery and wonder. They have a natural hands-on, minds-on approach to learning. These are precious qualities that must be nurtured and stimulated throughout life. Because, people with a childlike urge to learn are best equipped to thrive in a fast paced and constantly changing world.**

**The Kirk Kristiansen family in the LEGO® Idea Paper**

### THE ORIGIN OF THE KIRKBI NAME

The company name KIRKBI reflects the family ownership and heritage as it is a combination of the family name 'Kirk' and the city 'Billund' in Denmark. In 1932, Ole Kirk Kristiansen started making wooden toys in his workshop in Billund, Denmark, and from 1934, he sold them as LEGO® toys. Today, KIRKBI owns 75% of the LEGO Group. The remaining 25% is owned by the LEGO Foundation.



# HOW WE WORK WITH SUSTAINABILITY

In 2019, KIRKBI signed up to the United Nations Global Compact – the world's largest voluntary network for sustainable business conduct – and thereby committed to the Ten Principles of The Global Compact. As KIRKBI grows, we wish to increase transparency towards all our stakeholders on how we progress our sustainability efforts. As a signatory to the Global Compact, this report acts as our Communication on Progress.

**KIRKBI's main objective is to build a sustainable future for the family ownership of the LEGO® brand through generations. We are driven by a strong set of values and a purpose of enabling the owner family to inspire and develop the builders of tomorrow.**

KIRKBI's approach to sustainability is defined by the KIRKBI Fundamentals. The KIRKBI Fundamentals serve as the compass for all business activities.

They define how we regard people and planet as an integrated and equal part of operating businesses and succeeding with the mission.

Although this year's Communication on Progress report focus on KIRKBI's sustainability efforts for 2019, during the year we also took the opportunity to focus on how we continue to raise the bar for our sustainability efforts in the very long term. KIRKBI has developed a strategy towards 2032 in which sustainability is a foundational layer for all business activities both within own operations as well as investment and ownership activities.

Within own operations, we will pursue ambitious requirements to become a sustainable company. Within the investment activities, we will continue to integrate environmental, social and governance factors into our investment approach and active ownership practices as we believe that companies which act responsibly are also the ones that create the most value in the long term. Furthermore, as part of the 2032 strategy, we will pursue thematic investing focused on increasing KIRKBI's contribution to sustainable development in the world.

Our sustainability commitment – and our commitment to live up to the Ten Principles of the UN Global Compact – is guided by the 'Promises', which is a core part of the 'KIRKBI Fundamentals' guiding our business conduct and behaviour from an ethical perspective.

In practice, we make a never-ending effort to ensure that our 'Promises' are lived throughout our actions and behaviour every day. Our promises to play, people, planet and partners are therefore also our response and promise to the Ten Principles.

**Søren Thorup Sørensen**  
CEO



# OUR APPROACH

## THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



### HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.



### LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.



### ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.



### ANTI-CORRUPTION

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

<b>MISSION</b>	Inspire and develop the builders of tomorrow		
<b>PURPOSE</b>	Building a sustainable future for the family ownership of the LEGO® brand through generations		
<b>FUNDAMENTAL OBJECTIVES</b>	We work to protect, develop and leverage the LEGO brand across all the LEGO® branded entities	We are committed to a long-term and responsible investment strategy to ensure a sound financial foundation for the owner family's activities as well as contributing to a sustainable development in the world	We are dedicated to support the owner family members as they prepare for future generations to continue the active and engaged ownership as well as supporting their private activities, companies and philanthropic work
<b>VALUES</b>	Imagination — Creativity — Fun — Learning — Caring — Quality		
<b>PROMISES</b>	<b>Play Promise</b> Joy of building, pride of creation	<b>People Promise</b> Succeed together	<b>Partner Promise</b> Mutual value creation
<b>PLANET PROMISE</b>	Positive impact		
<b>SPIRIT</b>	Only the best is good enough — always strive to do better		

### PLAY PROMISE



### JOY OF BUILDING. PRIDE OF CREATION

The Play Promise is closely integrated with the People Promise. As owners of the LEGO brand, we wish to guard and nurture the essential role of play in children's and adults' wellbeing and development

### FOCUS AREAS

- Take actions together to strengthen a company culture, which is rooted in the statement 'Joy of Building, Pride of Creation' and a playful mindset

### PEOPLE PROMISE



### SUCCEED TOGETHER

To enable execution of the business strategy and to build the long-term health of the company – we believe people and values make the difference

### FOCUS AREAS

- Strengthen employee engagement and satisfaction reflected in the annual employee engagement survey, PULSE
- Continue to further define leadership in the KIRKBI context and review the professional development program

### PARTNER PROMISE



### MUTUAL VALUE CREATION

To build partnerships that enhance mutual value creation, entail openness and trust – partners should feel energised and inspired from their involvement with KIRKBI

### FOCUS AREAS

- Further standardise the approach to active ownership, both in the voting practices, and in sustainability engagement of long-term equity investments

### PLANET PROMISE



### POSITIVE IMPACT

To create a positive impact on the planet through responsible investments and ownership – a commitment to society to keep earning a trusted position

### FOCUS AREAS

- Further compile use-data on the real estate portfolio and continue working with sustainable building certifications
- Manage the carbon emissions from our own operations and assess the procurement practices for sustainability
- Continue to grow renewable energy capacity

## CODE OF CONDUCT

While the KIRKBI Fundamentals describe the foundation for the KIRKBI Group, the KIRKBI employee Code of Conduct serves as a guide to making the right decision at all times, and is applicable to all of our activities – both own operations and investing. Introduced in 2018 with personalised training provided to all employees, it has since been integrated into the onboarding material for new employees to ensure that all employees are familiar with its contents. An internal whistle-blower line has been established in order to allow any non-compliances with this Code of Conduct to be reported. The employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment and anti-corruption.

The following description of activities and results split into own operations and responsible investing and ownership. KIRKBI's own operations include the KIRKBI offices in Denmark and Switzerland, the vehicle fleet, and the business travel. As a holding and investment company, the assessment of the risk within own operations is low and primarily within environmental impact and the impact on employees, which are managed as described in the relevant sections. The assessment of risk related to investment activities, including human rights and corruption risks are managed via the approach to responsible investing and ownership as described on page 26-27.



**HUMAN RIGHTS:** All employees are expected to take steps to protect human rights wherever we do business.



**LABOUR:** The KIRKBI Group will provide a professional, inspiring and safe workplace in accordance with mandatory legislation and will show respect for all individuals and make active efforts to ensure a good and inclusive working environment, characterised by equality and diversity. We ensure freedom of association and respect our employees' rights to collective bargaining. The KIRKBI Group does not accept child labour, forced labour, or any form of human trafficking.



**ENVIRONMENT:** The KIRKBI Group promotes environmentally responsible business conduct in our investment management and ownership practices. All employees must support the planet promise by encouraging steps to be taken to prevent and mitigate the environmental impact of activities and products.



**ANTI-CORRUPTION:** All employees must comply with local and international anti-corruption laws, principles, standards, and codes, and ensure transparency in all interaction. Abuse or misuse of entrusted power for private gains are not accepted.

# OWN OPERATIONS

## ENVIRONMENT

The 'Planet Promise' is an integral part of the KIRKBI Fundamentals. We want to lead by example and are thereby dedicated to minimising the environmental footprint.

In 2019, we have started this journey by measuring and assessing the sustainability impacts of our operations, which include the KIRKBI offices in Denmark and Switzerland, the vehicle fleet, and the business travel. Highlights include:

- baselining the CO<sub>2</sub> emissions generated from the operations;
- certifying the Copenhagen building, in which the KIRKBI offices are located, to the DGNB Buildings In Use scheme;
- standardising the collection of waste data in the offices and facilitating the correct separation of waste types.

While we have worked to compile data on the CO<sub>2</sub> emissions generated by own operations in 2019, the complete data set will not be finalised in due time to be included in this report. This information will be made available on [www.KIRKBI.com](http://www.KIRKBI.com) when it has been finalised.

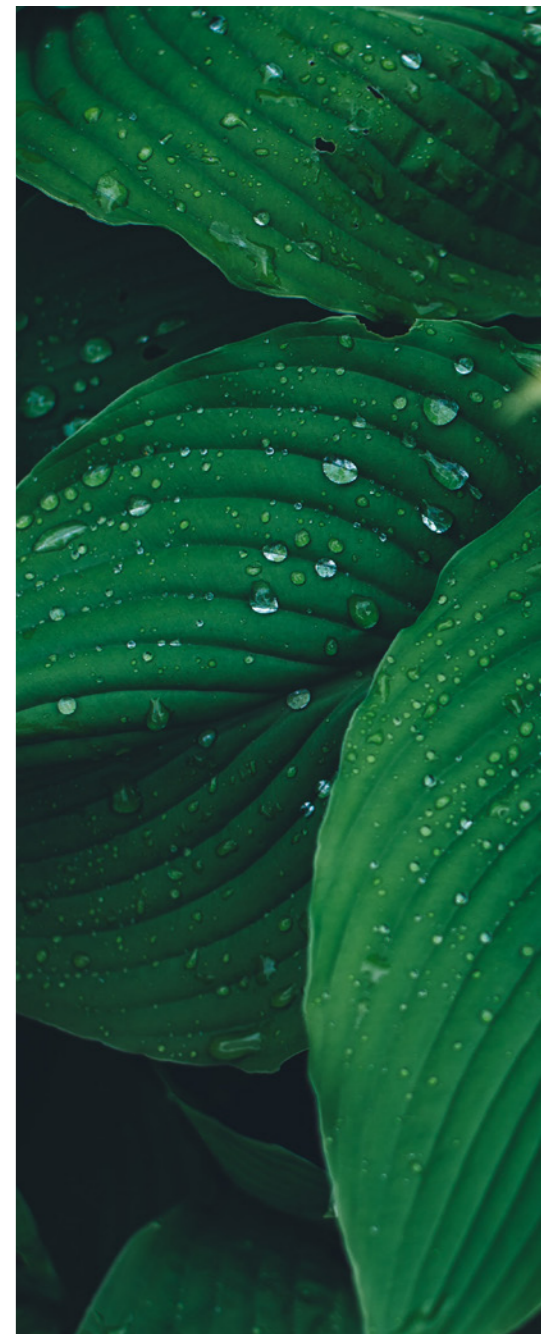
We calculate the carbon footprint on an annual basis and assess every source of emissions for possible reductions. This has led to a careful inspection of the internal travel policy and the potential increase in use of online meeting systems to replace some of the business travel. It also means that we continuously adjust the company car policy in order to encourage employees to select more efficient vehicles.

### KIRKBI FLIGHT DEPARTMENT

KIRKBI has chosen to have private aviation as a part of the group's business operations. The decision is made to meet certain levels of security and efficiency. KIRKBI has chosen to invest directly in its aircrafts, which means that KIRKBI is directly responsible for the associated emissions. This also means that we have the direct ability and responsibility, through the fleet management and flight planning, to take actions to address emissions.

We monitor fuel use and related carbon emissions and maximise CO<sub>2</sub> efficiency in flight planning. In 2019, KIRKBI decreased the default flight speed of its aircrafts, as a means of reducing fuel use and related emissions.

Via our partners, KIRKBI will closely follow developments in the Danish aviation industry, which in 2019, released its climate plan, including a commitment to climate neutrality by 2050.



## PEOPLE AND LABOUR

A diverse group of people is needed to enable the owner family to succeed with the mission to inspire and develop the builders of tomorrow. KIRKBI employs specialised and experienced professionals in a diverse set of fields. They are all dedicated to supporting the overarching purpose of building a sustainable future for the family ownership of the LEGO® brand through generations. With KIRKBI's People Promise and our strong set of values, we want to unleash the full potential of all KIRKBI employees while succeeding together. We focus on enabling and developing employees' competencies and ensuring that the people leaders have the right leadership capabilities and continuously act as strong role models.

In KIRKBI, we do this to enable execution of the business strategy and to build the long-term health of the company.

In addition, the Play Promise is closely integrated with the People Promise. As owners of the LEGO brand, we feel obliged to guard and nurture the essential role of 'play' in children's and adults' wellbeing and development. The Play Promise is to take actions together to strengthen a company culture, which is rooted in the statement 'Joy of Building, Pride of Creation' and a playful mindset.

We believe that it is our people, our determination to succeed together, and our ability to live the KIRKBI Fundamentals that make the difference.

### PROFESSIONAL AND PERSONAL GROWTH

The KIRKBI Human Resource Annual Cycle is a framework that enables and maintains all employees' competencies through a focus on continuous development while aiming to ensure satisfied and motivated employees who thrive and succeed together.

The HR Annual cycle consists of three core HR processes:

- A Performance Management Programme (PMP)
- An Individual Development Plan (IDP)
- An annual employee engagement survey called PULSE

With a focused, measurable, and effective **Performance Management Programme**, we want to meet our most critical business objectives and increase motivation, inspiration, and satisfaction in our daily work. In this continuous process, all employees work towards targets that are both critical for success in their individual roles as well as linked to team objectives and the KIRKBI strategy. KIRKBI's PMP process is linked to an incentive program with the purpose of encouraging and rewarding successful performance. The PMP process is linked with an **Individual Development Plan**, which is the personal and professional development plan for all

employees. We believe that focusing on what develops, inspires and energises our people, as well as the competencies each person needs in order to reach individual career goals and strategic goals, is critical to achieving motivation and satisfaction and ultimately, sustainable strong business results. We believe that people development is essential to retaining existing, and attracting potential employees.

Once a year, we measure motivation, satisfaction and engagement across the organisation in the **PULSE survey**. The responses are used to identify possible areas of improvement in teams and at an organisational level.

The KIRKBI results are benchmarked against the Ennova Employee Index (GELx), Denmark. In 2019, the PULSE survey showed that KIRKBI maintains high motivation and satisfaction across the organisation, with a score of 82 out of 100. This gives us a strong position against the GELx benchmark in Denmark, which has an average score of 74.

KIRKBI also uses the E-NPS (Employee Net Promoter Score) as an indicator of engagement and motivation. The E-NPS is based on the response from the PULSE question; "I would recommend KIRKBI as an employer to other people." Here, the KIRKBI score is 69%, indicating that we have loyal, motivated, and engaged people. The average score in GELx Denmark is 32%.

Despite the strong score, and in line with our spirit, we always strive to do better to ensure that KIRKBI is a healthy and engaging workplace.

### A HEALTHY WORK LIFE

We want to make sure that KIRKBI has a safe and healthy mental and physical work environment. This includes focussing on our people's wellbeing and ensuring that work-life is well balanced with life after work.

KIRKBI's Environmental, Health and Safety Committee ensures a focus on those aspects of our workplace and identifies areas of potential improvement. In addition to the work done by this committee, offers like access to fitness facilities, social sports initiatives, health care specialists, and healthy food in the canteens ensure that KIRKBI provides its employees with the best opportunities to take care of their physical and mental health.

### PEOPLE DIVERSITY

In KIRKBI, we believe that a diverse organisation and an inclusive working environment represent an opportunity to succeed in the long term. As a workplace, KIRKBI is characterised by equality, inclusivity, and diversity. We recruit and retain people with a variety of skills and backgrounds, while ensuring a focus on personal qualifications for the job.

The figure below shows the gender composition for the entire KIRKBI organisation and for people leaders. Our workforce is comprised of an equal number of men and women. This gender balance is also reflected in the number of people managers.

In 2019, KIRKBI A/S reached the target to add a female member to the Board of Directors with the election of Marie-Louise Aamund. The Board of Directors also plan to appoint another woman to the KIRKBI board before 2024.

Acknowledging that gender is only one aspect of diversity, we will continue to work to ensure a diverse workforce at all levels of the organisation.

### FACTS ABOUT KIRKBI

The number of people in the KIRKBI organisation is 202 (KIRKBI A/S, KIRKBI AG and KIRKBI Invest A/S).

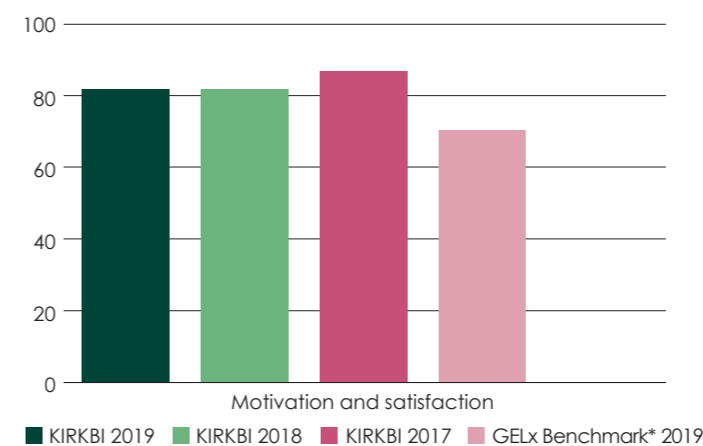
The number of full-time employees in the KIRKBI Group was 16,631 (97% of the employees work in the LEGO Group).

KIRKBI's headquarter is in Billund.

KIRKBI also has offices in Copenhagen (Denmark) and in Baar (Switzerland).

### PULSE SURVEY

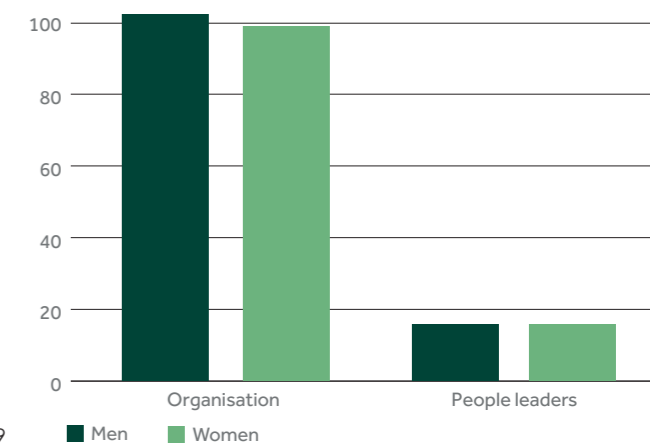
100 as the highest score. Response rate 2019: 95%



\*GELx (Ennova Employee Index) is an international benchmark survey.

### GENDER COMPOSITION IN KIRKBI

Number of employees



## BUILDING BILLUND – THE CAPITAL OF CHILDREN

Billund is of great importance to KIRKBI A/S, LEGO A/S and the LEGO® brand. The story of the LEGO brand began in 1932 when Ole Kirk Kristiansen started making wooden toys in his workshop in Billund. The toys were sold as LEGO® toys from 1934. Today, Billund counts almost 7,000 citizens and thousands of people commute to Billund every day. About three million tourists come to the town every year to pay the town's many attractions a visit – such as the world's first LEGOLAND Park or LEGO® House - the home of the brick.

Billund is also where KIRKBI is headquartered and the owner family has been actively engaged in supporting the development of the town through generations. In 2015, KIRKBI initiated a vision plan for the development of the town together with Billund Municipality and Realdania.

The result was the Billund City Vision, which sets the framework for supporting and strengthening Billund's unique character as the Capital of Children, where children of all ages learn through play and are creative citizens of the world. The vision provides KIRKBI and our partners with a framework for urban and cultural planning in a town that is multifaceted despite its small size.

A focal element in the vision is to mould greater cohesion between spaces for citizens, employees and visitors. One way to connect these spaces is to concentrate urban spaces and include green environments in and around them. The so-called "Playline" - a playful walk and bicycle path – will realise this concept and connect the different parts of the town.

For KIRKBI specifically, the vision provides a framework for how Billund could develop, and subsequently, how KIRKBI can support the continued development of Billund – the Capital of Children – through real estate and other activities.

