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ANNUAL REPORT 2021

Koldingvej 2
DK-7190 Billund
CVR-no. 18591235



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Part 1

Introducing KIRKBI

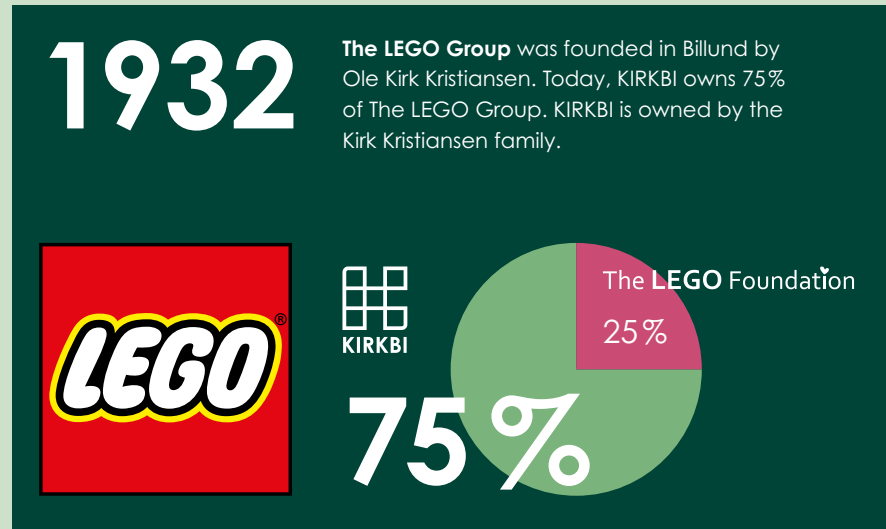
KIRKBI A/S is the Kirk Kristiansen family's private holding and investment company, which owns 75 % of the LEGO Group. KIRKBI is founded to build a sustainable future for the family ownership of the LEGO® brand through generations.



KIRKBI – a family-owned company

KIRKBI's purpose

Building a sustainable future for the family ownership of the LEGO® brand through generations.



~200

KIRKBI employees



KIRKBI's fundamental objectives

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.



What's in a name?

KIRK+
BILLUND

The company name KIRKBI reflects the family ownership and heritage as it is a combination of the family name 'Kirk' and the town 'Billund' in Denmark.

In 1932, Ole Kirk Kristiansen started making wooden toys in his workshop in Billund and from 1934, he sold them as LEGO toys. Since then, KIRKBI as well as the LEGO Group have been headquartered in Billund.

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

KIRKBI's activities

LEGO Brand Group



The LEGO Foundation



Investment Activities



Investment Activities are split into two areas:

Core Capital

Equities
Real Estate
Fixed Income



Thematic Capital

Energy Transition
Circular Plastics
Land Sustainability
Building Billund

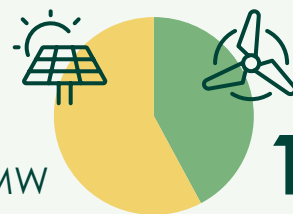
> 100 BN DKK



Total investment portfolio

Solar

242 MW



Wind

162 MW

Renewable energy capacity

Support Activities



We support the owner family members in their active and engaged ownership which include administrative services to the owner family's investment activities, private activities, companies and philanthropic work



LEGO[®]
SCHOOL

The LEGO School is a preparational programme for the 5th generation owners of the Kirk Kristiansen family

Associated foundations

The LEGO Foundation

Ole Kirk's Fond



QATO
Fonden

2021 at a glance

2021 was an exceptional year with the KIRKBI Group delivering strategic progress and strong performance in all business areas.

For the KIRKBI Group, 2021 was a year with continued progress on the strategic journey towards 2032 and strong performance in all business areas.

It was a year with continued impact from COVID-19 causing disruptions in our day-to-day lives as well as healthcare and societal challenges for children and families.

KIRKBI's focus was on being a responsible owner while concentrating on the health and safety of our employees and society. Through the LEGO Group, the LEGO Foundation and Ole Kirk's Fond, a number of initiatives were taken to support children and families impacted by COVID-19 both with support and emergency relief.

In general, there was a high focus on support and giving back to society in 2021. The LEGO Foundation went beyond any previous activity levels with committed grants of DKK 2.8 billion to programmes around the world to help children and families, including those in need and in crisis.



Building a sustainable future for the family ownership of the LEGO® brand through generations.

Grants from Ole Kirk's Fond amounted to DKK 292 million to support children and their families primarily in Denmark while KIRKBI granted DKK 159 million to support among others vulnerable children in Afghanistan and Haiti.

The performance across all business areas led to a consolidated KIRKBI result for 2021 of DKK 27.0 billion compared to DKK 6.4 billion in 2020. The after tax cash inflows to KIRKBI were at DKK 13.1 billion slightly higher than the DKK 12.4 billion realised in 2020. Tax payments totaled DKK 6.0 billion in 2021, compared to DKK 2.6 billion in 2020.

For the **LEGO® branded activities**, investments in the long-term brand vision continued and the LEGO brand made progress on the shared LEGO Vision, i.e. to become "A global force for Learning-through-Play". Across the world, families, children, and adults further engaged in LEGO play experiences and globally the LEGO brand was recognised as the most reputable brand.¹⁾

The LEGO Group continued its remarkable growth momentum from 2020 which led to an increased market share and a revenue 27 % above 2020. After significant investments in digital transformation and sustainability, the LEGO Group ended 2021 with its best annual result ever; a result before tax of DKK 17.0 billion, which is up

with 36 % compared to 2020 – an extraordinary accomplishment by the more than 20,000 employees. In addition to the strong financial performance, the LEGO Group showed continued high customer satisfaction and strong employee engagement.



In 2021, KIRKBI took the next step on the sustainability journey by having its carbon emissions reduction targets approved by the Science Based Targets initiative.

For **Merlin Entertainments** – including the LEGOLAND Parks – the COVID-19 restrictions across the globe continued to impact the number of visitors. Investments continued in new attractions, including LEGOLAND Korea and LEGOLAND Shanghai. LEGOLAND New York opened in July 2021.

For **KIRKBI's investment activities**, a rebound from last year's challenging markets led to a return on the Core Capital portfolio of 23.3 %, positively impacted by a high exposure to equities. The value of KIRKBI's Core Capital portfolio increased to a total of DKK 98 billion.

¹⁾ The 2021 Global RepTrak® 100



A fundamental part of KIRKBI's 2032 strategy is the increased emphasis on **Thematic Capital investments**. In 2021, focus was on further building organisational capabilities across the four sustainable investment themes – *Energy Transition, Circular Plastics, Land Sustainability and Building Billund*. The existing thematic investments progressed as planned with KIRKBI's overall renewable energy capacity increasing to 404 MW from 392 MW in 2020.

In 2021, KIRKBI took the next step on the sustainability journey by having its carbon emissions reduction targets approved by the Science Based Targets initiative. The target is consistent with the Paris Agreement's 1.5°C trajectory. Protecting the planet is vital to ensure a sustainable future and KIRKBI will engage to take the necessary actions progressing towards the target.

The commitment to the Science Based Targets initiative is an example of our continued support of the Ten Principles of the UN Global Compact.

For the owner family, 2021 marked a milestone as the next step in the generational change was announced. In the spring of 2023, Thomas Kirk Kristiansen will take over as Chairman of the Board of KIRKBI A/S from Kjeld Kirk Kristiansen.

Through dedicated contributions and engagement, our passionate team of employees delivered an exceptional year for KIRKBI. We are thankful for the dedication and commitment and look forward to a continued positive development of KIRKBI in 2022.

Kjeld Kirk Kristiansen
Chairman of the Board

Søren Thorup Sørensen
CEO

KIRKBI Fundamentals

The business compass

The LEGO® brand mission is 'To inspire and develop the builders of tomorrow'. The owner family aims to fulfil the mission, helping all children grow and develop to their full potential through creative play by dedicated efforts driven by 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" as well as the mission, the vision, the LEGO Idea, the values and the promises.

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

Active and engaged family ownership through generations

The LEGO Group ownership has been with the Kirk Kristiansen family for four generations. Active and engaged family ownership of the LEGO brand has always been viewed as not only a task, but also as an obligation to make a meaningful difference in children's lives. The ownership is rooted in the family heritage, the family's values, and the greater purpose of enabling children to

learn, grow and develop through play, which is also reflected in the LEGO company name: 'LEg GOdt' – meaning play well.

Being an active and engaged owner of the LEGO brand is defined by the owner family as having a deep interest and engagement in how the enterprises develop and engage with children of all ages as well as stakeholders in general. And also, what the company culture

is like and how the values are lived across all enterprises.



In each generation, the owner family has decided that 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 represents the fourth generation as the most active owner.



The LEGO School

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 a programme with the purpose of supporting the children in developing their own identity – as individuals, as part of a family community, and around being future owners – in a fun, safe, and playful environment.

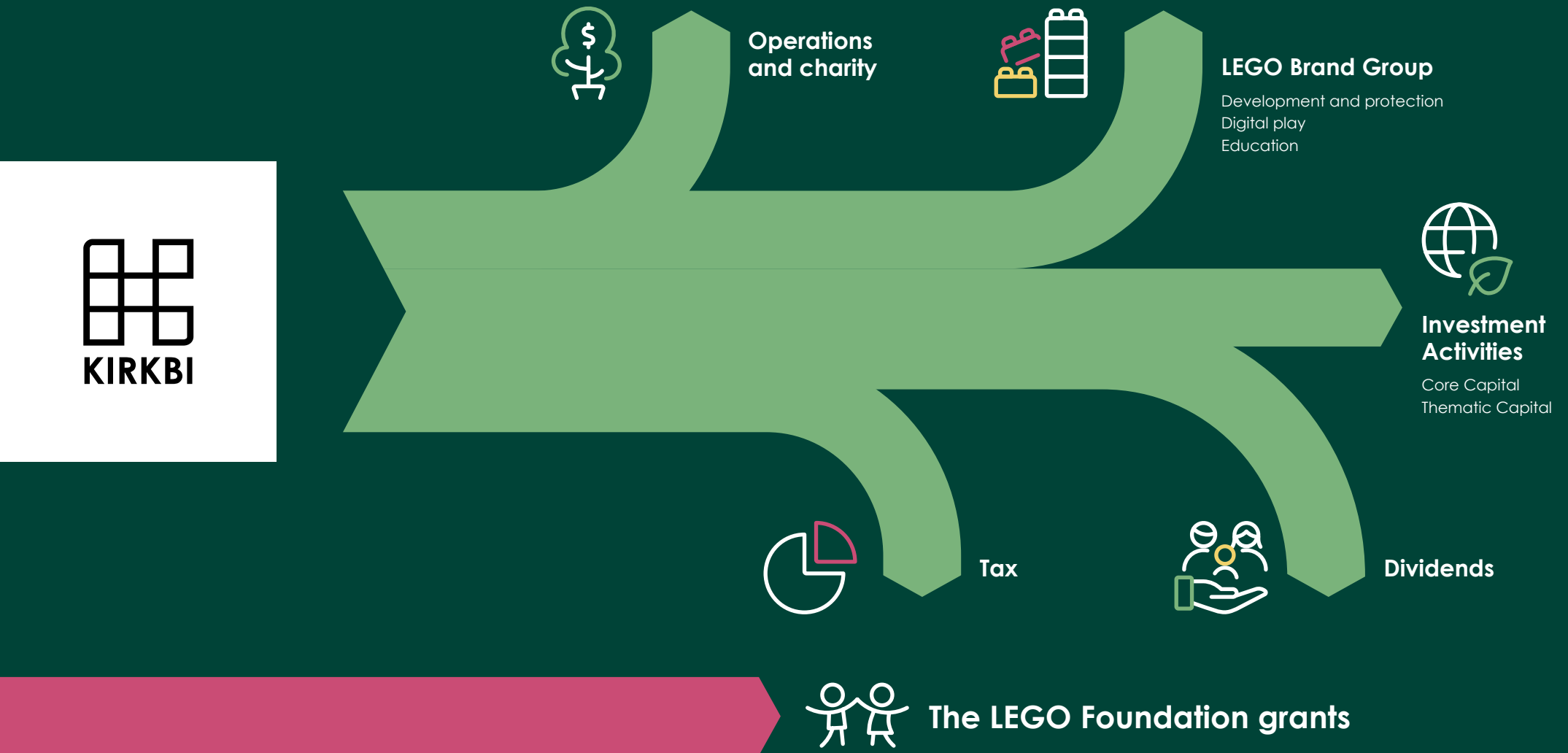
The KIRKBI Fundamentals

Mission	Inspire and develop the builders of tomorrow			
Purpose	Building a sustainable future for the family ownership of the LEGO brand through generations			
Fundamental objectives	 <p>LEGO Brand Group We work to protect, develop and leverage the LEGO brand across all the LEGO branded entities</p>	 <p>Investment activities 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</p>	 <p>Support activities 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</p>	
Values	Imagination — Creativity — Fun — Learning — Caring — Quality			
Promises	<p>Play Promise Joy of building, pride of creation</p>	<p>People Promise Succeed together</p>	<p>Partner Promise Mutual value creation</p>	<p>Planet Promise Positive impact</p>
Spirit	Only the best is good enough — always strive to do better			

The KIRKBI Group Business Model – Inflow



The KIRKBI Group Business Model – Outflow



Financial Highlights

KIRKBI Group (m DKK)	2021	2020	2019	2018	2017
Income statement:					
Operating profit from LEGO Brand Group activities	17,944	11,271	11,791	12,220	11,944
Investment activities	15,621	(1,646)	9,326	(551)	4,398
Total operating profit	32,910	9,256	20,601	11,352	16,002
Profit for the year	27,049	6,371	16,774	8,681	12,679
Balance sheet:					
Total assets	154,637	123,835	119,902	103,132	95,456
KIRKBI Group's share of equity	123,427	99,322	96,807	82,514	76,305
Non-controlling interests	7,446	6,015	5,672	5,553	5,285
Liabilities	23,764	18,498	17,423	15,065	13,866
Cash flow statement:					
Cash flows from operating activities	15,582	16,000	11,144	11,191	10,253
Investment in property, plant and equipment	(3,175)	(2,913)	(3,345)	(2,394)	(2,233)
Investment in intangible assets	(45)	(64)	(360)	(57)	(143)
Employees:					
Average number (full-time)	20,825	17,980	16,631	15,523	16,909
Financial ratios (in %):					
Equity ratio	84.6 %	85.1 %	85.5 %	85.4 %	85.5 %
Return on equity	21.3 %	4.0 %	16.4 %	8.4 %	15.0 %

The Financial Highlights from 2019-2021 are impacted by the implementation of IFRS 16 Leases as from 1 January 2019. Comparative figures for 2017 and 2018 have not been restated. Comparative financial information for 2017 to 2018 have been adjusted for reclassifications implemented in 2019 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.

Equity ratio:

Equity (incl. non-controlling interests) x 100

Total liabilities and equity

Return on equity (ROE):

Profit for the year (excl. non-controlling interests) x 100

Average equity (excl. non-controlling interests)

Part 1

Business Areas

KIRKBI's work is focused on three fundamental tasks all contributing to enabling the Kirk Kristiansen family to succeed with the mission to inspire and develop the builders of tomorrow.





LEGO Brand Group

The LEGO Brand Group is set to realise the LEGO® brand vision – to become a global force for Learning-through-Play. This is to be achieved through a dual purpose:

To protect, develop and leverage the full potential of the LEGO brand.

To ensure the active and engaged family ownership of the LEGO brand through generations.

For LEGO Brand Group, focus is on the LEGO® brand's long-term development while ensuring that the LEGO vision is realised across the LEGO branded entities. The brand strategy focuses on a number of strategic initiatives which are important to the long-term brand development such as:

- Explore and build digital business activities within play and education/learning

- Sustainability commitment to social and environmental goals
- Strengthen the LEGO brand experience e.g. in the LEGOLAND parks and Discovery Centres

The LEGO brand vision – to become A **Global Force for Learning-through-Play** – is anchored in the LEGO Idea and the connection between play, creativity and learning, which remains highly relevant 90 years after the brand was first used. In delivering on this idea, through multiple brand experiences, we help children of all ages realise their potential through playful learning and create a better world for themselves and their societies.

This builds on a philosophy that has been part of the LEGO brand for decades: We believe, children of all ages learn and develop, when they play. It is expressed in the name 'LEg GOdt' – meaning 'play well' in Danish – already thought of by our founder, Ole Kirk Kristiansen. It is also closely connected to the LEGO system in play, which gives children the possibility of building whatever they can think of and create – and while they play, they learn. Across the LEGO brand, each LEGO entity plays a vital role in realising the LEGO brand vision and each entity is delivering on its role, contributing to increase the reach of Learning-through-Play to more children around the world.

While we believe in the timeless relevance of the physical LEGO bricks, we are at the same time strong believers of a digital and sustainable future of the LEGO Brand as a global force for Learning-through-Play.

Jørgen Vig Knudstorp, Executive Chairman, and Thomas Kirk Kristiansen, Deputy Chairman, constitute the chairman's office of LEGO Brand Group.





Development in digital capabilities such as cloud and AI has unleashed a myriad of ways to evolve the LEGO brand and shape the future of learning and play. We are witnessing long-term shifts in how children use their time, with digital play and learning converging and growing in their importance. We are engaging millions more children with digital and hybrid products – reaching them in the digital as well as the physical realm. At the same time, the brand experience is being improved with more integrated and personalised touch points. And we are exploring and investing in innovative new business models (e.g. circular economy platforms). At the same time, we are investing in keeping children and our businesses safe with updated data ethics and upgraded cyber security.

With a mission 'To inspire and develop the builders of tomorrow' it is at the heart of our purpose to think sustainably and work for a sustainable planet for the next generations.

As one of the world's most loved brands among children, they inspire us to do more, and we strive to ensure that we have a positive impact on the world. We are working actively to ensure that the environmental impact of our experiences are reduced as much as possible. We have made progress on making our operations more sustainable, as well as some of our packaging and products, but we are, like many others, on a journey and there is yet much to learn and much to do.

In 2021, a milestone was reached as the LEGO Group successfully developed a prototype LEGO brick made from recycled PET.

The LEGO Group

2021 was a very satisfactory year for the LEGO Group with exceptional delivery on all strategic priorities and reach of millions of children around the world.

The LEGO Group continued its strong performance with double digit growth in revenue, operating profit and consumer sales, and investments continued to be made in strategic initiatives to drive long-term growth.

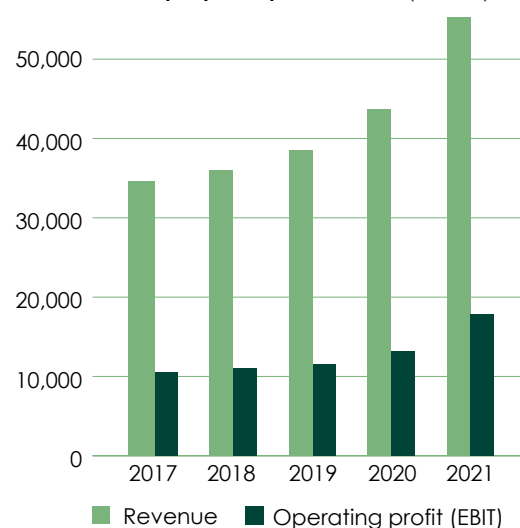
Across the world, fans of all ages engaged in LEGO® play experiences and globally the LEGO brand was recognised as the most reputable brand.¹⁾

The growth momentum continued in 2021 with consumer sales outpacing the industry growth leading to a 27 % increase in revenue, driven by a strong and diverse portfolio, resilient global supply chain network, strong retailer partnerships both online and instore, and a robust e-commerce platform.

Significant investments were made in product innovation, retail experiences, digitalisation and sustainability. Further, continued investments were made in expanding capacity with announced plans to build a new operationally carbon neutral factory in Vietnam.

The LEGO Group ended 2021 with a result before tax of DKK 17.0 billion which is 36 % above last year.

The LEGO Group 5 years' performance (m DKK)



Financial highlights (m DKK)	2021	2020
Revenue	55,294	43,656
Result before tax	17,005	12,500
Profit for the year	13,285	9,916
Equity	29,138	23,547
Cash flow from operating activities	16,048	13,382
Investments	(3,159)	(1,891)
Average number of employees (FTE)	20,198	17,431

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 about problem solving, communication, and collaboration. Skills that are more critical than ever. In the future, children will hold jobs that have not yet been invented. The only way children become prepared is by developing 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 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, CT, USA, London, UK, Shanghai, China, and Singapore.

KIRBI A/S owns 75 % of the LEGO Group. The LEGO Foundation owns the remaining 25 % through Koldingvej 2, Billund A/S.

¹⁾The 2021 Global RepTrak® 100

Other LEGO® branded entities

For **Merlin Entertainments** – the operator of the LEGOLAND Parks and LEGOLAND Discovery Centres – business activities continued to be impacted by the COVID-19 pandemic with many of its over 130 attractions being closed for a part of the year or limited in number of visitors due to restrictions around travel, social distancing, etc.

With 35.2 million visitors in 2021 compared with 22.1 million in 2020, Merlin Entertainments managed to more than double its revenue in 2021, and through a number of cost reduction initiatives the KIRKBI share of the negative result was reduced to a loss of DKK 588 million in 2021 compared to DKK 2,031 million in 2020.

Merlin Entertainments continued its pilot projects, partnerships and investments to enable a unified and positive LEGO brand experience across the LEGOLAND Parks and other LEGO play experiences.

In July 2021, LEGOLAND New York opened, while the construction of LEGOLAND Korea, LEGOLAND Shenzhen, LEGOLAND Sichuan and LEGOLAND Shanghai continued. LEGOLAND Korea is expected to open in the spring of 2022.





LEGO Education saw positive development, especially in the US supported by the significant education package passed by government. Overall, 2021 saw big changes to the education environment globally, and LEGO Education will continue to assess how to manage this going forward.

Highlights of the year were, amongst others, the launch of LEGO BricQ Motion – an exploration of physical science within a sports context – and LEGO SPIKE Essential – a new brick-based STEM-oriented education set.

LEGO Ventures' mission is to explore opportunities in play, learning and creativity beyond the brick, in support of the LEGO brand vision. In 2021, the strategic focus was narrowed down to two main areas: 'Digital Play' and 'Learning/Education'. Within these two areas, the aim is to build substantial footholds that can become essential parts of the LEGO® brand over time.