KIRKBI is currently engaged in several real estate projects in Billund – all of them supporting the City Vision. Four of KIRKBI's current projects are:



**LEGO® CAMPUS:** A new gathering point for the entire LEGO Group. In October 2019, the first phase of the LEGO Campus in Billund was inaugurated. When the construction is completed in 2021, the campus will include 54,000 square metres and office space for approximately 2,000 colleagues. Part of the construction will be dedicated to a "People House" - an area with facilities such as workshops, sports facilities, café, accommodation and much more. The People House will be open to colleagues who work out of Billund on a daily basis as well as to colleagues who stay in Billund for a shorter or longer period of time.



**BUTIKSTORVET:** A new downtown area with stores, offices, apartments, town nature and the 'Playline' connecting the buildings. The former retail square in Billund has undergone a major change in 2019, as construction of six new buildings has begun. The tenants and owners will move in at the end of 2020, when construction is complete.



**KASTANIEHJØRNET:** A residential property of 6,300 square metres in Billund's midtown, comprising dementia apartments in connection to Billund Municipality's care home, council apartments to the non-profit housing association, and apartments that will be administered by KIRKBI. The construction of Kastaniehjørnet started in 2019 and will be finalised in 2021.



**KLØVERMARKEN:** A new office area in the former Modulex location 'Kløvermarken' has been rebuilt to host some of the organisations that work for the development of the Capital of Children. CoC Playful Minds – the organisation which develops the programs that shall make the city vision of Billund come to live – is one of the tenants, which moved in when the building was inaugurated in October 2019. CoC Living Lab includes an entrepreneurial environment for businesses and start-ups to create synergy and support knowledge-sharing and network among them. In addition, Billund Erhvervsfremme has also moved into the new premises.



↑ The first two buildings at the LEGO® Campus were officially inaugurated in October 2019. KIRKBI is the owner of the building, which will be the workplace for approximately 2,000 LEGO® employees when completed in 2021. The architecture of LEGO Campus reflects the LEGO® brand and values: Imagination, creativity, fun, learning, caring and quality.

# RESPONSIBLE INVESTING AND OWNERSHIP

The contribution of KIRKBI's investment activities to the overarching purpose of building a sustainable future for the family ownership of the LEGO® brand through generations is two-fold:

Through the investment portfolio, we are committed to ensuring a sound financial foundation for the family's activities via equity investments (long-term equity, private equity, quoted equity), real estate investments and fixed income investments. The investment approach is based on the belief that companies

which act responsibly are also the ones that are sustainable and value-creating in the long term. We execute responsible investing by integrating environmental, social and governance (ESG) factors into our investment approach and active ownership practices.

Second, as part of the new 2032 strategy, we will also pursue further investments focused on the owner family's wish to contribute to sustainable development in the world. We look forward to sharing more about this area in the coming years.



## KIRKBI'S APPROACH TO INVESTING RESPONSIBLY

Below is outlined how we integrate environmental, social, and governance (ESG) considerations into the investment process and active ownership practices. This applies to all of KIRKBI's investment activities. A set of guidelines for implementing these principles has been established with the appropriate flexibility and recognition of differences among strategies and managers. For specific elaboration on the integration of ESG in the real estate investments, see page 29.

### NEGATIVE SCREENING AND ESG INTEGRATION

In collaboration with the external partners, KIRKBI assesses its potential investments and monitors its portfolio for the following:

- Involvement with activities on our negative list;
- Company performance in areas of material ESG risks and ability to manage these risks relative to industry peers;
- Company involvement in notable ESG controversies related to the company's operations and/or products, possible breaches of international norms and principles such as the UN Global Compact, and performance with respect to these norms and principles.

### ACTIVE OWNERSHIP

As a responsible long-term owner and investor, we regularly monitor and

track financial data as well as key performance indicators on material sustainability-related risks related to each investment. Moreover, to underpin the long-term orientation and to contribute positively to the strategic direction and the management of material ESG-related risks, we endeavour to engage actively with the companies and investment partners. This includes actively supporting the pursuit of new business opportunities and the mitigation of material risks within the focus areas of our Promises.

In 2019, we focused implementation efforts on active ownership throughout the asset classes. As an active owner, KIRKBI engages in a number of ways, including:

- Board representation
- Shareholder communication with board of directors and management
- Voting at the annual general meetings

We will engage with companies in case of controversies or breaches of internationally agreed conventions and norms (e.g. those of UN Global Compact). For quoted equities, we, in collaboration with an external partner, choose to first communicate with the company to understand what remedies are in place and what types of enhanced controls the company has implemented to prevent further breaches. We attempt to influence change in the company's

operations. If these efforts fail, KIRKBI will divest the investment in the company. In 2019, we conducted four such engagements via an external partner.

Another important way in which KIRKBI applies its influence is by exercising shareholder voting rights at the annual general meetings of companies. In 2019, we employed the services of external provider Institutional Shareholder Services Inc. to assist the voting. KIRKBI has voted at 100% of all annual general meetings since April 2019.

KIRKBI is represented on the boards of four of the long-term equity investments. Through board representation, KIRKBI seeks to influence the strategic direction and contribute to create sustainable growth in portfolio companies. The primary focus areas as active owners and representatives on the board are:

- **Strategy:** Robustness and positioning for sustainable, long-term growth
- **Financial discipline:** Efficiency around capital allocation and structure as well as progress on selected KPI's
- **Corporate governance:** The right people and processes in place
- **Sustainability:** Continuous improvement on sustainability measures is key for sustainable growth

### RESPONSIBLE INVESTMENT PROCESS IN KIRKBI



## RENEWABLES

Since 2012, investment in renewable energy has developed into a solid long-term business area – this is fully aligned with our sustainability and financial ambitions; therefore, KIRKBI has increased its focus on renewable energy investments.

Through investments in renewables, KIRKBI supports the LEGO Group's commitment to balance global consumption of energy with renewable energy and contribute to a sustainable development in the world, while at the same time delivering attractive long-term returns.

KIRKBI's renewables strategy targets direct minority as well as majority investments in solar energy and offshore wind assets. The geographic focus is on Northern Europe and North America. Current renewables investments include part-ownership of two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and solar energy developer, Enerparc Inc.

Read more about renewables on page 51.



**WIND ENERGY:** In 2012, KIRKBI and William Demant Invest invested jointly in Borkum Riffgrund 1, with KIRKBI owning 31.5%. Ørsted, the constructor and operator of the wind farm, has retained 50% ownership. The capacity of Borkum Riffgrund 1 is capable of providing green energy corresponding to the consumption of 320,000 German households.

In 2016, KIRKBI and PKA invested jointly into Burbo Bank Extension with 25% ownership each, while Ørsted, as constructor and operator, has retained 50% ownership of the wind farm. The capacity of Burbo Bank Extension is capable of providing green energy to 230,000 UK households.



**SOLAR ENERGY:** In 2019, KIRKBI broke new ground as the company invested in solar energy for the first time – namely in solar energy developer and independent power producer (IPP), Enerparc Inc. Additionally, it was the first time that KIRKBI invested in renewables as a majority owner while the leadership team of Enerparc Inc. owns a minority share.

Since 2012, and until acquired by KIRKBI, Enerparc Inc. has been owned and governed as a US affiliate of Enerparc AG, headquartered in Hamburg, Germany, and founded in 2008. To date, Enerparc Inc. has constructed a large number of solar energy parks across a number of US states. Under KIRKBI ownership – after the acquisition on 2 July 2019 – 49 GWh of solar energy has been produced by the company's solar parks across North America until end of 2019.



→ In 2019, KIRKBI increased its focus on renewable energy and invested in the solar energy developer and independent power producer, Enerparc Inc. in California.

## REAL ESTATE

While KIRKBI has historically had a focus on assessing and improving the sustainability footprint of the real estate investments, 2019 had a focus on standardising the approach to sustainability in the real estate portfolio activities. This meant the release of a real estate-specific guideline to ESG integration and the licensing of a data collection software to ensure the complete and standardised collection of use-data from all properties. The overview of electricity, heat, water, and waste data that KIRKBI now has on the investment real estate portfolio will allow identification of areas for improvement and engage tenants in an environmentally efficient use of the buildings.

2019 also brought a focus on sustainable building certification. Over the course of the year, certification of four properties was initiated – two in Denmark, one in Germany, and one in Switzerland, to the DGNB Buildings In Use scheme, with the achievement of one certification by the end of 2019. Certification provides a third-party evaluation of the current sustainability level of the properties, while the certification process helps to build in-house knowledge of sustainability issues in the real estate sector.

In 2019, KIRKBI joined the Copenhagen partnership, Energispring, which is focused on reducing energy-use of buildings as a means of supporting the city's ambition to be CO<sub>2</sub> neutral by 2025. By making this commitment, KIRKBI, like the partnership's other partners, commits to leading the way in energy savings in the Copenhagen real estate portfolio.

Read more about Investment Real Estate on page 54.

→ Innovation House in Billund built in 2012 was recently certified with the DGNB silver certification for buildings in use.



**DGNB CERTIFICATION:** Sustainable building certification systems offer the possibility to measure, document, and compare the sustainability performance of buildings by applying a set of quantifiable criteria. DGNB is a German certification system created by the German Sustainability Council and primarily used in Germany and its neighbouring countries. The certification has a large presence in Denmark, where it has been adopted as the standard certification system by the Green Building Council Denmark. The certification focuses not only on sustainability, but also on good technical and process quality, and its flexibility allows easy adoption for various building types.

Source: <https://sbi.dk/Assets/Guide-to-sustainable-building-certifications/Guide-to-sustainable-building-certifications-August-2018-e-bog.pdf>



# FUTURE FOCUS AND TARGETS 2020

In the beginning of 2020, KIRKBI has launched a new business strategy towards 2032, which includes an increased focus on sustainability. The following highlights represent some of the key areas that KIRKBI will be focusing on in 2020.

## OWN OPERATIONS

### PLANET AND ENVIRONMENT

Having completed a baseline of the operational carbon footprint gives us both a starting point from which to improve as well as a methodology with which to track the progress. As a responsible company that has a promise to have a positive impact on the planet, we are committed to managing the carbon emissions from buildings and travel.

In addition, we recognise that the goods and services we purchase, though limited, also have an impact on sustainability. As such, we are committed in 2020 to look beyond our own operations and to assess the procurement practices for sustainability.

### PEOPLE AND PLAY

With KIRKBI's People Promise and the strong set of values, we want to unleash the full potential of all KIRKBI employees while succeeding together. Focus is on enabling and developing all employees' competencies and ensuring that all people leaders have the right leadership capabilities to continuously be strong role models.

In 2020, we will work to further define leadership in the KIRKBI context and to review the professional development program.

Like LEGO® builders around the world, in KIRKBI we thrive on making things happen and we know that there is often more than one solution to a challenge. The Play Promise is to take actions to strengthen a company culture, which is rooted in the statement 'Joy of Building, Pride of Creation' and a playful mindset.

## RESPONSIBLE INVESTMENTS

When it comes to investments in 2020, we will focus on further strengthening the approach to active ownership, both in the voting practices, and in the sustainability engagement of the long-term equity investments.

With the owner family's wish to contribute to a sustainable development in the world, KIRKBI will continue to further develop the scope for impact focused investments in 2020.

Regarding KIRKBI's real estate activities, 2020 will be focused on further compiling use-data. This will allow us to identify areas of potential improvement in the structure and operations of the buildings. We will continue working with sustainable building certifications, both of, in-use properties, as well as of new buildings and major renovations.



### THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

The pages 16 – 31 comprise our 'Communication on Progress' report and has been submitted to the UN Global Compact.

As a signatory to the UN Global Compact we will continue to demonstrate our progress toward sustainable business operations and responsible ownership and investments.

In these efforts, KIRKBI supports the UN Sustainable Development Goals and

will contribute positively to all relevant goals to succeed with our mission as outlined by our fundamentals.

Although all 17 goals provide an overview of those issues most pressing to global society, there are in particular two key goals we can impact through our own operations and investments – both financial investments and LEGO Brand Group entities – and through the work of the associated foundations:

#### SDG4 - Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

#### SDG12 - Responsible consumption and production

Ensure sustainable consumption and production patterns

Read more at [LEGO.com](http://LEGO.com) and [LEGOfoundation.com](http://LEGOfoundation.com)



# ASSOCIATED FOUNDATIONS

## The LEGO Foundation

Learning-through-Play empowers children to become creative, engaged, lifelong learners and develop the holistic skills that serve them, their communities and society throughout a lifetime. **The LEGO Foundation** is working to change the hearts and minds of those who influence children's lives, through programmes, research and advocacy, to make sure they embrace the transformative power of play.

As part of the ongoing commitment to giving children better opportunities to reach their full potential, the owner family has entrusted the LEGO Foundation with

25% ownership of the LEGO Group and it is primarily through this ownership that the LEGO Foundation funds its activities.

For the second year running, the LEGO Foundation announced a humanitarian grant of USD 100 million to be paid out over the coming years. In 2019, the donation was awarded to the International Rescue Committee and went to support close to one million children, caregivers and teachers affected by crises in Ethiopia and Uganda to ensure that children aged 3-12 years still have the opportunity to learn through play and develop the skills needed to thrive.

The LEGO Foundation started new partnerships to scale up playful parenting in Bhutan, Guatemala, Rwanda, Serbia, and Zambia. It also initiated a research study investigating how playful learning can contribute to developing teacher and educator training programmes in collaboration with the University Colleges in Denmark.

Total grant commitments and expenses for the LEGO Foundation amounted to DKK 2,039 million in 2019 (2018: DKK 1,310 million).



©International Rescue Committee

## Ole Kirk's Fond

**Ole Kirk's Fond** is a charitable foundation and its purpose is to improve the quality of life of children and their families. A caring approach and the right of all children to be children were key motivators for LEGO® founder Ole Kirk Kristiansen. Ole Kirk's Fond was established in his memory and to fulfil the values and the caring philosophy that he represented.

Ole Kirk's Fond supports cultural, church-related, humanitarian and educational purposes, and has a dedicated focus on the social area, in which five focus areas have been identified in 2019: Children as relatives to sick parents; children in families with alcohol and drug abuse; vulnerable families with new born children and toddlers; children and young people failing to thrive, and children exposed to violence and abuse.

One of the projects that Ole Kirk's Fond supported within the social area in 2019 addresses the lack of systematic and uniform help for children growing up as relatives to mentally ill parents. An estimated 70% of children in this position does not receive any help. The project named "Ask the Children" is carried out in a partnership with the Danish Mental Health Foundation and Children's Welfare, and it aims to ensure that all children will get equal rights and access to support.

In 2016, Ole Kirk's Fond joined forces with the Capital Region of Denmark and Rigshospitalet to build a new public hospital called 'BørneRiget' that sets new standards for the treatment of children, adolescents, pregnant women and their families. In 2019, the partners in the project, together with engineers and architects,

have further developed the building plans for the project and the preparation of the building site has begun.

Ole Kirk's Fond also supported the building of a new children's hospice in Western Denmark, 'Strandbakkehuset', where families with children facing serious or terminal illness can stay and get respite during a difficult time in their lives. The first sod for the construction was cut in October and the hospice will have room for four families when it is expected to open in November 2020.

Donations from Ole Kirk's Fond amounted to DKK 134 million in 2019 (2018: DKK 133 million).



The QATO Foundation is an independent charitable foundation that works to improve animal welfare. With a special focus on animals that are in human custody, QATO Foundation supports the creation of long-term and sustainable solutions to fight the problems that cause poor animal welfare.

Working internationally and with many different animal species, projects supported by the QATO Foundation are diverse. These include: Scientific studies to increase the understanding of animal behavior and health; projects run by animal welfare organisations to support animals in urgent

need of help; and projects to educate children as the next generation of animal caretakers, to create empathy for animals and a profound understanding of their needs.

In 2019, the QATO Foundation supported the relocation of four Danish circus elephants. A proposed national act prohibiting wild animal performance in circuses, sent the four elephants on retirement. As the elephants are unable to go back to a life in the wild, it was decided to build a state-of-the-art elephant enclosure in the Danish zoo, Knuthenborg Safaripark. QATO

Foundation has supported the construction of this new enclosure, in which the stable will be the largest of its kind in Europe. The elephants will move into the new facilities in June 2020.

The QATO Foundation also supported Dyrenes Beskyttelse's Animal Nature School. The project is targeted at children, who learn to understand and care for typical pet animals and go on excursions out into local nature, where they learn about Danish wildlife.

# BOARD OF DIRECTORS



**Kjeld Kirk  
Kristiansen**

**Chairman of the Board** and member since 1974

Majority shareholder of KIRKBI A/S

President and CEO of the LEGO Group 1979-2004

Chairman of the Board of Koldingvej 2, Billund A/S and Ole Kirk's Fond. Deputy Chairman of the Board of the LEGO Foundation and Board member in Capital of Children Playful Minds A/S and four fully owned subsidiaries of KIRKBI A/S



**Niels  
Jacobsen**

**Deputy Chairman of the Board** and member since 2008

CEO of William Demant Invest A/S

Chairman of the Board of Founders A/S, Jeudan A/S, Nissens A/S, Vision RT Ltd., the Thomas B. Thrige Foundation and Össur hf

Deputy Chairman of the Board of Demant A/S and ABOUT YOU Holding GmbH

Member of the Board of Boston Holding A/S and Sennheiser Communications A/S



**Jeppe Fonager  
Christiansen**

**Member of the Board** since 2008

CEO of Maj Invest Holding A/S

Chairman of the Board of Haldor Topsøe A/S

Deputy Chairman of the Board of Novo Nordisk A/S

Member of the Board of Novo Holdings A/S

Member of the executive management of Maj Invest Equity A/S, Det Kgl. Vajsenhus and Emlika ApS



**Peter  
Gæmelke**

**Member of the Board** since 2001

Chairman of the Board of Danske Spil A/S, The Loevenholm Foundation, Nature Energy Biogas A/S, Velliv fmba and The Green Museum

Member of the Board of Velliv Pension & Livsforsikring A/S, Fællesfonden and Askov High School

Member of the Board of Representatives of The Danish Central Bank, Hedeselskabet, Velliv and Sydbank A/S



**Thomas Kirk  
Kristiansen**

**Member of the Board** since 2007

Shareholder of KIRKBI A/S and representing the fourth generation of the owner family

Chairman of the Board of LEGO A/S, the LEGO Foundation and Great Northern A/S

Deputy Chairman of LEGO Brand Group and Board member in three fully owned subsidiaries of KIRKBI A/S

Executive Management member of Kirk og Kirk Holding ApS and management roles in three subsidiaries



**Marie-Louise  
Aamund**

**Member of the Board** since 2019

Country Director, Google Denmark

Chairman of the board of Eco Innovation

Independent Board Member of DSV and Board Member of Navico

Advisory Board Member of UN Women Denmark



**THE LEADERSHIP TEAM INCLUDES FIVE MEMBERS. FROM THE LEFT:**

**Kurt Carstensen**  
Chief Financial Officer

**Sidsel Marie Kristensen**  
Head of Legal

**Steen Pedersen**  
Head of Global Real Estate

**Thomas Lau Schleicher**  
Chief Investment Officer

**Søren Thorup Sørensen**  
Chief Executive Officer

# EXECUTIVE LEADERSHIP TEAM

**Kurt Carstensen**  
Chief Financial Officer

Employed in KIRKBI since 2011

**Born:** 1961

**Education:** MSc in Finance and Accounting, University of Southern Denmark, 1990. State Authorised Public Accountant

**Other management positions**

Chairman of the Board of Kvist Industries A/S. Member of the Board of Isabellafonden (and two fully owned subsidiaries), Søstrene Grenes Holding ApS (and two fully owned subsidiaries), Dansk Skorstensteknik A/S, Great Northern A/S, CoC Playful Minds A/S, and thirteen subsidiaries of KIRKBI A/S. Executive position in six subsidiaries of KIRKBI A/S

**Sidsel Marie Kristensen**  
Head of Legal

Employed in KIRKBI since 2016

**Born:** 1975

**Education:** Master of Law, Aarhus University, 2000. Master in International and European Business Law, University of Leuven, 2007

**Other management positions**

Member of the Board of Merlin Entertainments Ltd., Motion JVCO Ltd., Koldingvej 2, Billund A/S, and twelve subsidiaries of KIRKBI A/S. Executive position in five subsidiaries of KIRKBI A/S

**Steen Pedersen**  
Head of Global Real Estate

Employed in KIRKBI since 2013

**Born:** 1960

**Education:** BSc in Civil Engineering, Technical University of Denmark, 1986. Executive MBA, Scandinavian International Management Institute, 2003. Executive education at INSEAD, Wharton and London Business School

**Other management positions**

Member of the Board of five fully-owned subsidiaries of KIRKBI A/S. Executive position in five subsidiaries of KIRKBI A/S

**Thomas Lau Schleicher**  
Chief Investment Officer

Employed in KIRKBI since 2010

**Born:** 1973

**Education:** MSc in Finance and Accounting, Aarhus School of Business, 1998

**Other management positions**

Member of the Board of Vålinge Group AB, Boston Holding A/S, Nilfilsk Holding A/S, and two subsidiaries of KIRKBI A/S

**Søren Thorup Sørensen**  
Chief Executive Officer

Employed in KIRKBI since 2010

**Born:** 1965

**Education:** MSc in Accounting and Audit, State Authorised Public Accountant

**Other management positions**

Deputy Chairman of the Board of LEGO A/S and member of the Board of Falck A/S, Merlin Entertainments Ltd., Motion JVCO Ltd., Landis+Gyr Group AG, Ole Kirk's Fond, ATTA Fonden, Koldingvej 2 Billund A/S, Boston Holding A/S (chairman) and six fully-owned subsidiaries of KIRKBI A/S. Executive position in four subsidiaries of KIRKBI A/S



# BUSINESS AREAS

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# LEGO BRAND GROUP

The purpose of LEGO Brand Group is to protect, develop and leverage the full potential of the LEGO® brand and to ensure active and engaged family ownership of the LEGO® branded entities through generations.

The LEGO® brand, driven by the LEGO Group, has developed rapidly. Over the past decades, the LEGO Group has expanded its global presence and the LEGO brand has become not only a well-known but a highly trusted and strong brand across global markets.

The LEGO brand is also a part of a larger ecosystem of brands due to partnerships and licensed agreements. As more strategic opportunities arise, it is essential the brand is safeguarded.

In light of the development of the LEGO brand, the LEGO Brand Group works to ensure that the future of the LEGO brand is managed with care and that the LEGO brand remains true to the Owner Family's overall mission to inspire and develop the builders of tomorrow.

LEGO Brand Group exercises the owner-governance of the LEGO brand through the boards of the relevant entities.

## THE 2032 LEGO® BRAND VISION AND STRATEGY

In 2019, LEGO Brand Group launched the 2032 LEGO® brand vision and strategy internally across the LEGO® branded entities. The brand vision and strategy have been explored through four lenses:

- 1) The owner family's vision and mentality,
- 2) Brand observations,
- 3) Insights and trends and,
- 4) External stimulus.

From these four lenses, six distinct potential ways to radically stretch the brand were identified and explored. In developing these "Brand Directions", it became clear that the idea around 'The Playful Learning Brand' held deep truth. The underlying data indicated that play, and LEGO® Play, is more relevant than ever, that creative skills and creative expression are highly sought after at all ages – however difficult to attain in some markets and geographies, and that there is a deep societal need to re-think and re-invigorate learning and education.

While beginning with distinct insights, trends and opportunities, one clear common thread and conclusion were ultimately found: The LEGO® Idea Paper, an internal document, which describes the original LEGO® Idea, with its play, creativity and learning proposition is unique and more relevant than ever. Fully delivering on this core idea represents an opportunity to make a difference for children and families across the world, today and in the future, which the owner family holds firmly in their hearts.

Based on the brand strategy process, the owner's vision for the LEGO brand in 2032, is to be:

### A global force for establishing and innovating Learning-through-Play

**Global**, because the owner family wants to reach every child in the world.

**A force**, because the family wants to make a true difference in children's lives, which requires a push and leadership.

**Establishing**, because the family recognises that the journey has only just begun, and the importance of Learning-through-Play is not yet fully established.

**Innovating**, because the LEGO brand and society as such constantly learn about new ways of learning-through-play and finally,

**Learning-through-Play**, which is the Owner Family's philosophy reflecting their strong belief that the best way for children to grow and develop is through play.

There are at least six different ways in which the LEGO brand should be perceived in 2032 in addition to what it is known for today, such as creativity and inspiration – reflecting the mission to "Inspire and develop the builders of tomorrow".

These are the six brand characteristics for the 2032 LEGO brand:



### DELIVERING ESSENTIAL LIFE SKILLS FOR THE 21<sup>ST</sup> CENTURY

The LEGO® brand represents a set of skills that are critical to successfully navigate and thrive in an uncertain, fast paced and ever changing world: creativity, curiosity, critical thinking, collaboration and engagement



### PERSONALISING PLAY

The LEGO® brand engages all individuals with a childlike curiosity based on our ability to personalise and adapt all interactions to skill and affinity levels



### COMMITMENT TO SUSTAINABILITY

The LEGO® brand is in a leading position in terms of running a zero-impact operation. This cuts across energy consumption, waste management, sustainable materials and circular use of products

↓ The LEGO Brand Group is managed in a partnership between Jørgen Vig Knudstorp (Executive Chairman) and Thomas Kirk Kristiansen (Deputy Chairman) together with a small team.



## 2019 HIGHLIGHTS

An important milestone in the LEGO® brand vision was reached in 2019, when KIRKBI together with a consortium of long-term investors comprising Blackstone Core Equity Partners and Canada Pension Plan Investment Board, completed the take-private of Merlin Entertainments. As the long-term owner of the LEGO brand and as a strategic shareholder in Merlin Entertainments since 2005, KIRKBI has great pride and passion for the company.

Together, the Consortium and Merlin Entertainments are leaders in location-based-entertainment experiences and play. Whether at home, work or leisure, people today seek brand experiences that enhance their lives, reflect their values and help them live well. In a

busy world, there is a growing desire for friends and families to spend quality time together, which together with the continued growth in global tourism and greater spend on leisure activities, supports the long-term growth prospects of location-based entertainment.

The private ownership model allows for greater collaboration, investment and growth to leverage these trends to deliver long-term sustainable growth whilst ensuring that children, families and friends get the fantastic, rewarding experience they expect from Merlin and the LEGO brand at every touch point they encounter.

Following the closing of the transaction, LEGO Brand Group, LEGO Group and Merlin Entertainments work closely

together to strengthen integration of the LEGOLAND® experience with other LEGO branded experiences to ensure a unified brand experience across touchpoints and to elevate all LEGOLAND® branded experiences for all visitors, building on Merlin Entertainments' focus on service, satisfaction, recommendation NPS, loyalty and engagement.



### A UNIFIED ECOSYSTEM OF TOUCHPOINTS

The LEGO® brand offers immersive and fully integrated experiences across all touchpoints. This allows fans to pursue their passion points in an unbroken and frictionless fashion wherever and whenever they engage with the brand



### DIGITAL PLAY IS A NEW CORNERSTONE – SAFE & ROOTED IN THE BRICK

The LEGO® brand provides a safe, meaningful refuge for children in the digital landscape where children can actively engage in shared creativity and creation with offset in the LEGO® brick



### DEEP SOCIAL ENGAGEMENT FOR FAMILIES AND CHILDREN

The LEGO® brand brings people together to play across cultural, geographical and generational boundaries and works to ensure children's access to learn and develop through play

# THE LEGO GROUP

## ABOUT THE LEGO GROUP

Based on the world-famous LEGO® brick and the philosophy of Learning-through-Play, the LEGO Group provides unique play experiences for children of all ages.

Through creative play, the LEGO Group aims to inspire and develop the builders of tomorrow and nurture the skills to help future generations thrive and develop. When children play, they learn. They learn lifelong skills like problem solving, communication, and collaboration, which are more critical than ever. A study by the World Economic Forum estimates that given the pace of change, 65% of kindergarten children will hold jobs that have not yet been invented. The only way we can prepare children is to give them skills, that can be applied universally.

Play is an effective way to develop these skills from a young age, and LEGO® play is especially powerful as it offers children endless possibilities. Just six two-by-four LEGO bricks can make 915 million different combinations. And they are made with such precision that they stick together like glue, but come apart easily so they can be built, unbuilt and rebuilt into whatever a child can imagine.

The LEGO Group was founded by the Kirk Kristiansen family in 1932 and has ever since then been headquartered in Billund, Denmark. Production facilities are located in Denmark, the Czech Republic, Hungary, China and Mexico, and the company has main offices in Enfield, USA, London, UK, Shanghai, China, and Singapore.

The LEGO Group is owned 75% by KIRKBI A/S, and the remaining 25% is owned by the LEGO Foundation through Koldingvej 2, Billund A/S.

## HIGHLIGHTS FOR 2019

In 2019, the LEGO Group made good progress against its ambition to bring LEGO play to more children around the world. It achieved top-line growth, while making significant investments in future growth initiatives.

Revenue increased with 6% to DKK 38.5 billion compared with DKK 36.4 billion in 2018. All Market Groups delivered year-on-year revenue growth, with established markets growing single digits and China delivering strong double digit growth.

Operating profit grew 2% to DKK 10,752 million compared to DKK 10,510 million in 2018. This was achieved alongside investments in projects focused on innovating play, innovating retail experiences online and instore, and expanding into new markets.

Cash flow for the year continues to remain strong, delivering an operating cash flow of DKK 9.6 billion against DKK 9.8 billion in 2018.

China remains a strategic growth market for the LEGO Group. In 2019, the LEGO Group expanded its presence in tier three and four cities and now has 146 retail stores in 35 cities, including flagship stores in Beijing and Shanghai. During 2020, the Group plans to open an additional 80 stores in more than 20 new cities. It also strengthened collaboration with local

partners as part of efforts to strengthen its e-commerce and digital presence.

Finally, the LEGO Group continued its efforts to have a positive impact on the environment and society that children will inherit. It launched LEGO® Replay in the United States. This is a step towards creating a circular business model for LEGO bricks. The trial programme encourages people to donate LEGO bricks which are no longer used for distribution to children in need.

## CEO

Niels B. Christiansen, President and Chief Executive Officer

## EXECUTIVE LEADERSHIP TEAM

Niels B. Christiansen, President and Chief Executive Officer  
 Marjorie Lao, Chief Financial Officer  
 Julia Goldin, Chief Marketing Officer  
 Loren I. Shuster, Chief People Officer and Head of Corporate Affairs  
 Carsten Rasmussen, Chief Operations Officer  
 Claus Flyger Pejstrup, Senior Vice President LEGO Retail  
 Eric Maugein, Executive Vice President Market Group APAC  
 Skip Kodak, Senior Vice President Market Group Americas

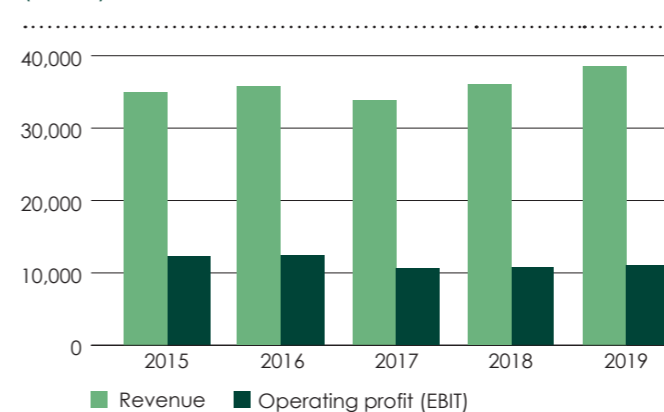
## BOARD OF DIRECTORS

Thomas Kirk Kristiansen, Chairman  
 Søren Thorup Sørensen, Deputy Chairman  
 Eva Berneke  
 Jørgen Vig Knudstorp  
 Jan Thorsgaard Nielsen  
 Kåre Schultz



↑ In 2019, the LEGO Group opened its first flagship store in Beijing, China - the company's third flagship store to open in China since 2016. Located at Wangfujing Street, one of the most popular shopping and entertainment areas in Beijing, the 626-square-meter store will become a center for the local LEGO® community by providing creative and fun LEGO® experiences through groundbreaking store design and immersive play experiences.

## 5 YEARS' PERFORMANCE (m DKK)



## FINANCIAL HIGHLIGHTS (m DKK)

	2019	2018
Revenue	38,544	36,391
Result before tax	10,752	10,510
Profit for the year	8,306	8,076
Equity	22,183	21,753
Cash flow from operating activities	9,645	9,847
Investments	(2,173)	(1,502)
Average number of employees (FTE)	16,112	15,050

# MERLIN ENTERTAINMENTS

## ABOUT MERLIN ENTERTAINMENTS

Merlin Entertainments is Europe's leading and the world's second-largest visitor attraction operator. At the end of December 2019, Merlin operates 130 attractions, 20 hotels and six holiday villages in 25 countries across four continents. The aim for Merlin Entertainments is to create a high growth, high return, family entertainment company based on strong brands and a global portfolio that is naturally balanced against the impact of external factors. Merlin Entertainments delivers memorable experiences to 67 million visitors worldwide.

Merlin Entertainments operates through three operating groups: LEGOLAND® Parks, Resort Theme Parks and Midway Attractions, which include a number of international brands such as SEA LIFE, Madame Tussauds, the Dungeons, LEGOLAND® Discovery Centres and The Eye.

Midway Attractions are high quality, predominantly indoor attractions located in city centres, shopping malls or resorts providing visits of shorter duration. Resort Theme Parks are nationally recognised branded resorts generally aimed at families, teenagers and young adults.

The eight LEGOLAND® resorts across Europe, USA and Asia offer a unique LEGO® themed experience for families with children. As multi-day destinations, they include innovatively themed accommodation and attractions based on interactivity, imagination and family fun. Also, in the 23 LEGOLAND® Discovery Centres across Europe, USA and Asia, families with young children are offered an indoor, interactive and immersive LEGO® branded experience.

In 2019, KIRKBI together with a consortium of long-term investors comprising funds advised by Blackstone Core Equity Advisors L.L.C. and Canada Pension

Plan Investment Board completed the take-private of Merlin Entertainments. As the long-term owner of the LEGO® and LEGOLAND® brand and as a strategic shareholder in Merlin Entertainments since 2005, KIRKBI has great pride and passion for the company. Following the closing of the transaction in November 2019, KIRKBI is now a 50% owner of the company with the Blackstone/CPPIB owning 50%.

## HIGHLIGHTS FOR 2019

Total number of visitors grew by 1.0% to 67 million and revenue grew organically by 3.6% in 2019 (52 weeks basis). Growth was driven by a combination of eight new Midway Attractions, 372 rooms for new accommodation offerings and a 0.8% like-for-like growth. During 2019, Merlin disposed of its two Australian ski resorts.

Operating profit for the underlying trading (like-for-like without exceptional items from delisting and discontinued operations) was GBP 342 million compared with GBP 357 million in 2018.

Profit for the year for Merlin decreased in 2019 to GBP 124 million from GBP 220 million in 2018. The decrease in profit is mainly due to the delisting of Merlin Entertainments, which increased the level of financing and thereby interest charges as well as significant transaction costs in 2019.

The strategy to expand the LEGOLAND Parks' footprint continued throughout 2019. Merlin Entertainments entered into a Heads of Terms Agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI A/S to develop a LEGOLAND Resort in the Jinshan District of Shanghai, China. The schedule for the project is still to be determined, but the project is not expected to open until after 2023. Furthermore, Merlin Entertainments entered into a partnership agreement with Global Zhongjun Cultural Tourism Development Co. to build and operate a LEGOLAND Resort in Sichuan Province in

Western China. The resort is scheduled to open by 2023.

The construction of the LEGOLAND® New York resort is progressing with a planned opening in July 2020. Furthermore, an agreement was reached with the local province for the funding of LEGOLAND Korea with planned opening in 2022.

The LEGOLAND Parks revenue increased by 5.1%, driven by the continued roll out of new accommodation offsetting a decline in like-for-like revenue of 1.1%. Midway attractions saw revenue growth of 4.0% reflecting like-for-like growth of 0.7% and positive contribution from New Business Development. Resort Theme Parks experienced revenue growth of 5.6% with like-for-like growth of 4.1% and contribution from new accommodation.

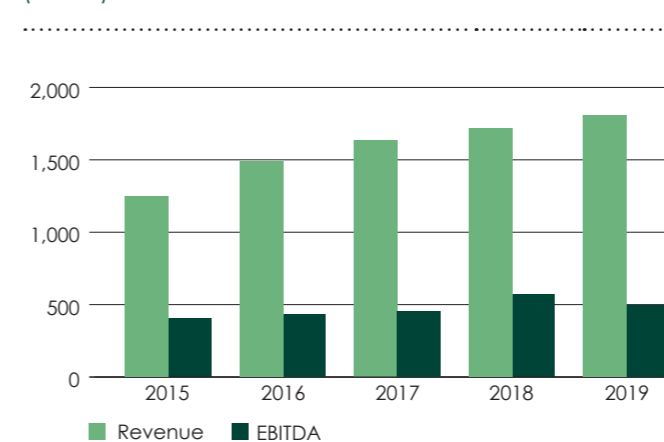
## BOARD OF DIRECTORS

Nick Varney, CEO  
 Anne-Françoise Nesmes, CFO  
 Joseph Patrick Baratta II  
 Peter Farrell Wallace  
 Lori Anne Hall-Kimm  
 Jørgen Vig Knudstorp  
 Søren Thorup Sørensen  
 Sidsel Marie Kristensen



↑ Masters of Flight, The LEGO® Movie World, LEGOLAND® Florida Resort.

## 5 YEARS' PERFORMANCE (m GBP)



## FINANCIAL HIGHLIGHTS (m GBP)

	2019	2018
Revenue	1,740	1,653
EBITDA	496	562
Profit for the year	124	220
Equity	(419)	1,739
Cash flow from operating activities	463	532
Visitors (millions)	67	66.4
Ownership of Merlin Entertainments	50.0 %	29.6 %

**KIRKBI's share of profit for the year (m DKK) \*** 135 567

\*Includes Motion JVCO Ltd.



# TRADEMARKS

KIRKBI A/S, through its subsidiary LEGO Juris A/S, is the owner of the LEGO® trademarks and LEGOLAND® trademarks, which are in turn licensed to The LEGO Group and Merlin Entertainments respectively. The trademark portfolio owned by LEGO Juris A/S is constantly monitored and developed to meet the commercial needs of its licensed users in the short to longer term perspective, and significant efforts are spent to address misuse and infringements of the LEGO trademarks and LEGOLAND trademarks by third parties, both online and offline. LEGO Juris A/S is also supporting initiatives aimed at building awareness of the

LEGO trademark amongst consumers in new markets, to which the LEGO Group business is expanding.