In 2021, LEGO Ventures completed two new investments within Digital Play; the social gaming platform Piepacker (12 % ownership) and game-modifying platform mod.io. (3 % ownership) Additionally within education/learning, LEGO Ventures invested in Area9 (2 % ownership), which focuses on personalised adaptive learning.

KIRKBI, through its subsidiary **LEGO Juris A/S**, owns the LEGO trademarks and LEGOLAND trademarks, which are licensed to the LEGO Group and Merlin Entertainments, respectively. In 2021, investments in strengthening of the LEGO® brand continued with a contribution of DKK 300 million to the global brand campaign "Rebuild the World".

The LEGO Foundation* aims to build a future in which Learning-through-Play empowers children to become creative, engaged and lifelong learners. Over the past five years, the activity level in the LEGO Foundation has increased significantly. In 2021, the LEGO Foundation went beyond any previous activity levels with total grants of DKK 2.8 billion for programmes, research and advocacy to promote the power of Learning-through-Play, including a USD 150 million donation to UNICEF and other partners to support children and families impacted by the COVID-19 pandemic with vaccines and emergency relief. During the year, Anne-Birgitte Albrechtsen took over the role as CEO of the LEGO Foundation from John Goodwin.

LEGO House* was closed due to COVID-19 during the first four months of 2021. However, many both Danish and international guests enjoyed the unique brand experience through the year and LEGO House continued to strengthen its position as a LEGO Brand lighthouse with high guest satisfaction and positive impact on the LEGO® brand.

* Not part of the KIRKBI Group



Investment Activities

The contribution of KIRKBI's investment activities to the overarching purpose of building a sustainable future for the family ownership of the LEGO brand is separated into two strategic objectives:

We are committed to a long-term and responsible investment strategy to ensure a sound financial foundation for the family's activities.

We are committed to contributing to a sustainable development in the world.

To reflect these two strategic objectives, the investment portfolio is split into two areas; **Core Capital and Thematic Capital**.

For the **Core Capital** portfolio comprising Equity, Real Estate and Fixed Income investments, focus is on delivering a long-term attractive risk-adjusted return and a responsible investment strategy, while at the same time securing financial flexibility and

liquidity for the owner family, the LEGO branded entities and other strategic activities.

For the **Thematic Capital** activities, the aim is to maximise KIRKBI's impact and contribution towards a more sustainable development in the world. The themes under Thematic Capital are: Energy Transition, Circular Plastics, Land Sustainability and Building Billund.

Investment Principles

Across all investment activities, KIRKBI aspires to create value through responsible ownership and investments characterised by:

- Having a long-term mindset
- Being an engaged, ambitious and active owner of the companies and properties we invest in
- Investing in defined sustainability themes and practicing active ownership that lives up to high ESG standards
- Working with partners with high integrity to create mutual long-term value
- Focusing on investments where rigorous due diligence can enable deep insights into the underlying risk and return factors

For all investment activities applies that it is essential to avoid negative spill-over effects on the LEGO brand and the owner family's reputation.

How we engage as owners of companies

The primary focus on areas as an active owner and as representatives on the Board of Directors of companies where we own long-term equity stakes are grouped into four categories:

1. Strategy

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

2. People and governance

Ensuring that the right people and competencies are present in the Board of Directors and management team as well as ensuring that the company's systems and procedures are appropriate and supportive of the company's long-term development.

3. Sustainability

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

4. Financial discipline

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

Active ownership

To underpin the long-term focus and to contribute positively to the strategic direction, we engage actively with the companies and investment partners. This includes among others actively supporting the pursuit of new business opportunities and the mitigation of material risks.

As an active owner, KIRKBI engages in a number of ways, including:

- Board representation
- Shareholder communication
- Voting at the annual general meetings

Through board representation in long-term and thematic capital investments, KIRKBI seeks to engage in setting the strategic direction and contribute to creating sustainable long-term growth and positive impact.

In companies where KIRKBI is not represented on the Board of Directors, we engage with management in case of controversies or breaches of internationally agreed conventions and norms, e.g. UN Global Compact. We communicate with the company to understand what remedies are in place and what types of enhanced controls are implemented to prevent breaches. We have had no such engagements this year.

In general KIRKBI applies its influence by exercising shareholder voting rights at the annual general meetings. KIRKBI has voted at 100 % of the portfolio companies' annual general meetings during 2021.

Responsible ownership and investing

As an integrated part of KIRKBI Fundamentals, ESG 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 protect the value and enhance long-term returns through responsible behaviour.

In addition to the assessment of ESG factors, we exclude investments in certain industries such as tobacco, armament, gambling and adult entertainment.

Negative screening and monitoring

To fulfil the inherent responsibility, the investment activities are regularly screened for compliance with international conventions and norms while measured against high responsibility standards. To ensure that the responsible ownership and ESG principles are practised for all investments, KIRKBI has defined a set of guidelines with appropriate flexibility to address differences among strategies and managers.

KIRKBI assesses its potential investments and monitors its portfolio considering the following:

- Activities on the negative list
- Performance in areas of material ESG risks and ability to manage these risks relative to industry peers
- 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



Core Capital

KIRKBI's Core Capital investment portfolio comprising Equity, Real Estate and Fixed Income investments saw a rebound from last year's challenging markets and the portfolio increased to a total portfolio value of DKK 98 billion.

In 2021, the Core Capital investment portfolio delivered a return of DKK 16.6 billion, equal to 23.3%. In 2020, the portfolio showed a net loss of DKK 2.0 billion, negatively impacted by challenging markets with a high degree of uncertainty and volatility due to COVID-19.

In light of the tumultuous events in 2020, KIRKBI has continued to focus on the long-term value creation by actively engaging with its portfolio companies. The high return in 2021 was driven by equities comprising Long-term Equity, Private Equity and the Quoted Equity portfolio.

All equity portfolios showed high returns throughout the year, while Real Estate had strong performance and Fixed Income delivered a slight negative return given the low interest rate environment.

The year also marks a 10-year period with an average annual return of 9.2%.

By year-end 2021, the Core Capital portfolio totalled DKK 98 billion, an increase of DKK 22 billion compared to 2020.

Long-term Equity

The Long-term Equity portfolio comprising significant minority stakes in six companies as well as two fund investments experienced a positive rebound from a challenging environment in 2020, where most companies were faced with sudden supply chain interruptions and changing demand characteristics.

KIRKBI engages in active ownership through board representation in all six Long-term Equity investments. The active ownership with close dialogue with management and the Board of Directors continued in 2021. Themes of particular focus in 2021 evolved around sustainability, M&A and supply chain security.

At 31 December 2021, the Long-term Equity portfolio value comprised the following companies:

Falck A/S

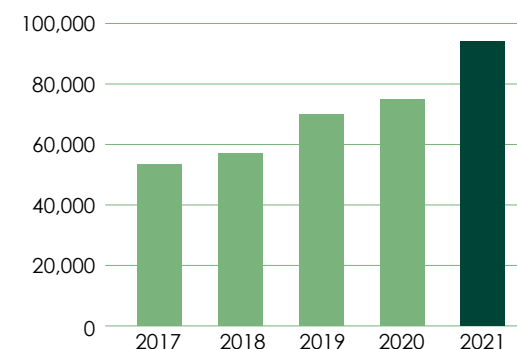
Falck is a healthcare and emergency response company operating in 30 countries with more than 25,000 employees globally. KIRKBI owns 28.6% of Falck A/S.

ISS A/S

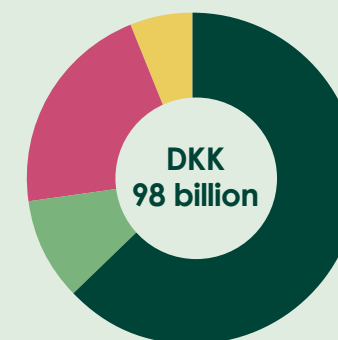
ISS is among the world's leading Facility Services companies and has more than 400,000 employees across all continents. ISS is listed on OMX Nordic Stock Exchange. KIRKBI owns 16.6% of the company.

The block contains three circular icons arranged vertically. The top icon is labeled 'EQUITY' and shows a bar chart with an upward-pointing arrow. The middle icon is labeled 'REAL ESTATE' and shows a house silhouette with a bar chart inside. The bottom icon is labeled 'FIXED INCOME' and shows a pie chart.

Core capital portfolio at year-end (m DKK)



Split of Core Capital



Equity Fixed Income
Real Estate Opportunities

Nilfisk A/S

Nilfisk is one of the world's leading manufacturers of professional cleaning equipment with around 5,400 employees, sales in more than 100 countries and 11 production sites. Nilfisk is listed on OMX Nordic Stock Exchange. KIRKBI owns 20.3 % of Nilfisk.

Välinge

Välinge is an R&D and IP company active in the flooring and furniture industry with a particular strength in wood-based technologies. Founded in 1993, Välinge pioneered the concept of floating click floors. KIRKBI owns 48.4 % of Välinge.

Landis+Gyr

Landis+Gyr is a leading global provider of integrated energy management solutions for the utility sector. Landis+Gyr operates in over 30 countries across five continents and has around 5,500 employees. Landis+Gyr is listed on the SIX Swiss Exchange. KIRKBI owns 15.4 % of Landis+Gyr.

Armacell

Armacell manufactures advanced insulation foams for a wide range of technical applications, improving overall energy efficiency, acoustic comfort, and vibration control. With 24 manufacturing facilities worldwide, Armacell employs more than 3,000 people. KIRKBI owns 43.5 % of Armacell.

Euro Cater (Pending closing)

In December 2021, KIRKBI signed a transaction with management of Euro Cater to support its long-term ownership. Euro Cater is a leading wholesaler in the foodservice sector in Denmark and Sweden, with revenue of around DKK 8 billion. KIRKBI's investment takes the form of preferred equity that makes it possible for the



Photocredit: Armacell

management to retain and strengthen the existing ownership structure. The transaction is expected to be finalised in Q1 2022.

Funds investments

Since 2016, KIRKBI has partnered with selected long-dated US equity funds focused on majority investments in primarily larger US based companies in order to increase KIRKBI's exposure to investments compounding value over longer holding periods.

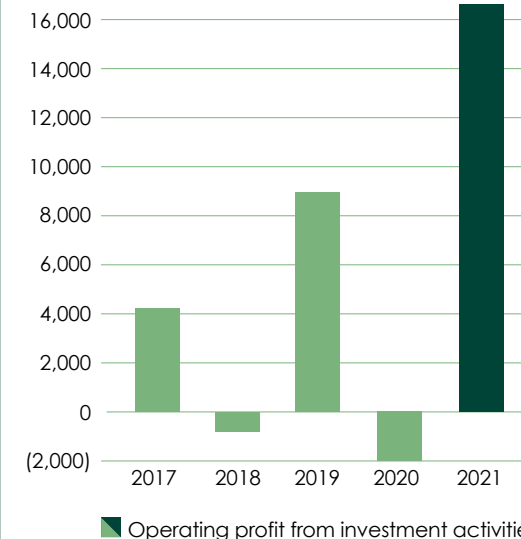
Private Equity

The Private Equity portfolio is comprised by buy-out funds and co-investments. The primary purpose of the Private Equity portfolio is to generate long-term attractive returns. In addition, the Private Equity portfolio provides diversification across industries and geographies as well as access to opportunities in the private market not within the scope of the Long-term Equity portfolio.

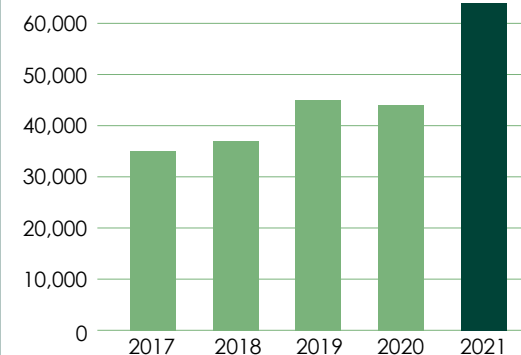
Quoted Equity

The Quoted Equity portfolio is comprised by a selected number of high quality listed companies and external managers across industries and geographies. The primary purpose of the Quoted Equity portfolio is to provide long-term attractive returns, through equity investments in listed companies. Furthermore, Quoted Equities serves as a liquidity provider for KIRKBI and related entities as well as ensuring diversification in the overall portfolio.

Core Capital 5 years' performance (m DKK)



Equity portfolio value development (m DKK)



Financial Highlights (m DKK)

	2021	2020
Operating profit from Core Capital activities	16,550	(2,029)



Real Estate Investments

The main focus of KIRKBI's Real Estate investments is to provide stable returns to the Core Capital portfolio by maintaining and increasing the portfolio with sound and high-quality properties as well as looking at sustainable redevelopment opportunities with a long-term value potential, primarily within the office sector.

KIRKBI has a portfolio of 25 investment properties in five locations:

- Copenhagen
- London
- Munich
- Hamburg
- Switzerland

The total size of the portfolio by the end of 2021 measured more than 309,000 sqm and a value of DKK 10 billion

The Real Estate Core Capital strategy is centered around offering superior quality lettings to all the office and retail tenants and cooperate with them actively, with a special focus on sustainability.

In 2021, KIRKBI acquired an investment property in Opfikon-Glattbrugg, greater Zurich area, Switzerland. The property is an office building of 15,700 sqm of lettable space. The property offers both asset and project management opportunities and the plan is to make several improvements such as installing solar panels and upgrading the technical installations.

The development of Heimeran at Ridlerstrasse in Munich continued during 2021.

The development of Heimeran at Ridlerstrasse 35B-37 in Munich continued during 2021. The property is a modern office complex of 24,800 sqm, consisting of a 14-storey office tower and a 5-storey low-rise building accommodating retail on the lower ground and ground floors and offices on the upper floors. The development is in its construction phase, due for completion in 2022. The property will achieve a DGNB Gold certification at completion.

Fixed Income

The primary purpose of the Fixed Income portfolio is to serve as a source of cash management. Fixed Income also provides a stabilising element to the portfolio by incorporating elements into the portfolio which are less volatile and cyclical relative to equity investments.

The total size of the portfolio by the end of 2021 was DKK 21 billion.



In 2021, KIRKBI acquired Aircenter, located at Stelzenstrasse 2-8 in Opfikon-Glattbrugg, Switzerland.



Thematic Capital

KIRKBI's strategic journey towards an increased emphasis on Thematic Capital investments continued in 2021 with focus on building capabilities and investing in companies with positive impact on the sustainable development in the world.

The Thematic Capital investment activities are driven by the owner family's commitment to contribute to a sustainable development in the world through investments within Energy Transition, Circular Plastic, Land Sustainability and Building Billund.

The focus area in 2021 was to continue building capabilities and an organisational set-up to cater for the new investment areas within Circular Plastics and Land Sustainability.

Energy Transition

KIRKBI's Energy Transition strategy targets investments in wind and solar energy with an increasing focus on other impactful initiatives that can contribute to the decarbonisation of the world's energy system. The geographic focus is on Northern Europe and North America.

While KIRKBI continuously supports the LEGO Group in furthering its environmental sustainability ambitions, KIRKBI also invests in the green energy transition to contribute to the increase of global renewable energy production.



Part of KIRKBI's Energy Transition investments includes ownership in two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and the solar energy developer, Adapture Renewables Inc.

Wind investments

In 2012, KIRKBI and William Demant Invest invested jointly into Borkum Riffgrund 1, with KIRKBI owning 31.5 %. The Borkum Riffgrund 1 wind farm is located in the German 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.

In 2016, KIRKBI invested into Burbo Bank Extension with 25 % ownership. 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.

Ørsted has retained 50 % ownership and has handled the construction and operation of both wind farms.

Solar investments

Founded in 2012, Adapture specialises in developing, engineering, building and operating distributed utility-scale solar photovoltaic (PV) projects in North America.

Adapture supports the transition of commercial energy supply to renewable sources of power by connecting large-scale solar PV systems to the grid. Adapture is based in Oakland, California and operates more than 30 solar power projects in 19 states across the USA.

During KIRKBI's ownership period, the capacity of the operating solar portfolio has increased from 70 MW to more than 240 MW. In 2021, Adapture continued the investments and expansion of its solar power capacity through new solar parks.



Circular Plastics

Globally, plastic waste is a significant problem. Waste management practices of plastics are not broadly in place leading to increasing amounts of unhandled plastics, harmful to environment and climate. This is a result of a majority of plastic types being difficult or impossible to decompose or reuse.

The lack of circularity of plastics is an important area to address globally, and KIRKBI sees a potential to contribute through investments with high impact by targeting – but not limited to – sorting, recycling and the development of new plastic types.

Circular Plastic is a new Thematic investment area where KIRKBI wishes to support the transition towards a world where plastics never become waste.

In 2020, KIRKBI completed a minority investment in the innovative Norwegian plastic recycling company Quantafuel. The company develops, owns and operates plastic-to-liquid plants, transforming mixed plastic waste previously destined for landfill or incineration into high-quality synthetic fuels (recycled carbon fuels) or chemical feedstock (naphtha) for new plastic production.

The company employs 45 employees with the majority being employed at its first production facility located in Skive, Denmark. KIRKBI owns 10 % of the company.

In 2021, KIRKBI invested in Ambercycle - a materials science company building circularity in the fashion industry to reduce plastic waste from textiles.

Land Sustainability

As a new area under Thematic Capital, Land Sustainability is concentrated around forest landscape restoration where deforesting through

centuries has led to severe implications for both climate, environment and biodiversity.

The current focus within this area is to start building capabilities and engage in investments into planting trees and establishing more forest to create a positive impact on environment, climate and biodiversity.

Building Billund

KIRKBI has always been actively engaged in supporting the development of the town of Billund. KIRKBI's dedication to the local community of Billund is rooted in the significance that the town represents to KIRKBI and the LEGO Group as the founding place of both companies.

In 2015, KIRKBI initiated a vision plan for the development of the town together with Realdania and Billund Municipality. The City Vision provides a framework for supporting and strengthening Billund's unique character as the Capital of Children. For KIRKBI specifically, the vision provides a framework for how KIRKBI can support this development through Real Estate and other activities.

In 2021, KIRKBI completed the development of a new residential property in the midtown of Billund. The property called Kastaniehjørnet is a modern residential complex with a mix of private, public and rental housing, designed with emphasis on sustainability, functionality and access to the outdoors.

Further, LEGO® Campus, the new headquarter of the LEGO Group, was finalised and will be inaugurated in spring 2022.

The long-term focus and vision plan for Billund include the development of a new town district

where the existing trotting track is located. During 2022, the existing structures on the ground will be demolished and temporary facilities will be established to accommodate various activities. Further, KIRKBI will continue the work related to a value programme and a master plan for the entire area in collaboration with citizens and stakeholder groups will be established.

In 2021, KIRKBI completed the development of a new residential property in Billund called Kastaniehjørnet.



People & Operations

As a family-owned company, KIRKBI is guided by the beliefs and values in the KIRKBI Fundamentals.

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

Employee engagement

KIRKBI employs 219 specialised and experienced professionals in a diverse set of fields, all dedicated to supporting the overarching purpose and to deliver on the strategy.

Every year, the employees' motivation, satisfaction and engagement are measured in a PULSE Survey. The responses are used to identify possible areas of improvement both at team and organisational level. In 2021, the PULSE Survey showed continued progress with a high level of loyalty and satisfaction among all employees across the organisation.

The motivation and satisfaction scores increased by four points to 86 out of 100 ranking KIRKBI in top class compared to the best performing companies with up to 300 employees.

Also reflected in the PULSE results was the increased focus on leadership, including a new KIRKBI leadership model that was finalised during 2021.

A diverse and inclusive workplace

In KIRKBI, we believe that a diverse organisation and an inclusive working environment represent a necessary base and an opportunity to succeed in the long term. The work culture must be a safe space with a great sense of belonging and a high degree of tolerance.

Our approach to a diverse an inclusive workplace covers the entire organisation including senior management.

In 2021, four focus areas were defined as essential for ensuring a broad understanding and advocacy in the organisation around diversity and inclusion:

- **Engage employees**
- **Build inclusive culture**
- **Improve processes and systems**
- **Data insights and tracking**

Recognising that a change in cultural mindset has a greater chance of success when involving the organisation itself, an employee advocacy group was formed with the purpose of ensuring that the process of exploring, learning and adjusting our ambition, targets and activities within diversity and inclusion will be driven by employee engagement and ongoing involvement.

Another step was completed with the implementation of an anti-harassment policy to create awareness on behaviours that constitute improper conduct and discrimination and how to prevent and manage these.

At the same time, the KIRKBI Code of Conduct was updated, and a whistle-blower line was launched as a safe and anonymous space for anyone in or outside the organisation to speak up and report on any concerns of unlawful or unethical conduct. The whistle-blower line is accessible on our website, KIRKBI.com.

To further improve the awareness of diversity and inclusion, we initiated conscious inclusion training, which will be rolled out to all employees during 2022. In 2022, we will also work with inclusive leadership. Furthermore, we have started to identify relevant metrics and available data to track how we progress on diversity and inclusion.



The employer net promoter score (eNPS) based on the question; “I would recommend KIRKBI as an employer to other people” increased by seven points to 83. This compares to an average external benchmark score of 37.

In 2021, the gender composition showed that women accounted for 46 % of all people leader positions, which is overall in line with KIRKBI's ambition. This gender balance is generally reflected across the organisation.

In 2019, Malou Aamund joined the Board of Directors and the plan is to appoint yet another woman to the KIRKBI Board of Directors before the end of 2024 and thereby fulfil the target of two female board members.

Acknowledging that gender is only one aspect of diversity, we will continue the efforts to ensure a diverse workforce at all levels of the organisation, including a further strengthening of the internal diversity and inclusion agenda and understanding. We want to ensure that every employee feels valued and enabled to release its full potential.