In 2019, LEGO Juris A/S invested in strengthening the LEGO® brand with contributions to “Rebuild the World”, the first global brand campaign in more than 30 years. The campaign has been very well received and has successfully attracted new consumers to the brand.



# LEGO VENTURES

LEGO Ventures explores investment opportunities at the intersection of **Play, Learning and Creativity** to leverage and develop the original LEGO® Idea and support the LEGO® brand mission ‘to inspire and develop the builders of tomorrow’.

Following LEGO Brand Group’s work around the brand strategy process, one clear common thread and conclusion were ultimately found: The LEGO® Idea, with its play, creativity and learning proposition is unique and more relevant than ever. Fully delivering on this core idea represents an opportunity to make a difference for children and families across the world, today and in the future. LEGO Ventures is founded on the belief that the LEGO Idea can be used for far more than we can presently imagine and the purpose of LEGO Ventures is to explore opportunities in the intersection of play, learning and creativity – opportunities, which leverage and develop the LEGO Idea and support the LEGO® brand mission ‘to inspire and develop the builders of tomorrow’.

## INVESTMENT APPROACH

LEGO Ventures focuses on investment opportunities within four key spaces:

- Education Technology – Bringing playfulness into every classroom
- Life skills for the 21st Century – Preparing the heroes of tomorrow
- New Play Spaces – Rethinking play experiences for modern day realities
- Creative Making – Unleashing every child’s creative super powers

The LEGO Venture investments are managed by a dedicated in-house team.

## HIGHLIGHTS FOR 2019

In 2019, LEGO Ventures invested in seven companies: Monti Kids, Thrively, HOMER,

Klang Games, Dream, Hualala, and SuperAwesome. Investments spanned from North America, to Europe, to Asia, and ranged from companies aiming to improve art literacy among students to developing internet safety protocol for children. LEGO Ventures also established a Value Creation team in 2019, which works to share expertise and knowledge between the LEGO Brand Group’s entities and LEGO Ventures’ portfolio companies. An in-house Incubation Studio will begin operating in 2020, which will explore, build, launch, and scale new ideas that align with the LEGO Idea. The team has grown in the past year with new members on the investment, marketing, value creation, and incubation teams, resulting in a total of 14 dedicated team members at the end of 2019.



# INVESTMENT ACTIVITIES

The purpose of KIRKBI's investment portfolio is to deliver long-term growth of capital through attractive risk-adjusted returns of the investments - ultimately, **building a sound financial foundation** to support the Mission.

## INVESTMENT OBJECTIVES

The investment portfolio contains equity investments, real estate and fixed income investments. The purpose of KIRKBI investments is to build a sound financial foundation for the owner family's enterprises and activities through attractive risk adjusted returns for the long term, as well as sufficient financial flexibility and diversification at all times. Based on a belief in value creation through long-term focus as well as a long-term illiquidity premium, we expect long-term investments to be a growing part of the total portfolio.

Across the core capital portfolio, KIRKBI's investment objectives are to:

- Obtain attractive risk-adjusted returns and capital preservation for the long run
- Secure financial flexibility and liquidity for the owner family, the LEGO Group and LEGO Brand Group activities.
- Ensure high environmental, social and governmental (ESG) standards in KIRKBI investments

The investment portfolio is actively managed by a dedicated team within KIRKBI, who delivers on the objectives through a set of guidelines, which define the investment approach. Through investments and ownership, KIRKBI is:

- An ambitious and active business owner of the companies we invest in
- Long-term focused and value-driven
- Making investments and driving active ownership that live up to the responsibility approach
- Working with partners with high integrity and aiming to engage in long-term relationships with them, whenever partnerships contribute to

mutual value creation

- Focusing on transparent investment structures in order to be comfortable with the underlying risk and return factors

Furthermore, as part of the updated 2032 strategy, in the future KIRKBI will also pursue thematic investing. Such thematic investing is focused on maximising KIRKBI's impact and contribution towards a more sustainable development in the world.

## RESPONSIBLE INVESTING AND OWNERSHIP

Within the investment activities, KIRKBI aspires to create value through responsible ownership and investments.

To fulfil the inherent responsibility in the Fundamentals, KIRKBI has made separate Promises. These promises include an aspiration to ensure high ethical standards across the investment portfolio.

As such, Environmental, Social and Governance factors are fundamental parts of assessing the attractiveness and performance of an investment. Not only in the due diligence phase, but also as part of the ongoing ownership, as KIRKBI will encourage and work closely with companies, properties and partners to improve the management of material risks in order to protect the value and enhance long-term returns.

In addition to the assessment of ESG-factors, we exclude investments in certain industries such as tobacco, armament, gambling and adult entertainment. The investments are regularly screened for their compliance with international conventions and norms.

Read more about the Promises on page 14.

## HIGHLIGHTS FOR 2019

In 2019, the consolidated investment activities yielded a positive return of DKK 9.3 billion and the investment portfolio ended at DKK 71 billion.

Despite increasing concerns with regards to the timing of the next recession, declining economic growth, and generally declining sentiment following political uncertainty, the year proved to be a very strong year for KIRKBI's investments, in particular driven by continued appreciation of equity valuations.

On the back of this, a return of 14.9% was generated within the KIRKBI investment portfolio predominantly caused by increasing company valuations within quoted and private equities. All asset classes performed satisfactorily.

Within long-term equity, KIRKBI has throughout the year increased the ownership in ISS, Nilfisk, and Landis+Gyr. In December 2019, we signed a transaction to acquire Armacell in partnership with PAI, one of the preferred private equity partners. PAI will control the majority (55%) and KIRKBI will be a significant minority investor (45%).

In 2019, KIRKBI acquired one new investment property located in Hamburg (Germany). It is a mixed-use property of app. 27,900 square metres lettable spaces used partly as musical theatre (app. 60% of space) and partly as offices and retail. In addition, the full redevelopment of Haselstrasse 18 in Baden (Switzerland) was completed and the redevelopment of Ridlerstrasse in Munich (Germany) continued.

Within the private equity portfolio, an underlying strong year both driven by the preferred buyout funds and co-investments was fuelled by a strengthening of the USD. During 2019, KIRKBI made two new fund commitments and made one new co-investment with a preferred partner.

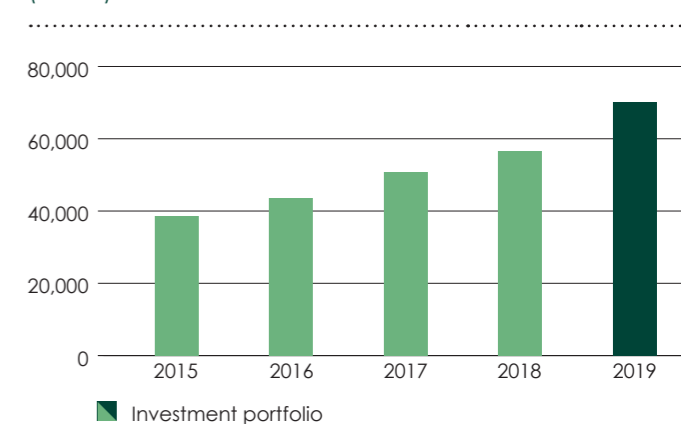
During 2019, KIRKBI decided to expand its focus within renewables to include an investment in the US solar park developer Enerparc. With the investment in Enerparc Inc., KIRKBI is taking an even more active role in the global buildout of renewables, which underlines the commitment to contribute positively to the global energy transition agenda through our investment activities.

Effective from 2019, renewables have been included within the investment activities.

## ACROSS THE PORTFOLIO, KIRKBI'S INVESTMENT OBJECTIVES ARE TO:

- Obtain attractive risk-adjusted returns and capital preservation for the long run
- Secure financial flexibility and liquidity for the Kirk Kristiansen family, the LEGO Group and LEGO Brand Group activities
- Ensure high environmental, social and governmental standards in KIRKBI investments

## INVESTMENT PORTFOLIO AT YEAR-END (m DKK)



## 5 YEARS' PERFORMANCE (m DKK)



## FINANCIAL HIGHLIGHTS (m DKK)

	2019	2018
Operating profit from investment activities	9,326	(551)

↓ The wind farm Borkum Riffgrund 1 is located in the North Sea.



# RENEWABLES

Through investments in renewables, **KIRKBI supports the LEGO Group's commitment to balance global consumption of energy with renewable energy**, while at the same time delivering attractive long-term returns.

## ABOUT RENEWABLES

KIRKBI's renewables strategy targets investments in solar, onshore wind and offshore wind assets. The geographic focus is on Northern Europe and North America. Since 2012, investments into renewable energy have developed into a solid long-term business case – this is fully aligned with the sustainability as well as financial ambitions. Therefore, KIRKBI has increased its focus on renewable energy investments.

Current renewables investments include two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and solar energy developer, Enerparc Inc.

KIRKBI is represented on the Boards of Directors in all three energy providers to support the strategic development.

## HIGHLIGHTS FOR 2019

2019 became the year when KIRKBI entered the area of solar energy as an acquisition of US-based solar developer Enerparc Inc. was completed. KIRKBI took ownership of a significant majority stake in the company that has established an operational, commercial and scalable platform to bring solar power to many

more Americans. KIRKBI is engaged in working closely with the Enerparc Inc. team to support the company's future growth in U.S. solar power generation, for which the demand is strong.

Also during 2019, the two wind farms Burbo Bank Extension and Borkum Riffgrund 1 delivered a stable financial return with Borkum Riffgrund producing 993 GWh and Burbo Bank producing 952 GWh. Under KIRKBI's share of ownership, total 599 GWh of wind and solar energy has been generated in 2019.

## ABOUT BORKUM RIFFGRUND 1

In 2012, KIRKBI and William Demant Invest invested jointly in Borkum Riffgrund 1, with KIRKBI owning 31.5%. Ørsted has retained 50% ownership and has handled the construction and operations of the wind farm. Borkum Riffgrund 1 is located in Germany, approximately 54 kilometres from shore and 37 kilometres from the island Borkum in the North Sea. The wind farm consists of 78 Siemens 4 MW turbines with a total capacity of 312 MW and is capable of providing green energy corresponding to the consumption of 320,000 German households. The wind farm was officially opened in October 2015.

## ABOUT BURBO BANK EXTENSION

In 2016, KIRKBI and PKA invested jointly into Burbo Bank Extension with 25% ownership each and Ørsted retained 50% ownership and has handled the construction and operations of the wind farm. Burbo Bank Extension is located approximately seven kilometres off the coast of Liverpool in the UK. The wind farm consists of 32 MHI Vestas 8 MW turbines with a total capacity of 258 MW and is capable of providing green energy to 230,000 UK households. The wind farm was officially opened in May 2017.

## ABOUT ENERPARC INC:

In 2019, KIRKBI acquired Enerparc Inc. operating as a US affiliate of Enerparc AG, the Germany-based parent company. Founded in 2012 Enerparc Inc. specialises in developing, engineering, building and operating distributed utility-scale photovoltaic (PV) projects. With currently over 100 MW of power generating capacity in the U.S., Enerparc Inc. supports the transition of commercial energy supply to renewable forms of power by connecting large-scale solar PV systems to the grid. Enerparc Inc. is based in Oakland, California and operates more than 30 solar power projects in 19 states across the U.S.

## FINANCIAL HIGHLIGHTS (m DKK)

	2019	2018
Profit for the year	421	389
Cash flow from operation	665	616
Carrying amount	6,056	5,245

# LONG-TERM EQUITY

It is a priority for the KIRKBI Group to **grow the long-term equity ownership** with an aim of owning significant minority stakes of high-quality companies with a long-term potential for growth and value creation.

## ABOUT KIRKBI'S LONG-TERM EQUITY OWNERSHIP

A part of KIRKBI's investment strategy is focused on active ownership of significant minority stakes in high quality companies with a long-term potential for value creation. KIRKBI has a strategy of being represented on the boards of the companies we are owners of within long-term equity in order to be a strong owner and support the companies in relation to their long-term growth and ongoing development.

## HOW WE ENGAGE AS OWNERS

Our primary focus areas as active owners and representatives on the Board of Directors of long-term equity ownership stakes are grouped into four categories:

### 1. Strategy

The company's robustness and positioning for long-term growth as well as 3-5 year value creation planning

### 2. Financial discipline

The company's efficiency around capital allocation and structure as well as progress on selected KPIs

### 3. Governance

Ensuring the right people and competencies are present in the board and management team as well as ensuring, that the company's systems and procedures are at all times appropriate and supportive for the company's long-term development

### 4. Sustainability

Focusing on the company's continuous improvements to ensure sustainable growth via continuous progress within environmental and social areas.

## HIGHLIGHTS FOR 2019

KIRKBI's long-term equity portfolio amounts to DKK 13.3 billion end of 2019.

During 2019, KIRKBI has increased its ownership position in ISS, Nilfisk, and Landis+Gyr. In December 2019, KIRKBI signed a transaction to increase the ownership to 45% of the shares in Armacell, a global leader in flexible foam for the equipment insulation market and a leading provider of engineered foams.

## KIRKBI'S PORTFOLIO OF LONG-TERM EQUITY INVESTMENTS

### Falck A/S

Falck's activities are directed at preventing accidents and disease; providing assistance in situations of emergency, accidents and need; and helping people move on with their lives after illness or accidents. Falck has more than 30,000 employees. Falck provides ambulance services to the general public and works in close collaboration with the authorities on five continents. Operating more than 2,500 ambulances, Falck has the world's largest international ambulance fleet.

KIRKBI owns 28.6% of Falck A/S.

### ISS A/S

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, Property and Support Services as well as Facility Management. ISS has approximately 500,000 employees and local operations in more than 50 countries across Europe, Asia,

North America, Latin America and Pacific, serving thousands of both public and private sector customers. ISS A/S is listed on OMX Nordic Stock Exchange.

KIRKBI owns 16.6 % of ISS A/S.

### Nilfisk A/S

Nilfisk is a global market leader for professional cleaning equipment with sales in more than 100 countries and 16 production sites. Nilfisk offers an extensive portfolio of high quality products through the brands Nilfisk® and Viper. Nilfisk was during 2017 demerged from NKT A/S and thereby separately listed on Copenhagen Stock Exchange. Nilfisk has a yearly revenue around 1 billion EUR and has around 5,600 employees.

KIRKBI owns 20.3% of Nilfisk.

### Välinge

Välinge is an R&D and IP company with particular strength in wood-based technologies and the flooring and furniture industries. Founded in 1993, Välinge pioneered the concept of floating click floors and today, over 1 billion square metres of flooring is sold with click systems every year, reducing the time and effort needed for floor installation as well as easing the environmental burden of the hundreds of millions of liters of glue used for installations in the past. The present technology base covers fields related to floor locking, furniture, surface materials and treatments, production processes and tools, digital printing and ink, and thermoplastic core materials.

KIRKBI owns 48.3% of Välinge.

↓ For more than 120 years, Landis+Gyr has been an industry leader in sustainable energy management providing smart meters and advanced grid infrastructure technologies as well as solutions with the overarching mission of managing energy better.



### Landis+Gyr

Landis+Gyr is the leading global provider of integrated energy management solutions for the utility sector. Offering one of the broadest portfolios of products and services to address complex industry challenges, the company delivers comprehensive solutions for the foundation of a smarter grid, including smart metering, distribution network sensing and automation tools, load control, analytics and energy storage. Landis+Gyr operates in over 30 countries across five continents. With sales of approximately USD 1.7 billion, the company employs app. 6,000 people with the main mission of helping the world manage energy better.

KIRKBI owns 15.2% of Landys+Gyr.

### Armacell

Armacell manufactures advanced engineered foams that are applied in a wide range of technical applications, including commercial and residential building equipment, as well as equipment and solutions for the wind power, energy, industrials, transport and sports & leisure sectors. In developing innovative thermal, acoustic and mechanical systems, Armacell's products and solutions improve overall energy efficiency, acoustic comfort and vibration control on a global scale. With 24 manufacturing facilities worldwide, Armacell employs over 3,000 people.

KIRKBI has been an investor in Armacell since 2016 and increased its stake in the

company to 45% in 2019 in line with the investment strategy of being a long-term owner of market-leading companies. The transaction closed during March 2020.

# INVESTMENT REAL ESTATE

The focus for the KIRKBI Group's real estate investments is to **maintain and increase the real estate portfolio** with sound and high-quality properties with a long-term value potential.

## ABOUT KIRKBI'S REAL ESTATE INVESTMENTS

In KIRKBI, we believe in value creation through a long-term focus, and thus, a growing real estate footprint is a strategic choice.

The focus of the KIRKBI Group in terms of real estate investments is to maintain and increase the real estate portfolio with sound and high-quality properties as well as looking at redevelopment opportunities with a long-term value potential, primarily within the office and retail sectors.

## KIRKBI PRIMARILY INVESTS IN FIVE LOCATIONS

KIRKBI's current real estate strategy identifies five locations for the future real estate capital investments:

- Copenhagen
- London
- Munich
- Hamburg
- The German speaking part of Switzerland

All real estate investments are evaluated based on their long-term potential, where both the return component and the environmental impact are of high importance.

KIRKBI's focus on assessing and improving the environmental footprint of the properties supports the Planet Promise to create a positive impact – an integrated part of the KIRKBI Fundamentals. An increased focus on sustainability is also guaranteed through KIRKBI's strategy towards 2032.

KIRKBI currently has a portfolio of **24 real estate capital investments** located in Copenhagen (Denmark), London (Great Britain), Baar, Olten, Cham, Baden and Rapperswil (Switzerland), Munich and Hamburg (Germany). The total size of the portfolio by the end of 2019 measured more than **280,000 square metres of space**.

## HIGHLIGHTS FOR 2019

In 2019, KIRKBI acquired one new investment property, Neue Flora, located in Hamburg (Germany). The building

is a mixed-use property of ca. 27,900 square metres lettable space in the Altona district of Hamburg, used partly as musical theatre and partly as offices and retail. The property is fully let to a multitude of tenants, of which the theatre part accounts for the largest.

In 2019, KIRKBI also completed the comprehensive redevelopment of the property Haselstrasse 18 in Baden, Switzerland, an office building of app. 6,400 square metres. The property was pre-let to a single tenant, occupying the entire property.

↓ In 2019, Haselstrasse 18 in Baden, Switzerland, was comprehensively redeveloped into an office building



Photo: C.F. Møller Architects

# CONSOLIDATED FINANCIAL STATEMENTS



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## CONSOLIDATED INCOME STATEMENT

(m DKK)	Notes	2019	2018
LEGO Group	2.2	10,752	10,510
Merlin activities	2.3	172	600
Royalties		1,495	1,400
LEGO Ventures	2.4	(114)	(16)
Trademark and administration costs		(514)	(274)
<b>Operating profit from LEGO Brand Group activities</b>	2.1	<b>11,791</b>	<b>12,220</b>
Operating profit from investment activities	3.1, 3.2	9,326	(551)
Administration costs		(516)	(317)
<b>Total operating profit</b>		<b>20,601</b>	<b>11,352</b>
Financial items		(15)	(71)
<b>Profit before tax</b>		<b>20,586</b>	<b>11,281</b>
Tax on profit for the year	5.1	(3,812)	(2,600)
<b>Profit for the year</b>		<b>16,774</b>	<b>8,681</b>
<b>Appropriation to</b>			
Parent company shareholders		14,682	6,655
Non-controlling interests	8.5	2,092	2,026
		<b>16,774</b>	<b>8,681</b>

Please refer to note 1.4 for a Standard Consolidated Income Statement for the KIRKBI Group.

## CONSOLIDATED STATEMENT OF COMPRE- HENSIVE INCOME

(m DKK)	Notes	2019	2018
<b>Profit for the year</b>		<b>16,774</b>	<b>8,681</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified to the income statement:</b>			
Exchange differences, foreign subsidiaries and associates		466	(66)
Net gain/(loss) on cash flow hedges		(76)	(43)
Net gain/(loss) on cash flow hedges associates		-	2
Tax on entries directly in equity		1	19
<b>Items that will not be reclassified to the income statement:</b>			
Remeasurements of defined benefit plans		(33)	19
Other equity movements in associates		(316)	(2)
<b>Other comprehensive income for the year</b>		<b>42</b>	<b>(71)</b>
<b>Total comprehensive income</b>		<b>16,816</b>	<b>8,610</b>
<b>Appropriation to</b>			
Parent company shareholders		14,693	6,592
Non-controlling interests	8.5	2,123	2,018
		<b>16,816</b>	<b>8,610</b>

# BALANCE SHEET AT 31 DECEMBER

ASSETS (m DKK)	Notes	2019	2018
<b>Non-current assets</b>			
Goodwill, trademarks, patents and other intangible rights	6.3	2,245	1,955
Software		185	147
Development projects		13	93
<b>Intangible assets</b>	6.2	<b>2,443</b>	<b>2,195</b>
Property	6.4	8,458	7,183
Plant and equipment	6.4	7,981	8,111
Other fixtures, fittings, tools and equipment	6.4	2,429	1,937
Fixed assets under construction	6.4	2,795	3,243
Right-of-use assets	6.5	2,249	-
<b>Property, plant and equipment</b>		<b>23,912</b>	<b>20,474</b>
Investment real estate	3.3	8,577	7,537
Investments in associates	2.3	4,443	4,454
Receivables from associates		644	658
Other securities at fair value	2.4	277	103
Finance leases	2.5	1,399	1,372
Other investments		111	109
Prepayments		-	142
Deferred tax assets	5.2	757	630
<b>Other non-current assets</b>		<b>16,208</b>	<b>15,005</b>
<b>Total non-current assets</b>		<b>42,563</b>	<b>37,674</b>
<b>Current assets</b>			
Inventories	4.1	2,824	2,716
Trade receivables	4.2	7,334	6,929
Other receivables		2,383	2,431
Prepayments		379	253
Current tax receivables		384	633
Securities	3.4	62,371	49,880
Cash		1,664	2,616
<b>Total current assets</b>		<b>77,339</b>	<b>65,458</b>
<b>TOTAL ASSETS</b>		<b>119,902</b>	<b>103,132</b>

EQUITY AND LIABILITIES (m DKK)	Notes	2019	2018
<b>EQUITY</b>			
Share capital	8.4	200	200
Retained earnings		96,607	82,314
<b>KIRKBI Group's share of equity</b>		<b>96,807</b>	<b>82,514</b>
Non-controlling interests	8.5	5,672	5,553
<b>Total equity</b>		<b>102,479</b>	<b>88,067</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,269	1,932
Lease liabilities	6.5	1,715	-
Deferred tax liabilities	5.2	1,065	979
Pension obligations	8.6	209	161
Provisions	4.4	354	338
Other long-term liabilities	4.3	314	232
<b>Total non-current liabilities</b>		<b>5,926</b>	<b>3,642</b>
<b>Current liabilities</b>			
Borrowings		1,725	1,904
Lease liabilities	6.5	510	-
Trade payables		3,718	3,497
Current tax liabilities		492	336
Provisions	4.4	15	58
Other short-term liabilities	4.3	5,037	5,628
<b>Total current liabilities</b>		<b>11,497</b>	<b>11,423</b>
<b>Total liabilities</b>		<b>17,423</b>	<b>15,065</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>119,902</b>	<b>103,132</b>

## STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained comprehensive income	KIRKBI Group's share of equity	Non-controlling interests	Total equity
<b>Balance at 1 January 2019</b>	<b>200</b>	<b>82,314</b>	<b>82,514</b>	<b>5,553</b>	<b>88,067</b>
Profit for the year	-	14,682	14,682	2,092	16,774
Other comprehensive income for the year	-	11	11	31	42
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>14,693</b>	<b>14,693</b>	<b>2,123</b>	<b>16,816</b>
Dividend	-	(400)	(400)	(2,004)	(2,404)
<b>Balance at 31 December 2019</b>	<b>200</b>	<b>96,607</b>	<b>96,807</b>	<b>5,672</b>	<b>102,479</b>
<b>Balance at 1 January 2018</b>	<b>200</b>	<b>76,105</b>	<b>76,305</b>	<b>5,285</b>	<b>81,590</b>
Profit for the year	-	6,655	6,655	2,026	8,681
Other comprehensive income for the year	-	(63)	(63)	(8)	(71)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>6,592</b>	<b>6,592</b>	<b>2,018</b>	<b>8,610</b>
Acquisition of non-controlling interests	-	-	-	-	-
Equity-settled share-based transactions in associates	-	17	17	-	17
Dividend	-	(400)	(400)	(1,750)	(2,150)
<b>Balance at 31 December 2018</b>	<b>200</b>	<b>82,314</b>	<b>82,514</b>	<b>5,553</b>	<b>88,067</b>

## CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

(m DKK)	Notes	2019	2018
Profit before tax		20,586	11,281
Income tax paid		(3,448)	(3,155)
Reversals of items with no effect on cash flows	4.5	(6,949)	1,789
Changes in working capital	4.6	(1,140)	1,276
<b>Cash flows from operating activities</b>		<b>9,049</b>	<b>11,191</b>
Acquisition of securities, net		(3,674)	(5,309)
Acquisition of intangible assets		(360)	(57)
Acquisition of property, plant and equipment		(3,356)	(2,818)
Sale of property, plant and equipment		11	424
Acquisition of associates		(153)	-
<b>Cash flows from investing activities</b>		<b>(7,532)</b>	<b>(7,760)</b>
Dividend paid to shareholders		(400)	(400)
Dividend paid to non-controlling interests		(2,004)	(1,750)
New borrowings		435	316
Repayments of borrowings		(16)	(748)
Payment of lease liabilities		(484)	-
<b>Cash flows from financing activities</b>		<b>(2,469)</b>	<b>(2,582)</b>
<b>Net cash flows for the year</b>		<b>(952)</b>	<b>849</b>
Cash and cash equivalents at 1 January		2,616	1,767
<b>Cash and cash equivalents at 31 December</b>		<b>1,664</b>	<b>2,616</b>

### Accounting policies

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 the profit for the year adjusted for non-cash items, income taxes paid and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisitions and disposals of

securities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments.

Cash flows from financing activities comprise proceeds from borrowings, repayment of interest-bearing debt and dividend paid to shareholders and non-controlling interests.

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





# THE KIRKBI GROUP

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## SECTION 1 – BASIS FOR PREPARATION

### 1.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the annual report, 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 which management assesses to be material for the annual report.

#### Investment in associates

The KIRKBI Group's investment in entities in which it has significant influence, is accounted for using either the equity method or fair value through profit and loss depending on the classification of each single entity.

Entities, in which the KIRKBI Group has significant influence and which are considered a LEGO Brand Group activity are accounted for using the equity method. Based on this judgement for instance Merlin Entertainments is accounted for using the equity method.

Entities, in which the KIRKBI Group has significant influence, which are defined as an investment activity are accounted for using fair value through the income statement and accounted for in accordance with IFRS 9, which goes for investments in Falck A/S, Vålinge Group AB and Nilfisk A/S.

Please refer to the KIRKBI Group Structure for a complete overview of which companies are

accounted for using the equity method and which companies are accounted for using fair value through the income statement.

It is management's assessment that the assumptions are reasonable.

#### Long-term equity

Valuation of unlisted long-term equity investments is based on estimates and assumptions as regards the fair value of each individual company. The fair value is estimated using a valuation model based on relevant multiples of a set of comparable companies, pro-forma adjusted operating income and adjusted net interest bearing debt. The valuation is performed by internal portfolio managers.

The most subjective parameter in the valuation model is the multiples from comparable companies. If the multiples were reduced by 1.0x point, it would have a negative effect on profit before tax of around DKK 0.4 billion, which is described in note 3.4.

It is management's assessment that the assumptions and estimates are reasonable.

#### Real estate investments

Within other non-current assets the valuation of investment real estate requires estimates and judgements on future cash flows, yields and market values for similar properties. The most subjective parameter is the yield used in the calculation. If the yield in the calculations increases by 1% point, the impact on profit before tax would be negative with around DKK 1.6 billion. Please refer to note 3.3 for a description of the impact on each geographical area. It is management's assessment that the estimates are reasonable.

statement due to changes in the reporting structure of the KIRKBI Group, and the comparative figures in the income Statement have been adjusted accordingly without changing total net profit for the year.

#### CONSOLIDATION PRACTICE

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

Subsidiaries classified as investments are valued using fair value through the income statement (IFRS 9).

Associates are entities, where the KIRKBI Group has significant influence but which it does not control, generally represented by a shareholding of between 20% and 50% of the voting rights. Associates classified as LEGO Brand Group activities are accounted for using the equity method of accounting and are initially recognised at cost. Associates classified as investments are valued using fair value through the income statement (IFRS 9).

The KIRKBI Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the KIRKBI Group's own relative share of assets, liabilities, income and expenses.

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 KIRKBI Group.

Non-controlling interests include third-party shareholders' share of 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 income statement for the year. Non-controlling interests' share of equity is stated as a separate item in equity.

Amounts and qualitative information that are considered unimportant for the accounting user are omitted.

#### FOREIGN CURRENCY TRANSLATION

##### Functional and presentation currency

Items included in the financial statements of each of the KIRKBI 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.

### 1.3. EFFECTS OF NEW AND AMENDED ACCOUNTING STANDARDS

#### Effects of new and amended accounting standards

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2019 have been adopted by the KIRKBI Group.

From 1 January 2019, the KIRKBI Group has adopted the following new standards:

- \* IFRS 16 Leases
- \* IFRIC 23 Uncertainty over Income tax treatments

#### IFRS 16 LEASES

##### Description

IFRS 16 has been implemented as of 1 January 2019. The standard supersedes existing leases guidance in IAS 17 Leases and related interpretations.

##### Implementation

The KIRKBI Group adopted IFRS 16 from 1 January 2019 using the modified retrospective approach according to which comparative figures are not restated, but presented in accordance with the previous IFRS standard on leases (IAS 17). Right-of-use assets have been presented as a separate line in the balance sheet.

For existing leases, classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments.

For existing leases, classified as finance leases under IAS 17, the carrying amount of lease liabilities and right-of-use assets at 1 January 2019 equals the carrying amount of lease liabilities and lease assets at 1 January 2019.

The main practical expedients applied in implementing the standard have been:

- No reassessment of existing lease contracts have been made at the commencement date
- Contracts, not previously determined to contain a lease in accordance with IAS 17 and IFRIC 4, have not been reassessed at the commencement date
- Allowing not to recognise right-of-use assets and related lease liabilities for existing leases ending within 12 months of 1 January 2019

**Impact**

Implementation of IFRS 16 has not had a significant effect on the KIRKBI Group's balance sheet. The effect has occurred mainly from the LEGO Group, where most off-balance operating leases under IAS 17 have now been capitalised.

As the result before tax within the LEGO Group is presented in one line in the income statement of the

KIRKBI Group, the implementation of IFRS 16 has had no impact on the income statement of the KIRKBI Group.

The operating lease commitments at 31 December 2018 disclosed in the Annual Report 2018 and lease liabilities recognised in the opening balance at 1 January 2019 in accordance with IFRS 16 can be specified as follows:

(m DKK)	2019
Operating lease commitments disclosed in the notes at 31 December 2018	2,260
Commitments not part of the notes 31 December 2018	160
Other adjustments	43
Discounting effect	(311)
<b>Lease Liability recognised at 1 January 2019</b>	<b>2,152</b>

**IFRIC 23 Uncertainty over Income Tax Treatments**

The KIRKBI Group follows the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard has not resulted in any change to the net amount of tax positions.

**1.4. STANDARD CONSOLIDATED INCOME STATEMENT**

The KIRKBI Group presents its consolidated income statement, as an alternative performance measure (APM) as management believes that an APM gives the most accurate picture of the company's holding and investment activities.

KIRKBI's activities includes ownership of industrial companies within different industries and operation of a large investment portfolio. Management does not believe that a standardised consolidated income

statement will give a transparent and clear picture of profitability, development and direction of the KIRKBI Group's activities.

The internal management reporting for the KIRKBI Group is also, in line with the annual report, presented as an APM.

To fulfill IFRS requirements of presenting a standardised consolidated income statement, it is presented below without further descriptions or notes.

(m DKK)	2019	2018
Revenue	40,549	38,267
Production costs	(10,042)	(9,945)
<b>Gross profit</b>	<b>30,507</b>	<b>28,322</b>
Sales and distribution costs	(12,094)	(10,744)
Administrative expenses	(3,723)	(2,917)
Other operating expenses	(2,175)	(2,214)
<b>Operating profit</b>	<b>12,515</b>	<b>12,447</b>
Profit from associated companies	135	567
Financial items, net	7,936	(1,733)
<b>Profit before tax</b>	<b>20,586</b>	<b>11,281</b>
Tax on profit for the year	(3,812)	(2,600)
<b>Profit for the year</b>	<b>16,774</b>	<b>8,681</b>

**SECTION 2 – OPERATING PROFIT FROM LEGO BRAND GROUP ACTIVITIES****2.1. DEFINITION OF LEGO BRAND GROUP ACTIVITIES**

LEGO Brand Group activities are defined as activities related to the LEGO® brand, which include ownership of the LEGO Group, trademark royalties, LEGO Ventures

activities and ownership of and assets leased to Merlin Entertainments Ltd as owners of the LEGO-LAND® parks and LEGOLAND® Discovery Centres.

**Accounting policies**

Net profit before tax from LEGO A/S, a company in which the KIRKBI Group has significant influence, is fully consolidated into the Operating profit from the LEGO Group.

Merlin Entertainments Ltd., in which KIRKBI owns 50%, is accounted for using the equity

method. Changes to the carrying amount of the investment are charged into operating profit from Merlin activities. Assets owned by the KIRKBI Group and leased to Merlin Entertainments are included in operating profit from Merlin activities.

**2.2. THE LEGO GROUP**

(m DKK)	2019	2018
Reconciliation to the Annual Report for the LEGO Group:		
Profit before income tax included as Operating profit from LEGO Group	10,752	10,510
Tax on profit for the year included in Tax on profit for the year	(2,446)	(2,434)
<b>Net profit for the year</b>	<b>8,306</b>	<b>8,076</b>
<b>Included as non-controlling interests, 25 %</b>	<b>(2,076)</b>	<b>(2,018)</b>

**Accounting policies**

The KIRKBI Group controls, through its 75% ownership of LEGO A/S, the LEGO Group. Hence the LEGO Group is fully consolidated into the income statement and balance sheet of the KIRKBI Group.

The non-controlling share of the LEGO Group is presented as Non-controlling interest in the income statement and as non-controlling interests under equity.

### 2.3. INVESTMENTS IN ASSOCIATES (MERLIN ENTERTAINMENTS LTD.)

(m DKK)	2019	2018
Net profit from Merlin activities includes:		
Share of profit from Merlin Entertainments / Motion JVCO Ltd.	135	567
Profit from assets leased to Merlin Entertainments	37	33
<b>Operating profit from Merlin activities</b>	<b>172</b>	<b>600</b>

Investments in associates defined as a LEGO Brand Group activity includes the ownership of Merlin Entertainments.

The KIRKBI Group has during 2019 acquired further 20.4% of the shares in Merlin Entertainments, bringing total

ownership to 50%. The KIRKBI Group does not control the investment in Merlin Entertainments and hence the investment is classified as an investment in associates.

The ownership of Merlin Entertainments is structured through the holding company Motion JVCO Ltd.

(m DKK)	2019	2018
Cost at 1 January		
Acquisitions	153	-
Disposals	-	(4)
<b>Cost at 31 December</b>	<b>2,722</b>	<b>2,569</b>
Value adjustment at 1 January		
Exchange adjustment to year-end rate	243	(55)
IFRS 16 impact	(257)	-
Dilution	(59)	(10)
Share of profit	135	567
Share of comprehensive income	(83)	54
Dividend	(143)	(188)
<b>Value adjustment at 31 December</b>	<b>1,721</b>	<b>1,885</b>
<b>Carrying amount at 31 December</b>	<b>4,443</b>	<b>4,454</b>

#### General information on associates

Merlin Entertainments Ltd. (owned through Motion JVCO Ltd.)		As of 31 December 2019, KIRKBI has invested in bonds and term-loans issued by Merlin Entertainments with a value of DKK 4,975 million (in 2018 DKK 0 million), reported within securities as current assets.
Company name	(owned through Motion JVCO Ltd.)	
Country	UK	
Ownership / Votes	50%	
Functional currency	GBP	

#### Financial information of Merlin Entertainments Ltd./Motion JVCO Ltd.

(m DKK)	2019	2018
Revenue	15,255	13,960
Profit for the year	1,070	1,902
<b>KIRKBI Group's share of profit for the year</b>	<b>135</b>	<b>567</b>
Total assets	67,538	31,154
Total equity	22,481	14,382
KIRKBI Group's share of equity	11,241	4,264
Elimination of goodwill in Motion JVCO Ltd.	(6,988)	-
Goodwill	190	190
<b>Carrying amount of associates</b>	<b>4,443</b>	<b>4,454</b>

#### Accounting policies

The KIRKBI Group's investment in entities in which the group has significant influence is allocated to either LEGO Brand Group activities or investment activities. Please refer to section 1.1 for a description of significant accounting estimates and judgements.

Merlin Entertainments, which is part of LEGO Brand Group activities, is accounted for using the equity method. Under the equity method, investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the share of the net assets of the associate since the acquisition date.

At each reporting date, the KIRKBI Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the KIRKBI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss in the income statement.

The carrying amount of associated companies allocated to LEGO Brand Group activities is classified in the balance sheet as Other non-current assets.

### 2.4. OTHER SECURITIES AT FAIR VALUE (LEGO VENTURES)

LEGO Ventures explores investment opportunities at the intersection of Play, Learning and Creativity to leverage and develop the original LEGO® Idea and support the LEGO® brand mission. LEGO Ventures typically invests into start-ups and private growth companies.

KIRKBI has made seven investments during 2019 categorised as LEGO Ventures' investments, and the

portfolio of LEGO Ventures' investments consists of 11 investments end of 2019 (2018 four investments).

For LEGO Ventures' investments classified as associated companies, please see note 8.9.

(m DKK)	2019	2018
<b>Operating profit from LEGO Ventures consists of:</b>		
Change in fair value of financial assets	(83)	-
Operational costs	(31)	(16)
<b>Net result</b>	<b>(114)</b>	<b>(16)</b>
<b>Fair value:</b>		
Fair value 1 January	103	-
Investments during the year	257	103
Change in fair value of financial assets	(83)	-
<b>Fair value at 31 December</b>	<b>277</b>	<b>103</b>
<b>Fair value measurement hierarchy:</b>		
Not based on observable market data	277	103
	<b>277</b>	<b>103</b>

**Accounting policies**

Subsidiaries, associates and other financial assets that fall into LEGO Ventures are recognised in accordance with IFRS 9 at fair value through the income statement. The KIRKBI Group's valuation of LEGO Ventures investments are based on individually assessments carried out by KIRKBI's portfolio managers. LEGO Ventures' investments are initially recognised at fair value and subsequently adjusted to fair value.