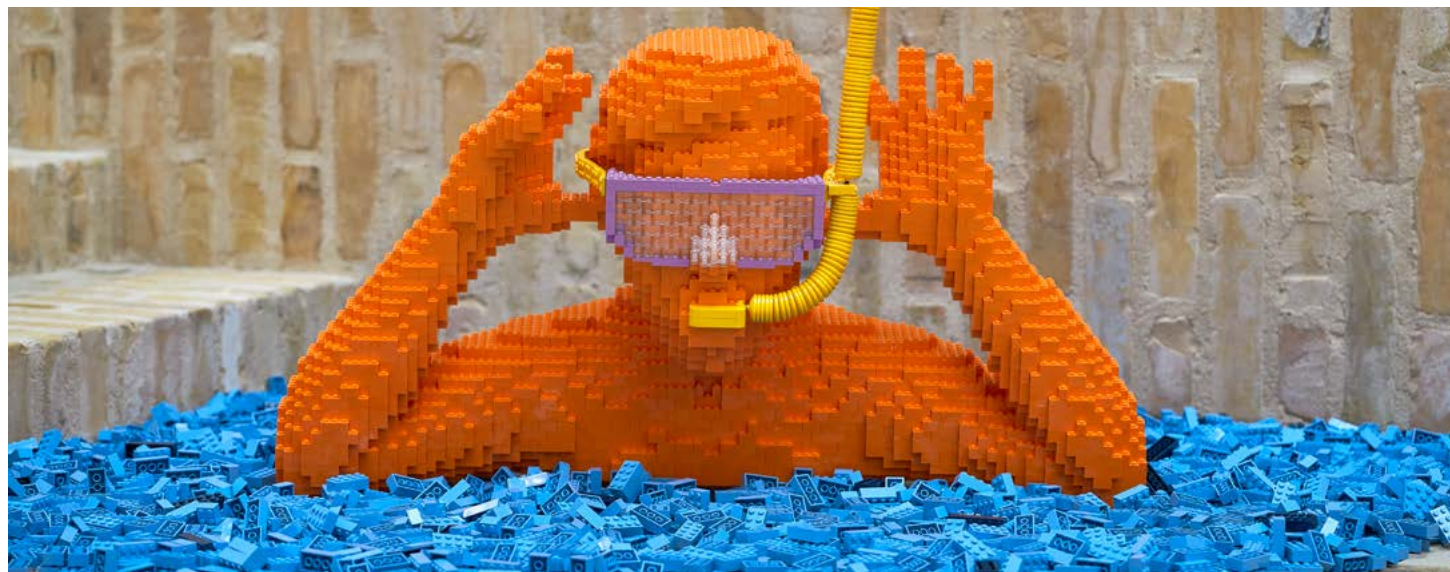
KIRKBI work model

Facing a more stable situation following changed working conditions due to COVID-19, we have implemented a future work model, which seeks to accommodate for employees' interest while balancing the company values and culture. It articulates standards for flexibility versus required office presence as well as individual wellbeing and productivity.

Playful learning

The Play Promise is closely integrated in the People Promise and is all about finding inspiration and pride in our LEGO brand heritage and embracing the characteristics of Learning-through-Play, i.e. being joyful, social, engaging, meaningful, and iterative in our everyday work and private lives.

Throughout the year, we explored how the Play Promise could become a more integrated part of our daily work-life. Due to the unusual and



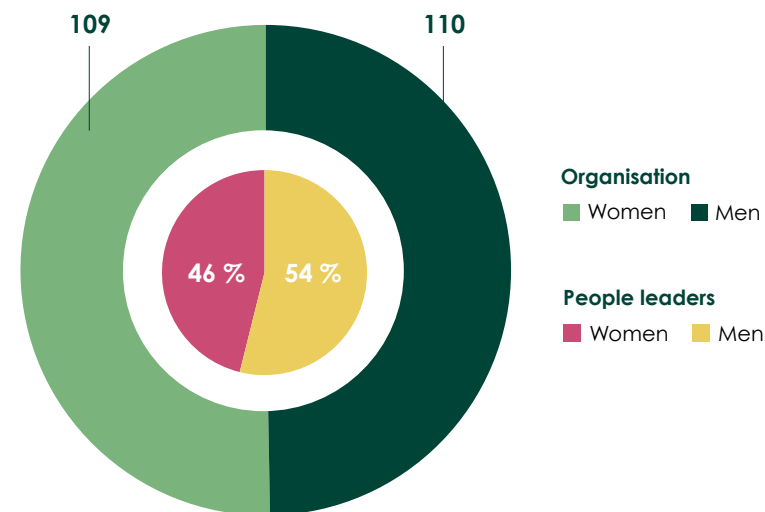
uncertain circumstances during COVID-19, the needs for retention and motivation of the employees was enhanced. The Play Promise played a key role in the activities during the lockdown and the later reboarding of employees.

We will continue our efforts to anchor play into KIRKBI both as part of specific play focused activities, but also integrated into how we work, how we learn and develop, and into community engagement.

KIRKBI operates from three locations:

- Billund
- Copenhagen
- Baar, Switzerland

Gender composition in KIRKBI
Number of employees





Business ethics

The Partner Promise in KIRKBI articulates the aspiration to build partnerships that enhance mutual value creation, entail openness and trust. Partners should feel energised and inspired from their involvement with KIRKBI.

To support the mutual value creation with our partners and at the same time adhere to high standards for business ethics, the KIRKBI Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment, and anti-corruption and serves as a guide to make the right ethical decision at all times.

In 2021, the KIRKBI Code of Conduct was updated to encompass not only suppliers, but all business partners. Further an external whistleblower line allows any non-compliances with the Code of Conduct to be reported. The whistleblower line can be found on KIRKBI.com.

Data ethics

In 2021, a Data Ethics policy was implemented outlining our data ethics principles and what we believe is an ethical way of conducting our day-to-day operation, and what our employees and business partners can expect from KIRKBI when processing and procuring data.

KIRKBI commits to only process personal data in a lawful manner. Decisions related to individuals should always include human evaluation of data. To ensure this, KIRKBI promotes transparency towards the employees and business partners and has an approval process for the use of data.

KIRKBI only wishes to use data from trustworthy business partners and will as part of the "KIRKBI Code of Conduct for Business Partners" ensure that our business partners either have a data ethics policy or conduct their business in a way that is not detriment to the Data Ethics Policy.

To ensure a high level of ethical behavior from KIRKBI's employees when processing personal data or processing non-identifiable data, all employees must complete e-learning training in GDPR and personal data compliance. Moreover, the Data Ethics Policy will be part of the mandatory onboarding procedure for new employees.

It is the KIRKBI leadership team that governs data ethics.

Associated Foundations*

The LEGO Foundation

When children play, they experiment. They work things out. They get creative. They handle emotional ups and downs. They stretch their minds and their muscles - and they get set for whatever grown-up life might throw at them. Play is an essential part of child development. But not every child gets the time and chance to play that they deserve.

That is where the LEGO Foundation comes in. Even though the foundation is based in Denmark, it works internationally to make Learning-through-Play a priority for every child.

It is a significant ambition, calling for systemic change. To get there, the foundation funds research backing education initiatives, and work with partners who have the power to influence children's lives. They include parents, teachers, caregivers, policymakers, academics, businesses, grassroots organisations, NGOs and governments, all over the world.

Together, the LEGO Foundation and partners are opening the world's eyes to the incredible potential in every child – when children are free to learn as they play.

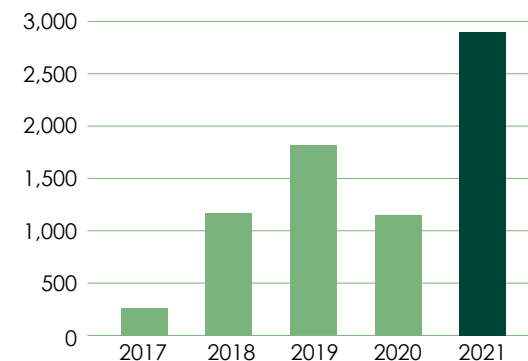
As part of the commitment to give children better opportunities to reach their full potential, the owner family has entrusted the LEGO Foundation with 25 % ownership of the LEGO Group and it is primarily through this ownership that the foundation funds its activities.

In 2021, the LEGO Foundation granted DKK 2.8 billion to programmes around the world helping children and families, including those in need and crises.

Some of the notable 2021 grants include DKK 1.0 billion in response to the impact of COVID-19 to support a safe return to school for children and communities around the world. Further, DKK 115 million was committed to the Global Partnership for Education, which is dedicated to transforming education in lower-income countries; DKK 180 million to the World Bank's Early Learning Partnership to strengthen Learning-through-Play in Early Childhood Development Systems and DKK 36 million to the Hope Consortium in South Africa to support Learning-through-Play with caregivers in the home.



The LEGO Foundation grants (m DKK)



* Not part of the KIRKBI Group

Ole Kirk's Fond

The charitable foundation Ole Kirk's Fond was established in 1964 in memory of the LEGO® founder, Ole Kirk Kristiansen, to make the town of Billund more attractive to employees and their families. The foundation still supports local initiatives and communities, whilst the focus is on creating security, well-being and development possibilities for children - primarily by supporting projects and entering co-operative partnerships in Denmark but also globally through Danish organisations.

Grants from Ole Kirk's Fond amounted to DKK 292 million in 2021 (2020: DKK 190 million).

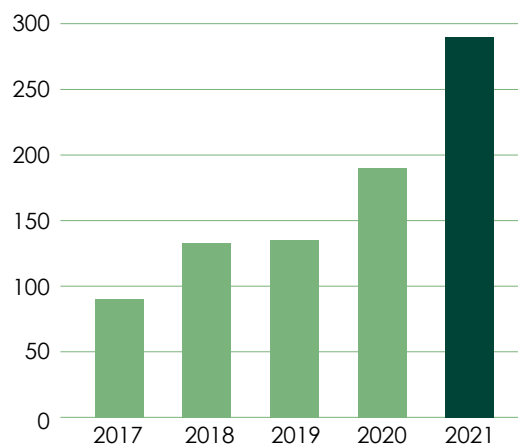
A key milestone for the year was the ground-breaking of the new construction site of the new **children's hospital in Copenhagen**. Since 2016, Ole Kirk's Fond has joined forces with the Capital Region of Denmark and Rigshospitalet to build "Mary Elizabeth's Hospital", which is going to be a new public hospital that sets new standards for the treatment of children, adolescents, pregnant women, and their families. Mary Elizabeth's Hospital is expected to open for patients in 2025. In 2021, Ole Kirk's Fond awarded a DKK 85 million grant dedicated to developing the innovative user experience at the hospital. This grant is an addition to the first grant from the foundation of DKK 615 million.

Another important focus area in Ole Kirk's Fond has been to develop solutions together with partners that help **children exposed to domestic violence** – ensuring that these children are found and helped by professionals.

Given the COVID-19 pandemic, the foundation also established another **COVID-fund** of DKK 10 million. The fund was earmarked projects that



Ole Kirk's Fond grants (m DKK)



aimed to mitigate the challenges that children and young people experienced during the lockdown.

Finally, Ole Kirk's Fond donated an **extraordinary grant** of DKK 50 million to the Danish Red Cross and Red Cross' efforts in **Afghanistan** in August.



The QATO Foundation is a charitable foundation that works to improve animal welfare - paying special attention to animals that do not thrive under human care. The QATO Foundation supports the creation of long-term and sustainable solutions to fight the problems that cause poor animal welfare.

In 2021, the QATO Foundation supported the **construction of Europe's largest tiger enclosure** at the wildlife zoo Knuthenborg Safaripark in Denmark. The enclosure houses former circus tigers and allows the tigers to live as naturally as possible.

Over the years, the QATO Foundation has supported projects that focus on improving **stray dogs' welfare**; Latest a project in Nepal, where a local organisation works with vaccination and neutering to control the stray population – not only for the benefit of the dogs communities in which they live, but also for Nepal's endangered species.

The QATO Foundation also awarded a three-year grant to the **world's first sanctuary for beluga whales** situated in a bay off the south coast of Iceland. It is operated by the SEA LIFE Trust – a charity working globally to protect the world's oceans. The grant will help secure the long-term vision for the sanctuary – ensuring that the welfare of the sanctuary's current two beluga whales remains top priority, with their smooth transition into living a fulfilled life in the bay. The ambition is that the project will help to encourage the rehabilitation of more captive whales into natural environments in the future.

Grants from the QATO Foundation amounted to DKK 15 million in 2021 (2020: DKK 2 million).



Part 1

Sustainability

In KIRKBI, sustainability is a foundational layer for all business activities – and defined by the KIRKBI Fundamentals which serve as our compass.



Approach to Sustainability

In 2019, KIRKBI signed up to UN Global Compact and has embedded its 10 principles in the company's fundamental approach to sustainability.

UN Global Compact principles

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.

KIRKBI Code of Conduct

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.

While the KIRKBI Fundamentals describe the foundation of all business activities, the KIRKBI Employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment, and anti-corruption. It is applicable to all activities - both own operations and investment activities. Introduced in 2018, it is an integrated part of the onboarding material for new KIRKBI employees to ensure that everyone is familiar with its contents. A whistle-blower line allows any non-compliances with the KIRKBI Code of Conduct to be reported.

As a family-owned holding and investment company, the risk of human rights breaches and corruption within own operations is assessed to be low and covered by the implementation of the Code of Conduct, while the risks and opportunities related to labour and environment are managed as described in the relevant sections. Within the investment activities, risks related to all areas of the UN Global Compact are managed via the approach to responsible investing and ownership.

KIRKBI Promises

Our four promises are derived from the KIRKBI Fundamentals and set the direction for our specific sustainability priorities.

16 sustainability priorities towards 2032

Play



Joy of building – pride of creation

To guard and nurture the essential role of play in children's and adults' wellbeing and development.

Mindset

People



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.

- Community Engagement
- Company Culture
- Learning
- Employee Wellbeing
- Leadership

Partner



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.

- Procurement
- Responsible Investing
- Advocacy
- Responsible Tax
- Business Ethics

Planet






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.

- Renewable Energy
- Resources
- Emissions
- Waste
- Sustainable Real Estate

Follow-up on Promises

Promise	2021 Target	2021 Performance Highlights
Play	Explore how to embrace the characteristics of playful learning in our everyday lives	<ul style="list-style-type: none"> KIRKBI employees engaged in exploring what the Play Promise means in a KIRKBI context through a full day event with LEGO Play Day activities, and via keynote speeches at internal Town Hall meetings
People 	Finalise and implement the KIRKBI Leadership model	<ul style="list-style-type: none"> KIRKBI Way of Leading finalised and implementation initiated PULSE score on Leadership increased by 5 to 85
	Define the KIRKBI view of, and approach to, a diverse and inclusive company culture	<ul style="list-style-type: none"> KIRKBI approach to Diversity & Inclusion (D&I) developed D&I employee advocacy group formed Anti-harassment policy implemented
	Maintain our PULSE score well above the benchmark	<ul style="list-style-type: none"> PULSE score increased from 83 to 86 E-NPS increased from 76 to 83
Partner 	Update both the employee and supplier Codes of Conduct	<ul style="list-style-type: none"> Code of Conducts for Employees and Business Partners updated and both reference the external whistleblower-line, launched in 2021
	Map the performance of portfolio companies against material sustainability topics	<ul style="list-style-type: none"> ESG performance of publicly listed portfolio companies has been mapped while efforts to map privately held companies are ongoing
	Further develop the chosen investment segments under Thematic Capital	<ul style="list-style-type: none"> Organisational capabilities expanded in the thematic investment areas Circular Plastics investment strategy defined and first investment under the new strategy was made Solar energy capacity continues to increase via Adapture, part of the Energy Transition area
Planet 	Define a specific carbon reduction target	<ul style="list-style-type: none"> Carbon reduction target approved by the Science Based Targets initiative
	Increase the amount of renewable energy used to heat and power KIRKBI's own operations	<ul style="list-style-type: none"> Renewable electricity increased from 6 % to 100 % via the update of electricity contracts Use of natural gas reduced by 99 % via conversion of one property to district heating
	Increase the use-data we have on our real estate portfolios	<ul style="list-style-type: none"> Coverage of heat and electricity consumption data in the real estate portfolio continues to increase due to green leases and engagement with tenants
	Develop sustainability plans for each of the relevant properties	<ul style="list-style-type: none"> Sustainability plans developed for all relevant properties Certification of 7 properties, with an additional 3 in progress and 3 in the planning phase. Depending on their location, the properties are certified with either a DGNB in-use or BREEAM in-use certification. Both certifications involve a sustainability assessment of the properties and an action plan to increase the sustainability level towards the subsequent re-certification
	Minimise the environmental impacts of KIRKBI Headquarters in Billund	<ul style="list-style-type: none"> KIRKBI Headquarters certified to DGNB-In-Use 'Gold' Installed on-site solar capacity equal to approximately 37 % of annual consumption Additional six EV chargers installed, for a total of 21 Waste and Biodiversity plans developed

2022 Targets

Promise 2022 Targets

People Maintain PULSE score well above the benchmark



Maintain PULSE score on 'immediate leader' at its high level, and above the benchmark

Conscious inclusion training for all employees by end of 2022

Partner Further refine and adapt responsible ownership model



Review ESG performance of the equity portfolio, including external managers

Planet Develop Scienced Based Targets roadmap and reporting



20 % of aviation fuel to be replaced by Sustainable Aviation Fuel

Improve the environmental footprint of the KIRKBI House by 10 %, compared to 2021

Develop the KIRKBI Real Estate tenant strategy

Automate collection of consumption data from Real Estate portfolios

Carbon inventory



In 2021, KIRKBI expanded the scope of its carbon inventory to include emissions from investments in its real estate and emissions related to its ownership share of holdings and investments in an effort to report more precisely on the emissions that KIRKBI is accountable for via the holding and investment activities. The expanded CO₂ emission baseline provides a more complete and accurate overview of where action must be taken to manage the impact on climate change. Developments in emissions from own operations can be attributed to COVID-19-related restrictions on travel activities. Please visit KIRKBI.com for more information.

Tons CO ₂ e	2020	2019
Total emissions	515,688	545,464
Own operations*	3,704	7,106
Real estate portfolios**	10,740	12,513
Investments and holdings***	501,245	525,845

*Scope 1, scope 2, and scope 3 categories 3 (Fuel- and energy-related activities), 6 (Business travel), 7 (Employee commuting), and 13 (Downstream leased assets, excl. Real estate)

**Scope 3 category 13 (Downstream leased assets)

***Scope 3 category 15 (Investments)

Reducing the carbon footprint in 2021

The majority of KIRKBI's own operations' carbon footprint comes from the KIRKBI Group's private aviation, which we continuously focus on how to operate in the most sustainable manner. KIRKBI has chosen private aviation to meet certain security and efficiency needs.

In 2021, steps were taken to source sustainable aviation fuel as a means of reducing the carbon footprint of KIRKBI's aviation. In 2022, we aim to replace 20 % of aviation fuel with its more sustainable alternative.

As further examples of initiatives to reduce the carbon footprint of our operations, electricity was converted to renewable electricity at all locations and a building formerly heated by natural gas was converted to district heating.

At the KIRKBI headquarters, solar panels were installed on the roof top and six additional electric vehicle charging stations were added.

Throughout 2021, KIRKBI has worked diligently to implement the sustainability strategy, including the certification of our buildings according to the third-party standard, DGNB. As part of these efforts, the headquarters in Billund achieved a DGNB Gold certificate, the second highest rating in the DGNB classification system.

We expect the above actions to lower our carbon footprint for 2021, which will be available later this year.



We commit ourselves through the Science Based Targets initiative



KIRKBI has committed to a new carbon emission reduction target in line with the Paris Agreement's most ambitious 1.5 °C trajectory.

This means that KIRKBI commits to reduce its absolute carbon emissions to ensure that we play our part in limiting the effects of climate change. The target has been approved by the Science Based Targets initiative (SBTi). KIRKBI's targets cover both emissions from own operations as well as holding and investment activities.

To achieve the target, KIRKBI is committed to:

Reducing absolute scope 1 and 2 emissions by 55 % by 2032 (from a 2019 base year)¹

Reducing absolute scope 3 emissions from fuel and energy related activities, business travel, employee commuting, and assets leased to other parties by 55 % by 2032 from a 2019 base year²

Ensuring that 45 % of listed equities, bonds, private equity and debt portfolios are setting SBTi validated targets by 2025

To achieve the reduction target in own operations and real estate, we will focus on the energy efficiency of our buildings and the use of renewable energy, including use of sustainable aviation fuel and conversion to electric vehicles.

For our investment and holding activities, we continue to monitor the companies' ambitions and commitments, as well as their actual emission reductions.

In addition, we will engage our investments and holdings without a science-based target to (1) improve carbon emission disclosure, (2) improve management of their carbon footprint, and (3) set science-based targets for emission reductions. On an ongoing basis, we will monitor the progress of our engagement efforts to inform our ownership, partnership, and future target setting.

About science-based targets

Science-based targets are emissions reduction targets in line with what the latest climate science says is needed to meet the goals of the Paris Agreement - to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

About the Science Based Targets initiative

The Science Based Targets initiative is a collaboration between CDP – a global non-profit organisation that helps companies and cities disclose their environmental impact, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi defines and promotes best practice within science-based target setting and independently assesses companies' targets.

¹ Scope 1 emissions are direct emissions from company-owned or controlled resources. Scope 2 emissions are indirect emissions from the generation of purchased energy.

² Scope 3 emissions are all indirect emissions – not included in scope 2 – that occur in a company's value chain.

Part 1

Financial Review 2021

KIRKBI's financial strategy is to create long-term value to support the purpose of building a sustainable future for the family ownership of the LEGO® brand through generations.



2021 Financial Review

Focus on long-term value creation

KIRKBI's strategy is to create long-term financial value to support the company's purpose of building a sustainable future for the family ownership of the LEGO® brand through generations. The long-term value creation is supported by a continuous focus on delivery of strong stable cash flows.

The financial result is mainly influenced by the performance of the LEGO Group, Merlin Entertainments and the financial return from the Investment Activities.

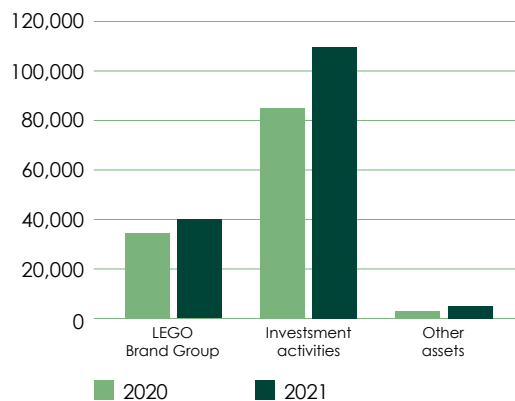
The allocation of KIRKBI's total assets of DKK 155 billion end 2021 (DKK 124 billion end 2020) is illustrated below.

Given the relative size of the investment portfolio, the short-term annual result is to a high degree impacted by unrealised value adjustments from the investment activities. Such value adjustments are subject to the development of the global financial markets at any given time and therefore, in the short-term, to a large extent outside the control of the company.