Fair value measurement of each single investment will, individually, be based on latest knowledge which could be latest valuation rounds of the company in new capital rounds with for instance i) length of runway before the company runs out of funds, ii) assessment of the likelihood of the company's ability to raise new external funding, iii) commercial and operational performance against KIRKBI's expectations at the time of investment.

**2.5. FINANCE LEASES**

Finance leases are related to KIRKBI being owner of the physical infrastructure assets in the LEGOLAND® park in Nagoya, Japan.

(m DKK)	2019	2018
Repayment within 1 year	41	40
Repayment between 1 and 5 years	164	158
Repayment after 5 years	1,730	1,712
<b>Gross investment in finance leasing:</b>	<b>1,935</b>	<b>1,910</b>
Hereof unearned future finance income	(536)	(538)
<b>Net investment in finance lease</b>	<b>1,399</b>	<b>1,372</b>
Repayment within 1 year	21	20
Repayment between 1 and 5 years	86	82
Repayment after 5 years	1,292	1,270
<b>Net investment in finance lease</b>	<b>1,399</b>	<b>1,372</b>

**Accounting policies**

KIRKBI's leasing operations comprise solely of finance lease on property and infrastructure assets. A finance lease is reported as receivable from the lessee in the balance sheet at an amount equal to the net investment in the lease. The lease

payment excluding cost of services is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflection a constant periodic return on the net investment outstanding in respect of the finance lease.

**SECTION 3 – OPERATING PROFIT FROM INVESTMENT ACTIVITIES****3.1. DEFINITION OF INVESTMENT ACTIVITIES**

The KIRKBI Group invests in mortgage bonds, government bonds, corporate debt, quoted equities, private equity, real estate and larger equity investments. These investments are managed by

KIRKBI's portfolio managers with the purpose of creating long-term value for the KIRKBI Group. KIRKBI's investment portfolio amounts at year-end 2019 to DKK 71.0 billion (2018 DKK 58.2 billion).

**Accounting policies**

The investment portfolio has been designated as financial assets at fair value through the income statement as the portfolio is managed and evaluated on a fair value basis in accordance with the KIRKBI Group's investment strategy. Securities are measured at fair value, which equals listed prices or internationally accepted valuation models for private equity. Realised and unrealised gains and losses (including unrealised foreign exchange rate gains and losses) are recognised in the income statement. Transactions are recognised at the trade date.

The KIRKBI Group's investment in entities in which the group has significant influence is allocated to

either LEGO Brand Group activities or investment activities. Please refer to section 1.1 for a description of significant accounting estimates and judgements.

The entities Falck A/S, Vålinge Group AB, and Nilfisk A/S, all associated companies, are allocated to KIRKBI's investment portfolio and thereby managed and evaluated on a fair value basis in accordance with the KIRKBI Group's investment strategy. The investment portfolio are valued at fair value through the income statement and accounted for in accordance with IAS 28.

**3.2. OPERATING PROFIT FROM INVESTMENT ACTIVITIES**

Operating profit from investment activities consists of:

(m DKK)	2019	2018
Gain or loss on financial assets	8,151	(1,386)
Net income from Investment real estate (note 3.3)	743	446
Operating profit from joint arrangements (note 3.5)	432	389
	<b>9,326</b>	<b>(551)</b>

The investment portfolio consists of the following items from KIRKBI's balance sheet

Investment real estate (note 3.3)	8,577	7,537
Receivables from associates	-	658
Securities (note 3.4)	62,371	49,880
Other receivables	53	84
	<b>71,001</b>	<b>58,159</b>

### 3.3. INVESTMENT REAL ESTATE

(m DKK)	2019	2018
<b>Net income:</b>		
Rental income	392	366
Direct expenses	(59)	(114)
<b>Net result from operation</b>	<b>333</b>	<b>252</b>
<b>Fair value adjustments:</b>		
Gain on disposals	-	50
Fair value adjustment for the year, net	225	63
Exchange adjustment to real estate for the year, net	185	81
<b>Fair value adjustments:</b>	<b>410</b>	<b>194</b>
<b>Net income from Investment real estate</b>	<b>743</b>	<b>446</b>
<b>Fair value:</b>		
Fair value at 1 January	7,537	7,267
Exchange adjustment to year-end rate	185	81
Additions, new real estates	549	397
Additions, improvement of existing real estate	171	93
Disposals	-	(364)
Transfer to properties	(90)	-
Fair value adjustment for the year, net	225	63
<b>Fair value at 31 December</b>	<b>8,577</b>	<b>7,537</b>

Investment properties are stated at fair value, using the following yields based on location:	Yield 2019	Yield 2018	Effect of 1% point increase in yield (mDKK)
<b>Copenhagen</b> , Denmark	4.00 - 5.25 %	4.00 - 5.25 %	(269)
<b>London</b> , UK	4.75 - 5.50 %	4.50 - 5.25 %	(307)
<b>Baar</b> , Switzerland	4.25 - 5.00 %	4.25 - 5.00 %	(452)
<b>Hamburg</b> , Germany	5.25 %	5.25 %	(142)
<b>Munich</b> , Germany	3.75 - 4.00 %	3.75 - 4.25 %	(414)
			<b>(1,584)</b>

#### Accounting policies

Investment real estate is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at the expected fair values from a net cash transaction at the balance sheet date.

Fair value is determined by management using approved valuation methods based on the capital value calculated on expected cash flows. If current market prices for comparable properties are available, these will be incorporated as part of the fair value valuation.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

#### Valuation method:

The fair value is assessed by the KIRKBI Group's real estate team at year-end on the basis of a return-based model. Valuations rely substantially on non-observable input and are based on cash flow estimates and on the required rate of return (yield) calculated for each property that reflects the price

at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return (yield) on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees.

#### The return-based model used is:

Rental income
+ vacant rents
- operating costs such as taxes, insurances and utilities
- maintenance
- administration
= Net cash flow
/ Yield
= Capitalised fair value
- vacant rents
+ Deposits
+/- corrections for known circumstances
= Fair value

### 3.4. SECURITIES

Securities consist of mortgage bonds, corporate debt, quoted equities, private equity and investments in associated companies. Associated companies classified as investment activities and included in Securities are listed in note 8.9. Securities can be purchased and sold in established markets.

All securities and investments recognised under Securities are classified as "financial assets at fair value through the income statement" are reported at fair value by level of the following fair value measurement hierarchy for:

\* Unadjusted quoted prices in active markets for identical assets (level 1)

\* Inputs other than quoted prices included within level 1 that are observable for the assets either directly or indirectly (level 2)

\* Inputs for the asset or liability that are not based on observable market data (level 3)

(m DKK)	2019				% of investments rated	% of investment in DKK or EUR
	Level 1	Level 2	Level 3	Total		
Mortgage bonds	5,490	-	-	5,490	100 % AAA	100 %
Corporate debt	7,465	3,811	-	11,276	19% inv. Grade	74 %
Equities	29,399	-	-	29,399	n/a	45 %
Private equity and unquoted equity	-	-	16,206	16,206	n/a	33 %
<b>Fair value</b>	<b>42,354</b>	<b>3,811</b>	<b>16,206</b>	<b>62,371</b>		

(m DKK)	2018				% of investments rated	% of investment in DKK or EUR
	Level 1	Level 2	Level 3	Total		
Mortgage bonds	8,759	-	-	8,759	100 % AAA	100 %
Corporate debt	4,493	-	-	4,493	45% inv. Grade	94 %
Equities	23,403	-	-	23,403	n/a	50 %
Private equity and unquoted equity	-	-	13,225	13,225	n/a	26 %
<b>Fair value</b>	<b>36,655</b>	<b>-</b>	<b>13,225</b>	<b>49,880</b>		

For descriptions of credit risk, and foreign exchange risk please refer to note 7.2, where risks from a group perspective are considered low.

#### Change in values not based on observable market data (level 3)

(m DKK)	2019	2018
Fair value 1 January	13,225	11,748
Change in fair value of financial assets	2,260	1,800
Additions	3,350	4,636
Disposals	(2,629)	(4,959)
<b>Fair value 31 December</b>	<b>16,206</b>	<b>13,225</b>

Financial instruments, which are priced using non-observable input, include private placement in private equity funds and private placement in unquoted equities (long-term equity).

For private equity, valuation is based on IPEV (International Private Equity and Venture Capital) valuations guidelines, which set out the principles for determining the price for which independent parties would trade the shares. The fair value would not vary significantly if one or more inputs were changed.

For unquoted equities (long-term equity), valuation is based on a valuation model using input such as relevant multiples of a set of comparable companies, pro-forma adjusted operating income and adjusted net interest bearing debt.

Investments in unquoted long-term equity are stated at fair value using a valuation model based on the following inputs:

	2019	2018
Pro-forma adjusted operating income	Individual	Individual
Multiples for comparable companies	13.6x - 16.6x	13.9x - 16.7x
Adjusted net interest bearing debt	Individual	Individual

The most significant input for the valuation model is the multiples for comparable companies. If this multiple decreased by 1.0x, the fair value would be reduced by around DKK 385 million.

For financial information about associates accounted for using fair value through profit and loss please see below;

(m DKK)	Financial Year	Currency	Share capital (million)	Profit for the year	Equity	KIRKBI ownership
Falck A/S	2018	DKK	67	(915)	1,876	28.6%
Välinge Group AB	2018	SEK	0.147	42	2,430	48.3%
Nilfisk A/S	2018	EUR	73	10	148	20.3%

#### Accounting policies

Subsidiaries, associates and other financial assets that fall into Securities are recognised in accordance with IFRS 9 at fair value through profit and loss. Investments are initially recognised at fair value and subsequently adjusted to fair value. Fair value equals active market data or internationally

accepted valuation models for private equity. Realised and unrealised gains and losses (including unrealised foreign exchange rate gains and losses) are recognised in the income statement as operating profit from investment activities. Transactions are recognised at the trade date.

### 3.5. JOINT ARRANGEMENTS

Profit from joint arrangements are pro-rata consolidated into the income statement as investment activities, covering:

(m DKK)	2019	2018
Borkum Riffgrund 1	278	295
Burbo Bank Extension	154	94
<b>Operating profit from joint arrangements</b>	<b>432</b>	<b>389</b>

The operating profit from joint arrangements can be split into:

(m DKK)	2019	2018
Revenue	838	806
Operation costs	(167)	(182)
Depreciation	(233)	(227)
Financial items	(6)	-
Special items	-	(8)
<b>Operating profit from joint arrangements</b>	<b>432</b>	<b>389</b>

Non-current assets from joint arrangements:

<b>Property, plant and equipment</b>	<b>5,168</b>	<b>5,245</b>
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#### Accounting policies

The offshore windfarms Borkum Riffgrund 1 offshore Windpark A/S GmbH & Co. OHG and Burbo Extension Ltd. are companies whose legal form confers separation between the parties to the joint arrangement and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties of the respective joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangement. However, there is a contractual arrangement that

secures the parties with control over the output from the joint arrangement. Accordingly, Borkum Riffgrund 1 offshore Windpark A/S GmbH & Co. OHG and Burbo Extension Ltd. are classified as joint operations in the KIRKBI Group, and consolidated on a pro rata basis.

Cost comprises acquisition price and estimated costs for decommissioning. Depreciation is calculated using the straight-line method to allocate the cost of each asset until decommissioning.

## SECTION 4 – WORKING CAPITAL

### 4.1. INVENTORIES

(m DKK)	2019	2018
Raw materials and components	199	163
Work in progress	1,202	1,139
Finished goods	1,423	1,414
	<b>2,824</b>	<b>2,716</b>

<b>The cost of inventory recognised as an expense in operating profit from the LEGO Group including write-down of inventories to net realisable value (expense)</b>	<b>7,787</b>	<b>7,441</b>
	<b>25</b>	<b>5</b>

#### Accounting policies

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.

### 4.2. TRADE RECEIVABLES

(m DKK)	2019	2018
<b>Trade receivables (gross)</b>	<b>8,174</b>	<b>7,762</b>
<b>Provisions for bad debts:</b>		
Balance at the beginning of the year	(833)	(586)
Exchange adjustment to year-end rate	(21)	(9)
Change in provisions for the year	5	(247)
Realised losses for the year	9	9
<b>Balance at the end of the year</b>	<b>(840)</b>	<b>(833)</b>

<b>Trade receivables (net)</b>	<b>7,334</b>	<b>6,929</b>
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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:

(m DKK)	2019	2018
Not overdue	7,278	6,844
0 - 60 days overdue	358	523
61 - 120 days overdue	11	34
121 - 180 days overdue	14	8
More than 180 days overdue	513	353
	<b>8,174</b>	<b>7,762</b>

The KIRKBI Group has no single significant trade debtor, nor are the trade receivables concentrated in specific countries. KIRKBI has fixed procedures for

determining the Group's granting of credit. KIRKBI's risk relating to trade receivables is considered to be moderate.

#### Accounting policies

Trade receivables are initially recognised at fair value equal to the transaction price, and subsequently measured at amortised cost less allowance

for lifetime expected credit losses. Provisions for bad debt are made on the basis of an individual assessment of the risk relating to each receivable.

### 4.3. OTHER LIABILITIES

(m DKK)	2019	2018
Liabilities related to wages and other charges	1,700	1,802
Other current liabilities	3,651	4,058
	<b>5,351</b>	<b>5,860</b>

#### Specified as follows:

Non-current	314	232
Current	5,037	5,628
	<b>5,351</b>	<b>5,860</b>

#### Accounting policies

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

redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

### 4.4. PROVISIONS

(m DKK)	2019	2018
Restructuring	-	1
Decommissioning windfarms	216	213
Other	153	182
<b>Provisions at 31 December</b>	<b>369</b>	<b>396</b>

#### Specified as follows:

Non-current	354	338
Current	15	58
	<b>369</b>	<b>396</b>

Provision for decommissioning of windfarms relates to obligation to restore the areas with expected cash outflows more than 20 years from now.

regarding leased premises and employee related provisions comprising retirement packages and severance.

Other provisions consist of various types of provisions, primarily provisions for asset retirement



**Accounting policies**

Provisions are recognised when the KIRKBI Group identifies legal or constructive obligations as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the KIRKBI 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.

**4.5. REVERSALS OF ITEMS WITH NO EFFECT ON CASH FLOWS**

(m DKK)	2019	2018
Depreciation, amortisation and impairment	2,333	1,713
Gain / loss on disposals	99	(1)
Fair value adjustments investment real estate	(225)	(63)
Revaluation of securities etc.	(9,185)	725
Net movements in provisions	21	(151)
Net income from associates	8	(434)
	<b>(6,949)</b>	<b>1,789</b>

**4.6. CHANGES IN WORKING CAPITAL**

(m DKK)	2019	2018
Inventories	(108)	(223)
Trade and other receivables	(483)	(321)
Trade and other payables	(549)	1,820
	<b>(1,140)</b>	<b>1,276</b>

**SECTION 5 – TAXES****5.1. INCOME TAX EXPENSE**

(m DKK)	2019	2018
Current tax on profit for the year	3,853	2,522
Deferred tax on profit for the year	(6)	54
Effect of change in tax rate	-	3
Other	(2)	54
Prior year adjustments	(33)	(33)
	<b>3,812</b>	<b>2,600</b>
<b>Income tax expenses are specified as follows:</b>		
Calculated 22 % (22 %) tax on profit for the year before income tax	4,529	2,482
<b>Tax effect of</b>		
Higher/(lower) tax rate in subsidiaries	(199)	15
Non-taxable income	(757)	(773)
Non-deductible expenses	146	789
Effect of change in tax rate	-	3
Adjustment of tax relating to previous years	(33)	(33)
Other	126	117
	<b>3,812</b>	<b>2,600</b>
Effective tax rate	18.5 %	23.0 %

**Accounting policies**

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, tax is also recognised in other comprehensive income.

## 5.2. DEFERRED TAX

(m DKK)	2019	2018
Deferred tax, net at 1 January	(349)	(396)
Exchange adjustment to year-end rate	9	11
Income statement charge	23	30
Charged to other comprehensive income	-	10
Effect of change in tax rate	9	(3)
Other	-	(1)
<b>Deferred tax, net at 31 December</b>	<b>(308)</b>	<b>(349)</b>

### Classified as:

Deferred tax assets	757	630
Deferred tax liabilities	(1,065)	(979)
	<b>(308)</b>	<b>(349)</b>

(m DKK)	Deferred tax asset	Deferred tax liability	Deferred tax net
<b>2019</b>			
Non-current assets	102	(1,116)	(1,014)
Receivables	89	(1)	88
Inventories	322	(105)	217
Provisions	233	(1)	232
Other liabilities	185	(16)	169
Offset	(174)	174	-
Tax loss carry-forwards	-	-	-
	<b>757</b>	<b>(1,065)</b>	<b>(308)</b>
<b>2018</b>			
Non-current assets	105	(1,013)	(908)
Receivables	88	(1)	87
Inventories	248	(127)	121
Provisions	199	(1)	198
Other liabilities	172	(26)	146
Offset	(189)	189	-
Tax loss carry-forwards	7	-	7
	<b>630</b>	<b>(979)</b>	<b>(349)</b>

### Tax loss carry-forwards

Tax assets relating to tax loss carry-forwards are capitalised based on an assessment of whether they can be

utilised in the future. There are no tax losses carry-forward end of 2019 (DKK 7 million in 2018 expires after 5 years).

### Accounting policies

Deferred 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 profits 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.

## SECTION 6 – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### 6.1. DEPRECIATION AND AMORTISATION

(m DKK)	2019	2018
Intangible asset amortisation	113	87
Property, plant and equipment, depreciation and impairment	1,712	1,626
Right-of-use assets, depreciation	508	-
	<b>2,333</b>	<b>1,713</b>

In 2019, the KIRKBI Group did not recognise impairment losses on intangible assets (2018 DKK 0 million). On property, plant and equipment the KIRKBI Group

recognised impairment losses of DKK 52 million (2018 DKK 25 million) recognised within administration costs.

### Accounting policies

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	25-50 years
Installations	10-20 years
Plant and machinery	2-25 years
Other fixtures, fittings, tools 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 are recognised in the income statement.

**6.2. INTANGIBLE ASSETS**

2019 (m DKK)	Goodwill, trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,177	478	93	2,748
Exchange adjustment to year-end rate	4	1	-	5
Additions	302	45	13	360
Disposals	-	(1)	-	(1)
Transfers	-	93	(93)	-
<b>Cost at 31 December</b>	<b>2,483</b>	<b>616</b>	<b>13</b>	<b>3,112</b>
Amortisation and impairment losses at 1 January	(222)	(331)	-	(553)
Exchange adjustment to year-end rate	(3)	(1)	-	(4)
Amortisation for the year	(13)	(100)	-	(113)
Disposals	-	1	-	1
<b>Amortisation and impairment losses at 31 December</b>	<b>(238)</b>	<b>(431)</b>	<b>-</b>	<b>(669)</b>
<b>Carrying amount at 31 December</b>	<b>2,245</b>	<b>185</b>	<b>13</b>	<b>2,443</b>

2018 (m DKK)	Goodwill, trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,164	516	71	2,751
Exchange adjustment to year-end rate	10	-	-	10
Additions	3	-	54	57
Disposals	-	(70)	-	(70)
Transfers	-	32	(32)	-
<b>Cost at 31 December</b>	<b>2,177</b>	<b>478</b>	<b>93</b>	<b>2,748</b>
Amortisation and impairment losses at 1 January	(201)	(324)	-	(525)
Exchange adjustment to year-end rate	(10)	(1)	-	(11)
Amortisation for the year	(11)	(76)	-	(87)
Disposals	-	70	-	70
<b>Amortisation and impairment losses at 31 December</b>	<b>(222)</b>	<b>(331)</b>	<b>-</b>	<b>(553)</b>
<b>Carrying amount at 31 December</b>	<b>1,955</b>	<b>147</b>	<b>93</b>	<b>2,195</b>

**Accounting policies****Goodwill, trademarks, patents and other intangible rights**

Acquired patents and other intangible 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.