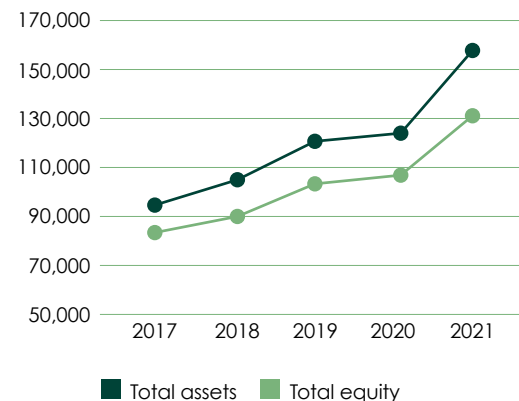
KIRKBI's strategic focus is on the long-term value creation which for the last 5 years are illustrated below.

At the end of 2021, KIRKBI's equity amounted to DKK 131 billion, which is an increase of DKK 26 billion or 24 % compared to end 2020 and DKK 59 billion or 83 % over the last 5 years. The equity ratio continues to be stable around 85 %.

Allocation of KIRKBI assets (m DKK)



Total assets and Equity (m DKK)



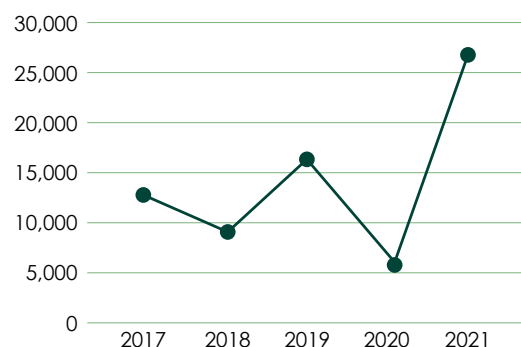
High profit in 2021

The financial year 2021 showed a profit after tax of DKK 27.0 billion. The profit for the year was driven by strong performance in all business areas with LEGO Branded activities contributing with a profit of DKK 17.9 billion (2020: DKK 11.3 billion), the Investment Activities a profit of DKK 15.6 billion (2020: loss of DKK 1.6 billion) and Support Activities total costs of DKK 0.7 billion (2020: DKK 0.4 billion).

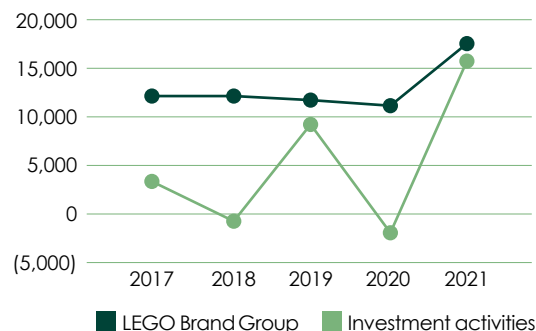
The profit for the year outperformed the expectations for 2021 disclosed in the annual report for 2020.

As illustrated in the 5-year overviews, the annual net profit for the KIRKBI Group has been volatile mainly impacted by the effect from fluctuations in the financial markets on the Investment Activities.

Profit for the year (m DKK)



Operating profit split by LEGO Brand Group activities and investment activities (m DKK)



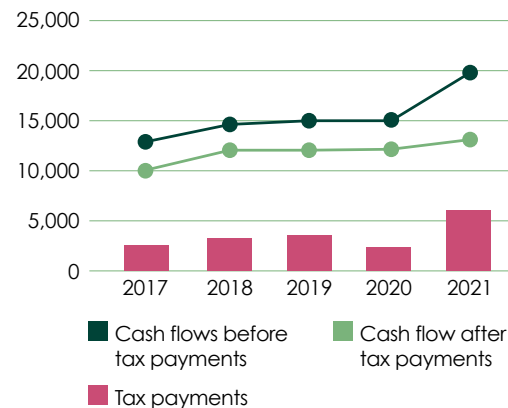
Stable and increasing cash flows

The KIRKBI Group continues to deliver strong and stable cash flows with the majority coming from the solid financial performance in the LEGO Group. For 2021, the cash flows from operating activities to KIRKBI (after capex investments in the LEGO Group) amounted to DKK 19.2 billion before tax and DKK 13.1 billion after tax slightly above the cash flows after tax of DKK 12.4 billion realised in 2020.

In 2021, KIRKBI Group paid taxes of DKK 6.0 billion against DKK 2.6 billion in 2020. The higher tax payment was to a large extent driven by the financial return in the investment portfolio in 2021 (high unrealised value adjustments).

Over the last 5 years, the pre-tax cash inflows to KIRKBI have shown a solid and increasing development, while the annual after-tax cash inflows have varied dependent on the level of tax payments related to the financial return in the investment portfolio (unrealised value adjustments).

Cash flows before and after tax payments (m DKK)



LEGO Brand Group

The LEGO Group

In 2021, the LEGO Group achieved double-digit growth in revenue, consumer sales and profit. The LEGO Group's consumer sales grew 22 % which outpaced the industry's growth and was driven by a strong and diverse portfolio, resilient global supply chain network, strong retailer partnerships both online and instore, and a robust e-commerce platform.

Revenue for the year increased by 27 % to DKK 55.3 billion and the profit before tax grew by 36 % to DKK 17.0 billion. Free cash flow after tax and capex investments remained strong at DKK 12.9 billion compared to DKK 11.5 billion in 2020.

In 2021, the LEGO Group made significant investments in initiatives designed to deliver long-term growth. This included portfolio innovation, investing in brand awareness, expanding the number of LEGO branded stores globally, upgrading the LEGO.com e-commerce platform, increasing capacity in its global supply chain network, and building presence in newer markets such as China.

The investments in product innovation, retail experience, digitalisation and sustainability continued keeping the brand relevant and creating opportunities for more children to benefit from play.

Merlin Entertainments Ltd.

On the back of a 2020 severely impacted by the COVID-19 pandemic, Merlin Entertainments started to see certain positive trends in 2021 with an increased number of visitors leading to a higher revenue and improved operating result. However, Merlin Entertainments' attractions were still negatively affected by opening restrictions

and continued restrictions in social distancing, especially in the Asian region.

Number of visitors was 35.2 million in 2021, which is 60 % ahead of 2020 but 47 % below the pre-pandemic year 2019. Revenue increased to GBP 1.3 billion while the operating profit was GBP 115 million compared to a loss of GBP 740 million in 2020.

Royalties and LEGO Brand Group costs

Royalties from the LEGO® and LEGOLAND® trademarks increased by 29 % to DKK 2.0 billion, driven by the strong revenue growth in the LEGO Group.

The costs and investments to protect, develop and leverage the full potential of the LEGO® brand across entities continued in 2021 with total costs of DKK 0.7 billion, in line with 2020. For 2021, special focus was on the global LEGO® brand campaign "Rebuild the World" as well as development of strategies to further expand the portfolio within digital play and education/learning.

LEGO Ventures showed a positive result of DKK 0.2 billion reflecting positive value adjustments on the portfolio which at the end of 2021 consisted of 19 investments.

Investment activities

The investment activities are separated into a Core Capital and a Thematic Capital portfolio.

For the **Core Capital portfolio**, 2021 was a record year with a return of DKK 16.6 billion, equal to a return of 23.3 %. In 2020, the portfolio showed a net loss of DKK 2.0 billion, negatively impacted by the development in the financial markets due to COVID-19.

The high return in 2021 was driven by equities comprising Long-term Equity, Private Equity and Quoted Equity portfolios. All equity portfolios showed high returns, while Real Estate had strong performance and Fixed Income delivered a slight negative return given the low interest rate environment.

The strategic focus continues to be on the long-term value creation, and with the strong cash inflows as well as the high return, the Core Capital portfolio increased to DKK 98.1 billion, an increase of DKK 22.2 billion or 29 % compared to 2020.

For the **Thematic Capital portfolio**, the return was negative with DKK 0.9 billion compared to a positive return in 2020 of DKK 0.4 billion. Focus for 2021 was to further build-up organisational capabilities in line with the strategic direction set within Energy Transition, Circular Plast and Land Sustainability. At the end of 2021, the value of the Thematic Capital portfolio amounted to DKK 11.6 billion compared to DKK 10.9 billion in 2020.

Support activities

Costs to operate KIRKBI's support functions such as HR, IT, Legal and Finance as well as the support for the investment activities, including Real Estate, amounted to DKK 0.5 billion, which was higher than in 2020 reflecting the effort of building further organisational capabilities to handle the increased activity level as well as the new investment areas within Thematic Capital.

Donations and sponsorships

Donations and sponsorships totalling DKK 159 million in 2021 compared to DKK 56 million in 2020 are reported within Support Activities.

Throughout 2021, KIRKBI made donations to, among others, Ole Kirk's Fond, Danmarks Idrætsforbund

(DIF), QATO Foundation and to the Danish Red Cross, working to support vulnerable children in Haiti and Afghanistan after the humanitarian crisis. KIRKBI has for the past 4 years supported the Danish athletes striving for the Olympic and Paralympic Games in Tokyo in 2021 and has committed to prolong the support with DKK 50 million in the run-up to the Paris 2024 Olympic and Paralympic Games.

Risks

The KIRKBI Group's risks primarily relate to the development within the global toy markets where the LEGO Group operates, the market for family entertainment where Merlin Entertainments operates as well as the financial markets where KIRKBI has a significant exposure of investments. Please refer to note 4.1 in the consolidated financial statements for a description of the financial risks as well as an overall risk assessment.

Events after the reporting date

No events have occurred after the balance sheet date that would have significant influence on the annual report for 2021.

Outlook 2022

Expectations for the KIRKBI Group's financial performance for 2022 are subject to uncertainties related to the development in the global economy, including the COVID-19 pandemic. The overall expectations set out below are therefore to a large extent subject to uncertainties and risks which are beyond KIRKBI's control and may cause the actual development and results to differ materially from expectations.

LEGO Brand Group activities

KIRKBI expects a result before tax from LEGO Brand Group activities in the level around the 2021 result.

The LEGO Group expects single-digit growth in 2022, ahead of the global toy market with further investments within product innovation, digitalisation, sustainability, and retail channels.

Merlin Entertainments is highly dependent on the global development in COVID-19, including restrictions on opening and social distancing.

Royalties are expected to increase in line with expected growth of revenue in the LEGO Group and in the LEGOLAND parks, offset by continued investments in brand protection and development.