The carrying amount of goodwill, trademarks, patents and other intangible rights is allocated to the cash generating assets at the acquisition date and is tested for impairment at that level.

**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 5–10 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible fixed assets under construction is performed.

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.

**6.3. IMPAIRMENT TEST****Impairment test of trademarks**

Annual impairment test is carried out of the carrying amount of trademarks with indefinite useful lives. The impairment test in 2019 did not give rise to recognising any impairment losses.

The carrying amount of trademarks at 31 December is related to the cash-generating operational units and breaks down as follows:

(m DKK)	2019	2018
<b>LEGO Group</b>	<b>1,831</b>	<b>1,831</b>

The recoverable amount is based on the value in use, which is calculated by means of the realised net cash flows from trademark royalties for the current year using a discount rate (WACC) of 8% (2018 8%).

**Accounting policies**

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 and intangible assets which are not subject to amortisation 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 the value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**6.4. PROPERTY, PLANT AND EQUIPMENT**

2019 (m DKK)	Property	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	9,110	14,240	3,612	3,243	30,205
Exchange adjustment to year-end rate	88	148	38	72	346
Additions	242	588	265	1,541	2,636
Disposals	(17)	(404)	(203)	-	(624)
Reclassification to financial leases	(44)	-	-	-	(44)
Transfer from investment real estate	90	-	-	-	90
Transfers	1,229	237	530	(1,996)	-
<b>Cost at 31 December</b>	<b>10,698</b>	<b>14,809</b>	<b>4,242</b>	<b>2,860</b>	<b>32,609</b>
Depreciation and impairment losses at 1 January	(1,927)	(6,129)	(1,675)	-	(9,731)
Exchange adjustment to year-end rate	(19)	(14)	(22)	-	(55)
Depreciation for the year	(284)	(1,084)	(292)	-	(1,660)
Impairment losses for the year	(52)	-	-	-	(52)
Reclassification to financial leases	38	-	-	-	38
Disposals	4	399	176	(65)	514
<b>Depreciation and impairment losses at 31 December</b>	<b>(2,240)</b>	<b>(6,828)</b>	<b>(1,813)</b>	<b>(65)</b>	<b>(10,946)</b>
<b>Carrying amount at 31 December 2019</b>	<b>8,458</b>	<b>7,981</b>	<b>2,429</b>	<b>2,795</b>	<b>21,663</b>
<b>Including assets held under finance leases</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>

**Property, plant and equipment in general**

Obligations related to the purchase of property, plant and equipment of DKK 1,149 million exists at 31 December 2019 (DKK 2,287 million at 31 December 2018).

2018 (m DKK)	Property	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	8,676	13,936	3,513	1,979	28,104
Exchange adjustment to year-end rate	14	(49)	33	72	70
Additions	157	403	101	1,667	2,328
Disposals	(55)	(177)	(65)	-	(297)
Transfers	318	127	30	(475)	-
<b>Cost at 31 December</b>	<b>9,110</b>	<b>14,240</b>	<b>3,612</b>	<b>3,243</b>	<b>30,205</b>
Depreciation and impairment losses at 1 January	(1,666)	(5,225)	(1,423)	(7)	(8,321)
Exchange adjustment to year-end rate	(9)	13	(26)	-	(22)
Depreciation for the year	(236)	(1,083)	(282)	-	(1,601)
Impairment losses for the year	(25)	-	-	-	(25)
Disposals	9	166	56	7	238
<b>Depreciation and impairment losses at 31 December</b>	<b>(1,927)</b>	<b>(6,129)</b>	<b>(1,675)</b>	<b>-</b>	<b>(9,731)</b>
<b>Carrying amount at 31 December 2018</b>	<b>7,183</b>	<b>8,111</b>	<b>1,937</b>	<b>3,243</b>	<b>20,474</b>
<b>Including assets held under finance leases</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>

**Accounting policies****Cost**

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

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 included in the cost price.

**6.5. LEASES****Right-of-use assets**

2019 (m DKK)	Rental of premises	Company cars and other assets	Total
Cost at 1 January	-	-	-
Change in accounting policy at 1 January	1,883	269	2,152
Additions	410	119	529
Disposals	(48)	(31)	(79)
Exchange rate adjustments	54	-	54
Reclassifications of financial leases	86	-	86
<b>Cost at 31 December</b>	<b>2,385</b>	<b>357</b>	<b>2,742</b>
Depreciation at 1 January	-	-	-
Depreciation for the year	(401)	(107)	(508)
Disposals	42	14	56
Exchange adjustment to year-end rate	(1)	(2)	(3)
Reclassification of financial leases	(38)	-	(38)
<b>Depreciations at 31 December</b>	<b>(398)</b>	<b>(95)</b>	<b>(493)</b>
<b>Carrying amount at 31 December 2019</b>	<b>1,987</b>	<b>262</b>	<b>2,249</b>

**Lease liabilities**

The KIRKBI Group leases various assets such as office buildings, store buildings, warehouses, company cars etc.

	Total
<b>Lease liabilities are recognised in the balance sheet as follows:</b>	
Non-current liabilities	1,715
Current liabilities	510
<b>Total lease liabilities</b>	<b>2,225</b>

Please refer to note 1.3 for disclosure of the impact of adoption of IFRS 16 on the consolidated financial statements.

**Accounting policies**

The right-of-use asset and corresponding lease liability will be recognised at the commencement date, the date the underlying asset is ready for use. The lease terms may include options to extend or terminate the lease when it is reasonably certain that KIRKBI will exercise that option.

Right-of-use assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease incentives received. The lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments are discounted.

Depreciations is done following the straight-line method over the lease term or the useful life of the assets.

The KIRKBI Group applies the short-term lease recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 month or less for all classes of underlying assets, and the exception for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Right-of-use assets normally have the following lease terms:

Rental of premises	3-50 years
Company cars	3-5 years
Other assets	2-7 years

In 2018 and prior, finance leases were recognised and measured in accordance with IAS 17.

## SECTION 7 – RISK MANAGEMENT

### 7.1. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

Contingent liabilities and other obligations (m DKK)	2019	2018
Remaining obligations in investment projects	7,393	8,810
Guarantees	2,909	2,414
Operating lease obligations	-	2,260
Other obligations	1,297	1,508
	<b>11,599</b>	<b>14,992</b>

Remaining obligations in investment projects are mainly commitments to private equity funds and real estate constructions.

Guarantees mainly relate to bank guarantees for commitments.

Lease contracts previously classified as off-balance leases under IAS 17 have now been capitalised, recognising right-of-use assets and lease liabilities.

Other obligations consist of service and license agreements.

Security has been given in land, buildings and installations at a net carrying amount of DKK 3,079 million (DKK 2,866 million in 2018) for the mortgage loans.

The KIRKBI 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 80 million, of which DKK 0 million has been recognised as a provision for deferred tax. The amount of DKK 80 million is not expected to be recaptured.

### 7.2. FINANCIAL RISKS

The financial risks of the KIRKBI Group are managed centrally from the Parent Company as well as decentralised by the operating companies. The overall risk management guidelines have been approved by the Board of Directors and include the KIRKBI Group's treasury and investment policy related to securities. The KIRKBI Group's risk management guidelines are established to identify and analyse the risk faced by the KIRKBI Group, to set the appropriate risk limits and controls to monitor the risks and ensure adherence to limits.

The overall purpose of the investment portfolio is to create economical value in accordance with the KIRKBI values, i.e. to

- Protect the investment portfolio in the long run
- Support LEGO Brand Group activities through delivering a stable growth of capital with an attractive risk-adjusted return
- Avoid negative spill-over effects on the LEGO® brand, the LEGOLAND® brand and reputation
- Ensure high ethical standard in investments and engagements

Therefore, the investment policy includes, among other items, guidelines and ranges for which investments are considered to be eligible investments and

which investment parameters are to be applied such as limits on issuer, duration, credit rating, country, or economic sector.

The guidelines are reviewed regularly to reflect changes in market conditions, the KIRKBI Group's activities and financial position. A separate and independent risk management function reviews managers' compliance with the mandates and the adequacy of the mandates to risks and exposures facing the KIRKBI Group.

#### Investment approach and asset allocation

The KIRKBI Group's activities consist of holdings in LEGO Brand Group assets such as the LEGO Group, LEGO Ventures and Merlin Entertainments as well as investments within the areas of real estate, long-term equity, renewables, private equity, quoted equities and fixed income.

The overall purpose implies a portfolio strategy based on firm and conservative investment principles and beliefs learned and built over time. Combined with the financial strength of KIRKBI and continued success of the LEGO Group, it allows KIRKBI to have an asset allocation focused on long-term ownership of equities. However, the clear long-term

focused investment beliefs and the focus on the portfolio consequences provide the foundation for a sustained long-term investment strategy.

#### Financial risk management

For the KIRKBI Group, the concept of risk is divided into two sub-concepts:

- Short-term risk of temporary loss of capital – i.e. quotation risk
- Long-term risk of permanent loss of capital – i.e. capital loss risk

As a long-term investor, the most important risk to avoid is the permanent loss of capital. However, as the financial investments function as a liquid buffer to cover obligations and non-financial risks, the financial investment portfolio is subject to short-term quotation risk.

#### Credit risk

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

Similarly, the KIRKBI Group only engages with insurance companies with investment grade ratings.

For banks and financial institutions, only independently rated parties with an acceptable long-term rating are accepted. Credit risk regarding trade receivables is disclosed in note 4.2. The credit risks of the KIRKBI Group are considered to be moderate.

#### Foreign exchange risk

The foreign exchange risk for the KIRKBI Group is mostly related to net inflows in the LEGO Group and investments denominated in foreign currencies.

The LEGO Group's foreign exchange risk is managed centrally in LEGO System A/S based on a foreign exchange policy approved by the Board of Directors. Forward contracts and options are used to hedge purchases and sales in foreign currencies

for the LEGO Group. These forward contracts are mainly classified as hedges and meet the accounting requirements for hedging of future cash flows.

The foreign exchange risks of the investments are managed centrally from the parent Company. The overall risk management guidelines have been approved by the Board of Directors and include the KIRKBI Group's treasury and investment policy.

The most significant exchange risks are in the currencies of USD, CHF and GBP. A negative 10 % change in the USD currency would effect the income statement of the KIRKBI Group negatively by DKK 1.8 billion and reduce equity by DKK 1.7 billion. A negative 10 % change in the CHF currency would effect the income statement negatively by DKK 0.6 billion and would also reduce equity by DKK 0.6 billion. For GBP a negative 10 % change in the currency would not impact the income statement significantly, but would reduce equity by DKK 1.3 billion.

The KIRKBI Group's foreign exchange risk is considered to be moderate.

#### Interest rate risk

The KIRKBI Group's interest rate risk relates mainly to the portfolio of core fixed income and corporate debt instruments. With the current interest rate levels and the composition of the portfolio, an increase of 1% in the interest rate would negatively effect the income statement with DKK 0.2 billion. The KIRKBI Group's interest rate risk is considered low.

#### Liquidity risk

Liquidity is managed centrally and is continuously assessed. It is ensured that, at any given time, sufficient financial resources are available. Based on cash and the liquid investment portfolio of bonds and quoted equities, the liquidity risk is considered insignificant.

### 7.3. DERIVATIVE FINANCIAL INSTRUMENTS

#### Total hedging activities

The derivatives used by the KIRKBI Group mainly relate to the LEGO Group. 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 hedges 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 the 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.

#### Hedging of forecast transactions

The main hedging of forecast transactions relates to USD where the LEGO Group is hedging for a period up to 12 months. For 2019, a total of DKK 2.7 billion (2018 DKK 2.7 billion) has been recognised as forecast transactions in USD qualifying for hedge accounting. The fair value adjustment for USD directly in the income statement is below DKK 100 million and is not

considered material to the consolidated KIRKBI Group income statement.

#### Hedging of balance sheet items

The main hedging of balance items relates to USD where the LEGO Group is hedging for a period up to two months. For 2019, a total of DKK 0.9 billion (2018 DKK 0.7 billion) has been recognised as hedging of balance sheet items in USD. The fair value adjustment

for USD directly in the equity of the consolidated KIRKBI Group is below DKK 100 million and is not considered material.

#### Cash flow hedges for which hedge accounting is not applied

Cash flow hedges for which hedge accounting is not applied are insignificant in the consolidated KIRKBI Group figures.

#### Accounting policies

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently measured at fair value. Derivative financial instruments are recognised in other receivables and other current liabilities.

Changes to the fair value of derivative financial instruments which meet the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

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. Income and expenses relating to these hedge transactions are transferred from equity when the hedged item affects the income statement. The amount is recognised in financial income or expenses.

In case of settlement of a derivative designated as a cash flow hedge, the accumulated fair value adjustment remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to take place, any accumulated fair value adjustments are transferred from equity to the income statement under financial income or expenses.

## 7.4. FINANCIAL ASSETS AND LIABILITIES

### Financial assets and liabilities by valuation category

	2019		2018	
	Fair value through income statement	Amortised cost	Fair value through income statement	Amortised cost
(m DKK)				
<b>Financial assets:</b>				
Investment real estate	8,577	-	7,537	-
Receivable from associates	-	644	658	-
LEGO Ventures investments	277	-	103	-
Finance leases	-	1,399	-	1,372
Other investments	-	111	-	109
Trade and other receivables	-	9,717	-	9,360
Securities	62,371	-	49,880	-
Cash	-	1,664	-	2,616
<b>Total financial assets</b>	<b>71,225</b>	<b>13,535</b>	<b>58,178</b>	<b>13,457</b>
<b>Financial assets measured at fair value through income statement by level:</b>				
Level 1 – Fair value based on listed prices in active markets	42,354		37,313	
Level 2 – Fair value based on valuation techniques with observable market data	3,811		-	
Level 3 – Fair value with significant input from data not observable in the market	25,060		20,865	
	<b>71,225</b>		<b>58,178</b>	
(m DKK)		Amortised cost		Amortised cost
<b>Financial liabilities:</b>				
Borrowings (current and non-current)		3,994		3,836
Trade payables		3,718		3,497
Other liabilities (current and non-current)		5,351		5,860
<b>Total financial liabilities</b>		<b>13,063</b>		<b>13,193</b>

#### Accounting policies

The KIRKBI Groups investment activities (please see section 3 page 73) and LEGO Ventures investments are measured at fair value through income statement, which equals listed prices (level 1), valuation

techniques with observable market data (level 2) or internationally accepted valuation models (level 3). All other recognised financial assets and liabilities are measured at amortised cost.

## SECTION 8 – OTHER NOTES

### 8.1. EXPENSES BY NATURE

(m DKK)	2019	2018
Raw materials and consumables	5,603	5,401
Employee expenses	7,047	6,482
Depreciation and amortisation	1,963	1,329
License and royalty expenses	2,777	2,689
Other external expenses	10,317	9,716
Trademark and administration costs	514	274
<b>Total operating expenses from LEGO Brand Group activities</b>	<b>28,221</b>	<b>25,891</b>
Administration costs	516	317
<b>Total operating expenses from KIRKBI Group</b>	<b>28,737</b>	<b>26,208</b>
<b>Research and development costs charged during the year</b>	<b>768</b>	<b>689</b>

### 8.2. EMPLOYEE EXPENSES

(m DKK)	2019	2018
Wages and salaries	6,820	6,190
Termination benefit and restructuring	(1)	(16)
Pension costs, defined contribution plans	255	255
Other expenses and social security costs	519	453
	<b>7,593</b>	<b>6,882</b>
<b>Average number of full-time employees</b>	<b>16,631</b>	<b>15,523</b>
<b>Executive Management and Board of Directors:</b>		
Salaries and other remuneration	23	21
Short-term incentive plans	2	3
Long-term incentive plans	17	-
	<b>42</b>	<b>24</b>

Since the Executive Management only consists of one member, the remuneration of the Executive Management and the Board of Directors is disclosed collectively with reference to § 98b (3) of the Danish Financial Statements Act.

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.

#### Accounting policies

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 KIRKBI Group. Where the KIRKBI Group provides long-term employee benefits, the costs are accumulated to match the rendering of the services by the employees concerned.

### 8.3. AUDITORS' FEE

(m DKK)	2019	2018
<b>Fee to Deloitte:</b>		
Statutory audit of the financial statements	3	3
Other assurance engagements	-	-
Tax assistance	1	1
Other services	4	4
	<b>8</b>	<b>8</b>
<b>Fee to PwC:</b>		
Statutory audit of the financial statements	12	10
Other assurance engagements	1	1
Tax assistance	9	14
Other services	14	16
	<b>36</b>	<b>41</b>
<b>Total auditors' fees</b>	<b>44</b>	<b>49</b>

### 8.4. SHARE CAPITAL

#### The share capital consists of: (m DKK)

1 A-shares of DKK 1,000 or multiples thereof
199 B-shares of DKK 1,000 or multiples thereof
<b>200 Total shares at 31 December 2019</b>

Each ordinary A share of DKK 1,000 gives 1,000 votes, while each ordinary B share of DKK 1,000 gives 1 vote.

Dividend has been distributed at DKK 2.00 per share (2018 DKK 2.00).

Within the last 5 years, there have been no changes in the share capital.

#### Accounting policies

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

## 8.5. NON-CONTROLLING INTERESTS

Information about the KIRKBI Group's subsidiaries which have non-controlling interests.

Non-controlling part Subsidiary	Koldingvej 2, Billund A/S LEGO A/S		Other Other			
	2019	2018	2019	2018	2019	2018
(m DKK)						
<b>Statement of comprehensive income in subsidiary</b>						
Revenue	38,544	36,391	396	371		
Net profit (loss) for the year allocated to the parent company shareholders	8,306	8,076	133	53		
Total comprehensive income allocated to the parent company shareholders	8,430	8,039	133	53		
<b>Balance sheet in subsidiary</b>						
Non-current assets	16,705	12,754	1,459	1,327		
Current assets	18,241	18,731	112	118		
Total Liabilities	(12,763)	(9,732)	(209)	(168)		
Equity	22,183	21,753	1,362	1,277		
<b>Cash flow in subsidiary</b>						
Cash flow from operating activities	9,645	9,847	48	55		
Cash flow from investing activities	(2,162)	(1,492)	(44)	(35)		
Dividend to shareholders	(8,000)	(7,000)	(34)	-		
Ownership interest of non-controlling interests	25 %	25 %	6-49 %	6-49 %		
<b>Consolidation into the KIRKBI Group</b>						
(m DKK)	2019	2018	2019	2018	Total	
	2019	2018	2019	2018	2019	2018
<b>Carrying amount 1 January</b>	<b>5,439</b>	<b>5,179</b>	<b>114</b>	<b>106</b>	<b>5,553</b>	<b>5,285</b>
Share of net profit allocated to the non-controlling interests	2,076	2,018	16	8	2,092	2,026
<b>Non-controlling interests of net profit</b>	<b>2,076</b>	<b>2,018</b>	<b>16</b>	<b>8</b>	<b>2,092</b>	<b>2,026</b>
Share of comprehensive income allocated to non-controlling interest	31	(8)	-	-	31	(8)
<b>Non-controlling interests of total comprehensive income</b>	<b>2,107</b>	<b>2,010</b>	<b>16</b>	<b>8</b>	<b>2,123</b>	<b>2,018</b>
<b>Other adjustments:</b>						
Dividend paid	(2,000)	(1,750)	(4)	-	(2,004)	(1,750)
<b>Carrying amount 31 December</b>	<b>5,546</b>	<b>5,439</b>	<b>126</b>	<b>114</b>	<b>5,672</b>	<b>5,553</b>

## 8.6. PENSION OBLIGATIONS

### Defined contribution plans:

In defined contribution plans, the KIRKBI 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 KIRKBI Group has no further

pension obligations towards current or past employees. The pension plans in the Danish companies and some of the non-Danish companies are defined contribution plans. In the KIRKBI Group, DKK 224 million (DKK 201 million in 2018) has been recognised in the income statement as costs relating to defined contribution plans.

### Defined benefit plans:

In defined benefit plans, the KIRKBI Group is obliged to pay a certain pension benefit. The defined benefit plans include employees in Germany and in the UK.

In the KIRKBI Group, a net obligation of DKK 209 million (DKK 161 million in 2018) has been recognised relating to the KIRKBI Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the KIRKBI Group, DKK 19 million (DKK 20 million in 2018) was recognised in the income statement and DKK 35 million (DKK 28 million in 2018) has been recognised in other comprehensive income. All defined benefit plans relate to the LEGO Group and no new employees will be included in the defined benefit plans.

### Accounting policies

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 KIRKBI 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.

Actual gains and losses are recognised in other comprehensive income in the period in which they occur.

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

## 8.7. RELATED PARTY TRANSACTIONS

KIRKBI A/S' related parties comprise Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen, Agnete Kirk Thinggaard and the Board of Directors and the Executive Management of KIRKBI A/S. Related parties also comprise subsidiaries and associates. Related parties further comprise companies where the mentioned shareholders have significant influence.

Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen and Agnete Kirk Thinggaard have as shareholders significant influence in KIRKBI A/S.

In the financial year, a limited number of transactions related to services took place between the owners of KIRKBI A/S and the KIRKBI Group. These services were paid on normal market terms and the total fee paid to KIRKBI A/S amounts to DKK 18 million (2018 DKK 24 million). In the financial year interests paid to owners of KIRKBI A/S amounted to DKK 12 million (DKK 18 million in 2018).

Transactions related to sales of products and services between associates and the KIRKBI Group amounted to DKK 713 million (DKK 697 million in 2018), which was paid on normal market terms.

There were no transactions with the Board of Directors or the Executive Management besides transactions related to the employment except for the circumstances described above.

For information about remuneration to the Board of Directors and the Executive Management, see note 8.2.

Loans, receivables and commitments related to associates are specified in the KIRKBI Group's balance sheet.

## 8.8. POST BALANCE SHEET EVENTS

During the period from 31 December 2019 and until adoption at the annual report, no events have

occurred that could have significant effect on the annual report for 2019.



## 8.9. GROUP STRUCTURE

Subsidiaries (fully consolidated into the KIRKBI Group)

### KIRKBI A/S

#### LEGO A/S, 75% (Denmark)

##### Denmark

LEGO A/S  
LEGO System A/S  
LEGO Security Billund ApS

##### Europe

LEGO Handelsgesellschaft mbH  
LEGO Belgium n.v.  
LEGO Production s.r.o.  
LEGO Trading s.r.o.  
Oy Suomen LEGO Ab  
LEGO SAS  
LEGO Brand Retail S.A.S  
LEGO GmbH  
LLD Share Verwaltungs GmbH  
LEGO Hungária Kft.  
LEGO Manufacturing Kft.  
LEGO S.p.A.  
LEGO Norge A/S  
LEGO Polska Sp. z o.o.  
LEGO Lda.  
LEGO Romania S.R.L.  
LEGO Ltd.  
LEGO S.A.  
LEGO Sverige AB  
LEGO Schweiz AG  
LEGO Netherland B.V.  
LEGO Turkey Oyuncak Tıaret Anonim Sirketi  
LEGO Ukraine LLC  
LEGO Park Holding UK Ltd.  
LEGO Lifestyle International Ltd.  
LEGO Company Limited

##### Americas

LEGO do Brasil Comercio e Distribuico de Brinquedos Ltda  
LEGO Canada Inc.  
LEGO Mexico S.A. de C.V.  
Administracin de Servicios LEGO, S. de R.L. de C.V.  
LEGO Operaciones de Mexico S.A. de C.V.  
LEGO Real Estate, S.A. de C.V.  
LEGO System Inc.  
LEGO Brand Retail Inc.  
LEGO Bricklink Inc.

##### Asia, Africa and Australia

LEGO Australia Pty. Ltd.  
LEGO Education Technology (Shanghai) Co., Ltd.  
LEGO Trading (Beijing) Co Ltd.  
LEGO Toy Manufacturing (Jiaying) Co., Ltd.  
LEGO Toy (Shanghai) Co., Ltd.  
LEGO Commerce (Shenzhen) Co. Ltd.  
LEGO Hong Kong Limited  
LEGO Company Ltd.  
BrickLink Limited  
LEGO India Private Limited  
LEG GODT India Private Limited  
LEGO Japan Ltd.  
LEGO Trading (Malaysia) Sdn. Bhd  
LEGO New Zealand Ltd.  
LEGO Singapore Pte. Ltd.  
LEGO South Africa (Pty.) Ltd.  
LEGO Korea Co. Ltd.  
SohoBricks LLC  
LEGO Trading (Taiwan) Co., Ltd.  
LEGO Middle East FZ-LLC

#### KIRKBI Invest A/S, 100% (Denmark)

##### Denmark

KIRKBI Anlg A/S  
KIRKBI Operationel Support ApS  
KIRKBI Real Estate Investment A/S  
LEGO Juris A/S  
Mlholm-Klinikken Ejendom ApS  
Neue Flora Invest A/S  
K & C Holding A/S  
Blue Hors ApS  
Schelenborg Gods ApS  
Privathospital Mlholm P/S, 91%  
HCM A/S, 51%  
Privatmedicinsk Klinik Mlholm A/S

##### Europe

Blue Hors GmbH  
KIRKBI AG  
KIRKBI Real Estate AG  
KIRK AG  
Valbella Resort AG  
KIRKBI Estates Ltd.  
KIRKBI Real Estate Investment GmbH  
Einsteinstrasse GmbH, 90%  
Elsenheimerstrasse GmbH  
Maxor 4 GmbH, 94%

##### Asia

LLJ Investco KK

##### Subsidiaries (accounted for using fair value through income statement)

Enerparc Inc., 87.5% (USA)

##### Joint Operations (accounted for using pro-rata consolidation)

Boston Holding A/S, 63% (Denmark)  
Borkum Riffgrund I Offshore Windpark A/S GmbH & Co. OHG, 50% (Germany)  
KIRKBI Burbo Extension Holding Ltd. (United Kingdom)  
Burbo Extension Holding Ltd., 25% (United Kingdom)  
Burbo Extension Ltd., 25% (United Kingdom)

##### Associates (accounted for using the equity method)

Founders A/S, 33.3% (Denmark)  
Merlin Entertainments Ltd., 50% (United Kingdom)  
Motion JVCO Ltd., 50% (United Kingdom)

##### Associates within investment activities (accounted for using fair value through income statement)

Falck A/S, 28.6% (Denmark)  
Nilfisk A/S, 20.3% (Denmark)  
Vlnge Group AB, 48.3% (Sweden)

##### Associates within LEGO Ventures (accounted for using fair value through income statement)

Peppy Pals AB, 25.3% (Sweden)  
Evolve Additive Solutions, Inc., 27.8% (USA)

# PARENT COMPANY

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## INCOME STATEMENT & COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2019	2018
Dividend from investments in subsidiaries		6,000	5,250
Other net income		27	17
Administration costs	2	(477)	(307)
<b>Operating profit</b>		<b>5,550</b>	<b>4,960</b>
Financial expenses	3	(12)	(13)
<b>Profit before tax</b>		<b>5,538</b>	<b>4,947</b>
Tax on profit for the year	4	96	48
<b>Profit for the year</b>		<b>5,634</b>	<b>4,995</b>
<b>Statement of comprehensive income</b>			
Profit for the year		5,634	4,995
Other comprehensive income after tax		(5)	1
<b>Total comprehensive income for the year</b>		<b>5,629</b>	<b>4,996</b>
<b>Proposed distribution</b>			
Dividend		200	200
Transferred to retained comprehensive income		5,429	4,796
<b>Total comprehensive income for the year</b>		<b>5,629</b>	<b>4,996</b>

## BALANCE SHEET AT 31 DECEMBER

(m DKK)	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property		652	499
Other fixtures, fittings, tools and equipment		18	15
Fixed assets under construction		1,157	913
<b>Property, plant and equipment</b>	5	<b>1,827</b>	<b>1,427</b>
Investments in subsidiaries	6	47,408	36,342
Other investments		13	13
Deferred tax assets	8	5	1
<b>Other non-current assets</b>		<b>47,426</b>	<b>36,356</b>
<b>Total non-current assets</b>		<b>49,253</b>	<b>37,783</b>
<b>Current assets</b>			
Receivables from subsidiaries		2,783	9,801
Current tax receivables		1,356	438
Other receivables		44	41
Cash		2	3
<b>Total current assets</b>		<b>4,185</b>	<b>10,283</b>
<b>TOTAL ASSETS</b>		<b>53,438</b>	<b>48,066</b>

## BALANCE SHEET AT 31 DECEMBER PARENT COMPANY

(m DKK)	Note	2019	2018
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		200	200
Retained comprehensive income		52,230	47,001
Proposed dividend		200	200
<b>Total equity</b>		<b>52,630</b>	<b>47,401</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	143	154
Other long-term liabilities	7	137	93
<b>Total non-current liabilities</b>		<b>280</b>	<b>247</b>
<b>Current liabilities</b>			
Borrowings	7	10	10
Banks		3	-
Payables to subsidiaries		257	193
Trade payables		54	73
Other short-term liabilities		204	142
<b>Total current liabilities</b>		<b>528</b>	<b>418</b>
<b>Total liabilities</b>		<b>808</b>	<b>665</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53,438</b>	<b>48,066</b>
Contingent liabilities and other obligations	9		

## STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained comprehensive income	Proposed dividend	Total
<b>2019</b>				
<b>Equity at 1 January</b>	<b>200</b>	<b>47,001</b>	<b>200</b>	<b>47,401</b>
Profit for the year	-	5,434	200	5,634
Other comprehensive income for the year	-	(5)	-	(5)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,429</b>	<b>200</b>	<b>5,629</b>
Dividend	-	(200)	(200)	(400)
<b>Equity at 31 December</b>	<b>200</b>	<b>52,230</b>	<b>200</b>	<b>52,630</b>
<b>2018</b>				
<b>Equity at 1 January</b>	<b>200</b>	<b>42,405</b>	<b>200</b>	<b>42,805</b>
Profit for the year	-	4,795	200	4,995
Other comprehensive income for the year	-	1	-	1
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,796</b>	<b>200</b>	<b>4,996</b>
Dividend	-	(200)	(200)	(400)
<b>Equity at 31 December</b>	<b>200</b>	<b>47,001</b>	<b>200</b>	<b>47,401</b>

## CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2019	2018
Operating profit		5,550	4,960
Interest paid		(12)	(16)
Income tax (paid)/received		(826)	298
Reversals of items with no effect on cash flows		71	27
Changes in working capital		7,122	(4,307)
<b>Cash flows from operating activities</b>		<b>11,905</b>	<b>962</b>
Purchases of property, plant and equipment		(433)	(541)
Proceeds from sale of subsidiaries		2,734	-
Investment in subsidiaries		(13,800)	-
Disposal of fixed assets		1	-
Other investments		-	(13)
<b>Cash flows from investing activities</b>		<b>(11,498)</b>	<b>(554)</b>
Dividend paid to shareholders		(400)	(400)
Repayments of borrowings		(11)	(10)
New borrowings		3	-
<b>Cash flows from financing activities</b>		<b>(408)</b>	<b>(410)</b>
<b>Net cash flows</b>		<b>(1)</b>	<b>(2)</b>
Cash at 1 January		3	5
<b>Cash at 31 December</b>		<b>2</b>	<b>3</b>

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The annual report of the Parent Company KIRKBI A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act. for reporting class C enterprises (Large).

The accounting policies for the Parent Company and for the KIRKBI Group are identical except for the following:

**Dividend from investments in subsidiaries**

Dividend from investments in subsidiaries is recognised in the income statement of the parent company in the year the dividends are declared. If the dividend

distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

**Investments in subsidiaries**

Investments in subsidiaries are measured at acquisition cost. The acquisition cost includes the fair value of the purchase consideration plus direct purchase costs.

If there is an indication of impairment, impairment testing is carried out as described in the accounting policies for the consolidated financial statements. Where the carrying value exceeds the recoverable amount, it is written down to the recoverable amount.

## NOTE 2. EMPLOYEE EXPENSES

(m DKK)	2019	2018
Wages and salaries	320	190
Pension costs	5	4
Other staff costs and social security costs	2	1
<b>Employee expenses</b>	<b>327</b>	<b>195</b>
<b>Including fee to Executive Management and Board of Directors</b>	<b>41</b>	<b>23</b>
<b>Number of employees</b>	<b>145</b>	<b>122</b>

Since the Executive Management only consists of one member, the remuneration of the Executive Management and the Board of Directors is disclosed collectively with reference to § 98b (3) of the Danish Financial Statements Act.

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.

## NOTE 3. FINANCIAL EXPENSES

(m DKK)	2019	2018
Interest to subsidiaries	1	-
Other interest and exchange losses	11	13
	<b>12</b>	<b>13</b>

**NOTE 4. TAX ON PROFIT FOR THE YEAR**

(m DKK)	2019	2018
Current tax on profit for the year	(85)	(53)
Changes in deferred tax	(4)	(3)
Adjustment of tax relating to previous years, current tax	(7)	8
	<b>(96)</b>	<b>(48)</b>

**Income tax expenses are specified as follows:**

Calculated 22% (22%) tax on profit for the year before income tax	1,218	1,089
Non-taxable income	(1,320)	(1,150)
Non-deductible costs	13	5
Adjustment of tax relating to previous years	(7)	8
	<b>(96)</b>	<b>(48)</b>

**NOTE 5. PROPERTY, PLANT AND EQUIPMENT**

2019 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	614	17	913	1,544
Additions	1	5	427	433
Disposals	-	(1)	-	(1)
Transfer	183	-	(183)	-
<b>Cost at 31 December</b>	<b>798</b>	<b>21</b>	<b>1,157</b>	<b>1,976</b>
Depreciation and impairment losses at 1 January	115	2	-	117
Depreciation for the year	31	1	-	32
Disposals	-	-	-	-
<b>Depreciation and impairment losses at 31 December</b>	<b>146</b>	<b>3</b>	<b>-</b>	<b>149</b>
<b>Carrying amount at 31 December</b>	<b>652</b>	<b>18</b>	<b>1,157</b>	<b>1,827</b>
2018 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	614	15	374	1,003
Additions	-	2	539	541
<b>Cost at 31 December</b>	<b>614</b>	<b>17</b>	<b>913</b>	<b>1,544</b>
Depreciation and impairment losses at 1 January	92	2	-	94
Depreciation for the year	23	-	-	23
<b>Depreciation and impairment losses at 31 December</b>	<b>115</b>	<b>2</b>	<b>-</b>	<b>117</b>
<b>Carrying amount at 31 December</b>	<b>499</b>	<b>15</b>	<b>913</b>	<b>1,427</b>

**NOTE 6. INVESTMENTS IN SUBSIDIARIES**

(m DKK)	2019	2018
Cost at 1 January	36,342	36,342
Additions (Conversion of receivable from subsidiaries)	13,800	-
Disposals	(2,734)	-
<b>Cost at 31 December</b>	<b>47,408</b>	<b>36,342</b>

Subsidiaries	Domicile	Currency	Nominal capital	Ownership/Votes %
LEGO A/S	Denmark	DKK	20,000,000	75%
KIRKBI Invest A/S	Denmark	DKK	132,000,000	100%

**NOTE 7. NON-CURRENT LIABILITIES**

(m DKK)	Total debt	Due within 1 year	Due between 2 and 5 years
Borrowings	153	10	41
Other long-term liabilities	137	-	137
	<b>290</b>	<b>10</b>	<b>178</b>

**NOTE 8. DEFERRED TAX**

(m DKK)	2019	2018
Deferred tax, net at 1 January	1	(2)
Change in deferred tax	4	3
<b>Provision for deferred tax, net at 31 December</b>	<b>5</b>	<b>1</b>
<b>Classified as:</b>		
Deferred tax assets	5	1
Deferred tax liabilities	-	-
	<b>5</b>	<b>1</b>

**NOTE 9. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS**

(m DKK)	2019	2018
Remaining obligations in investment projects	429	874
Guarantees for group enterprises' balances with credit institutions	2,126	1,778
Liabilities operational lease contracts	-	8
<b>Total</b>	<b>2,555</b>	<b>2,660</b>

Security has been given in land, buildings and installations at a net carrying amount of DKK 157 million (DKK 165 million in 2018) for the company's mortgage loans.

The Parent Company is the KIRKBI Group's administration company in relation to the Danish tax authorities in as far as national, joint taxation is concerned.

## NOTE 10. RELATED PARTY TRANSACTIONS

KIRKBI A/S' related parties comprise Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen, Agnete Kirk Thinggaard and the Board of Directors and the Executive Management of KIRKBI A/S. Related parties also comprise subsidiaries and associates and Boards of Directors and Executive Management in these companies. Related parties further comprise companies where the mentioned shareholders have significant influence.

Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen and Agnete Kirk Thinggaard have as shareholders significant influence in KIRKBI A/S.

In the financial year a limited number of transactions related to services took place between the owners

of KIRKBI A/S and KIRKBI A/S. These services have been paid on normal market conditions and the total fee paid to KIRKBI A/S does not exceed DKK 7 million (2018 DKK 6 million).

There were no transactions in the financial year with the Board of Directors or the Executive Management besides transactions related to employment, except from the circumstances described above.

For information of remuneration to the Board of Directors and the Executive Management, see note 2.

Transactions with subsidiaries and associates have included the following:

(m DKK)	2019	2018
Rental income	62	41
Sale of services	99	89
Financial expenses	(1)	-
Rental expenses	(9)	(7)
Purchase of services	(44)	(36)

Loans, receivables and commitments related to subsidiaries and associates are specified in the balance sheet.





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# MANAGEMENT'S STATEMENT

Today, the Board of Directors and Executive Management have discussed and approved the annual report of KIRKBI A/S for the financial year 1 January – 31 December 2019.

The annual report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in 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 Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the management's review includes a fair review of the development in the Group's and the Parent Company's operations and economic conditions, the results for the year and the financial position of the Group and the Parent Company, as well as a review of the most significant risks and elements of uncertainty facing the Parent Company and the Group, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

We recommend the adoption of the annual report at the annual general meeting of shareholders.

Billund, 3 March 2020

## EXECUTIVE MANAGEMENT

Søren Thorup Sørensen,  
CEO

## BOARD OF DIRECTORS

Kjeld Kirk Kristiansen,  
Chairman

Niels Jacobsen,  
Deputy Chairman

Jeppe Fonager Christiansen

Peter Gæmelke

Thomas Kirk Kristiansen

Marie-Louise Aamund



# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of KIRKBI A/S

### OPINION

We have audited the consolidated financial statements and the parent financial statements of KIRKBI A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

### STATEMENT ON THE MANAGEMENT'S REVIEW Management is responsible for the management's review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements

and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 one 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 Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 consolidated financial statements and the parent 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 cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 that we identify during our audit.

Aarhus, 3 March 2020

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