Investment activities

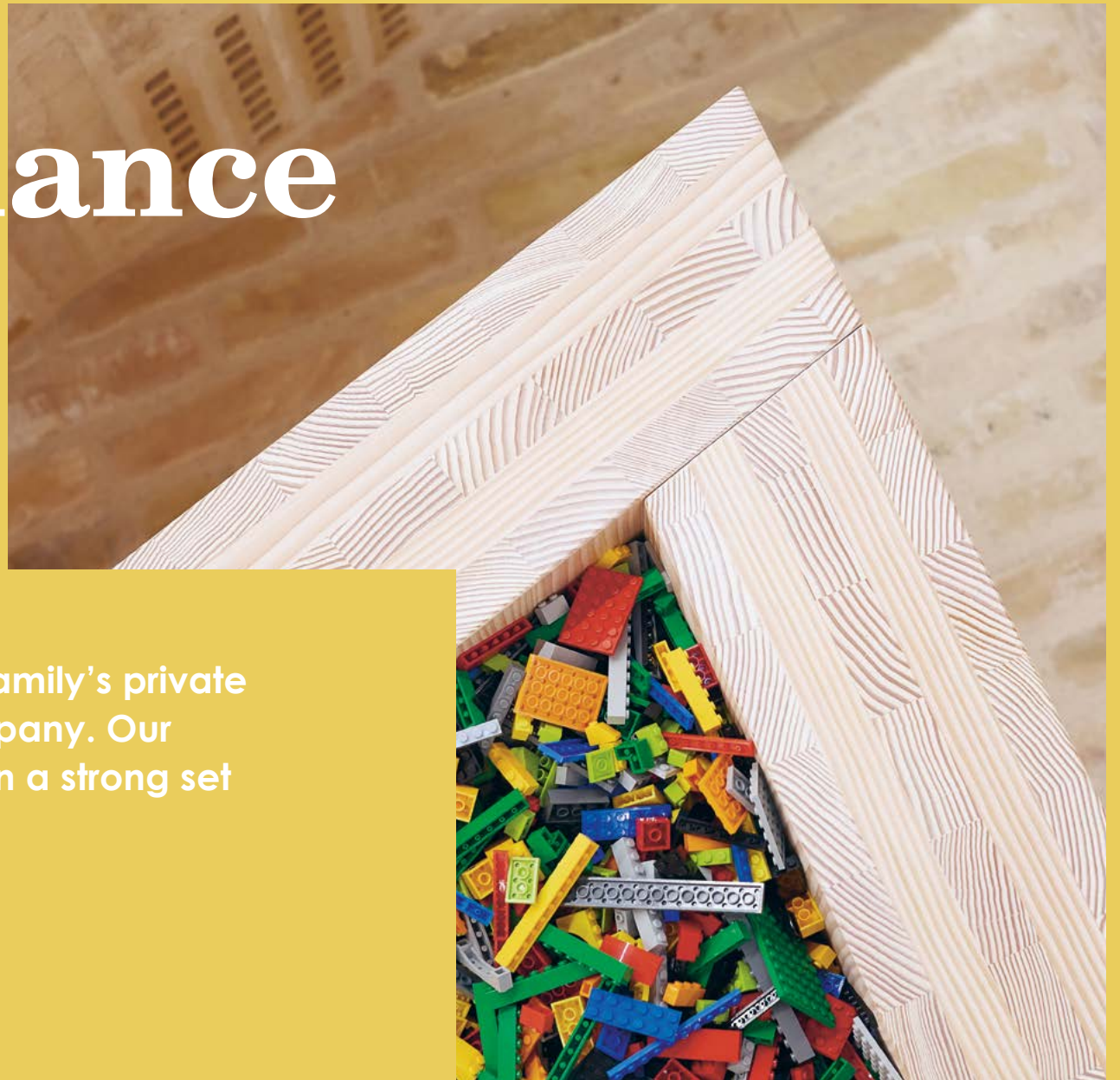
KIRKBI is a long-term investor and a one-year view on the Investment Activities is highly dependent on the development in the financial markets. A normalised return from Investment Activities would be an annual return between 5% - 7% of the Investment portfolio.



Part 1

Governance

KIRKBI is the Kirk Kristiansen family's private holding and investment company. Our way of working is anchored in a strong set of values.



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 CoC 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., 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 EKF Danmarks Eksportkredit



Jeppe Christiansen

Member of the Board since 2008

CEO of Maj Invest Holding A/S

Chairman of the Board of Haldor Topsøe A/S, Emlika Holding ApS and JEKC Holding ApS

Deputy Chairman of the Board of Novo Nordisk A/S

Member of the Board of Novo Holdings A/S, Pluto Naturfonden, Randers Regnskov and BellaBeat Inc. (USA)

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



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 and the LEGO Foundation

Deputy Chairman of LEGO Brand Group and Board member in one fully-owned subsidiary of KIRKBI A/S

Executive Manager of Kirk og Kirk Holding ApS and management roles in four subsidiaries



Malou Aamund

Member of the Board since 2019

Managing Director, Google Denmark

Chairman of the Board of Thinkproject GmbH

Member of the Board of DSV, WS Audiology and LEGO Foundation



Michael Halbye

Member of the Board since 2020

Chairman of the Board of Ludvig & Co. and Generation.org

Member of the Board of the Mary Foundation, 7N, Maternity Foundation, One Life Foundation, Penda Paper and Eczacıbaşı Holding

Executive Leadership Team



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 Directors of LEGO A/S, Chairman of the Board of Directors of Boston Holding A/S and member of the Board of Directors of ISS A/S, Merlin Entertainments Ltd. And 4 affiliated companies, Landis+Gyr AG, Ole Kirk's Fond, ATTA Fonden, Koldingvej 2 Billund A/S and six fully-owned subsidiaries of KIRKBI A/S. Executive position in three subsidiaries of KIRKBI A/S



Irene Dahl-Hansen
Head of HR and Family Office

Employed in KIRKBI
since 2014

Born: 1975

Education: Master of Law, Aarhus University, 2003



Sidsel Marie Kristensen
General Counsel

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 Directors of the LEGO Foundation, Koldingvej 2, Billund A/S, Merlin Entertainments Ltd. and 3 affiliated companies, Eurocater Holding A/S, and 11 fully-owned subsidiaries of KIRKBI A/S



Jesper Ridder Olsen
Chief Financial Officer

Employed in KIRKBI
since 2020

Born: 1970

Education: MSc in Accounting and Audit. State Authorised Public Accountant

Other management positions

Member of the Board of Directors of KK-Group A/S

Chairman of the Board of Directors of Adapture Renewables Inc. and 3 fully-owned 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 Directors of 10 fully-owned 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

Chairman of the Board of Directors of Vålinge AB and member of the Board of Nilfisk A/S, Falck A/S, Adapture Renewables Inc., Topsøe Holding A/S, Boston Holding A/S and one fully-owned subsidiary of KIRKBI A/S

Part 2

Financial Statements

The financial statements for 2021 show strong financial performance, driven by high consumer demand in the LEGO Group and positive fair value adjustments from investment activities, solid cash flows and long-term value creation.





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Consolidated Income Statement

(m DKK)	Note	2021	2020
LEGO Group	2.2	17,005	12,500
Merlin activities	2.3	(581)	(2,039)
Royalties		2,049	1,594
LEGO Ventures		198	(36)
Trademark and related costs		(727)	(748)
Operating profit from LEGO Brand Group activities		17,944	11,271
Investment activities	3.1	15,621	(1,646)
Support activities		(655)	(369)
Total operating profit		32,910	9,256
Financial items		(154)	(68)
Profit before tax		32,756	9,188
Tax on profit for the year	5.1	(5,707)	(2,817)
Profit for the year		27,049	6,371
Appropriation to			
Parent company shareholders		23,717	3,885
Non-controlling interests		3,332	2,486
		27,049	6,371

Please refer to note 8.1 for a Standard Consolidated Income Statement for the KIRKBI Group.

Consolidated Statement of Comprehensive Income

(m DKK)	Note	2021	2020
Profit for the year		27,049	6,371
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to the income statement:			
Exchange differences, foreign subsidiaries and associates		1,200	(1,291)
Net gain/(loss) on cash flow hedges		(212)	72
Tax on entries directly in equity		63	8
Items that will not be reclassified to the income statement:			
Remeasurements of defined benefit plans		14	(9)
Other equity movements in associates		-	112
Other comprehensive income for the year		1,065	(1,108)
Total comprehensive income		28,114	5,263
Appropriation to			
Parent company shareholders		24,705	2,915
Non-controlling interests	9.2	3,409	2,348
		28,114	5,263

Cash Flow Statement

1 January – 31 December

(m DKK)	Note	2021	2020
Profit before tax		32,756	9,188
Income tax paid		(6,026)	(2,555)
Reversals of items with no effect on cash flows		(10,870)	7,611
Changes in working capital		(278)	1,756
Cash flows from operating activities		15,582	16,000
Net investments		(9,121)	(8,690)
Acquisition of intangible assets		(45)	(64)
Acquisition of property, plant and equipment		(3,178)	(2,920)
Sale of property, plant and equipment		3	7
Acquisition of associates		(240)	(608)
Cash flows from investing activities		(12,581)	(12,275)
Dividend paid to shareholders		(600)	(400)
Dividend paid to non-controlling interests		(2,000)	(2,005)
Borrowings, net		441	(354)
Payment of lease liabilities		(463)	(454)
Cash flows from financing activities		(2,622)	(3,213)
Net cash flows for the year		379	512
Cash and bank deposits at 1 January		2,176	1,664
Cash and bank deposits at 31 December		2,555	2,176

Accounting policies

The consolidated cash flow statement shows cash flows for the year broken down by operating, investing and financing activities and cash and bank deposits at the beginning of the year and at year-end.

Cash flows from operating activities are calculated indirectly as profit before tax 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 deposits.

Cash Flow model in line with KIRKBI's business model

The cash flow model below shows the cash flow in line with KIRKBI's business model presented on page 9-10, split by cash inflow from KIRKBI's main activities

before and after tax and cash outflows to investment activities, support activities and charity as well as distributions.

(m DKK)	2021	2020
Cash inflow from:		
LEGO Brand Group activities	17,044	13,288
Investment activities	2,122	1,642
Total cash inflow before tax	19,166	14,930
Income tax paid	(6,026)	(2,555)
Total cash inflow after tax	13,140	12,375
Cash outflow to:		
Investment activities	(9,472)	(9,646)
Support activities and charity	(594)	(318)
Distribution to shareholders and non-controlling interests	(2,600)	(2,405)
Total Cash outflow	(12,666)	(12,369)



Balance Sheet at 31 December

ASSETS (m DKK)	Note	2021	2020
Non-current assets			
Intangible assets	6.1	2,250	2,287
Property, plant and equipment	6.1	17,726	15,057
Core capital investments	3.2	98,119	75,899
Thematic capital investments	3.3	11,644	10,894
Investment activities		109,763	86,793
Investments in associates	2.3	2,735	2,663
Finance leases		1,265	1,323
LEGO Ventures investments		765	360
Other investments		125	125
Deferred tax assets		884	804
Other non-current assets		115,537	92,068
Total non-current assets		135,513	109,412
Current assets			
Inventories	7.1	3,509	2,948
Trade receivables	7.2	8,465	6,679
Other receivables	7.3	4,595	2,818
Cash and bank deposits		2,555	1,978
Total current assets		19,124	14,423
TOTAL ASSETS	1.1	154,637	123,835

Balance Sheet at 31 December

EQUITY AND LIABILITIES (m DKK)	Note	2021	2020
EQUITY			
Share capital	9.1	200	200
Retained earnings		123,227	99,122
KIRKBI Group's share of equity		123,427	99,322
Non-controlling interests	9.2	7,446	6,015
Total equity		130,873	105,337
LIABILITIES			
Non-current liabilities			
Financial liabilities		4,241	3,745
Deferred tax liabilities		841	1,033
Other long-term liabilities	7.4	1,504	837
Total non-current liabilities		6,586	5,615
Current liabilities			
Financial liabilities		2,273	2,212
Trade payables		5,759	3,564
Current tax liabilities		453	663
Other short-term liabilities	7.4	8,693	6,444
Total current liabilities		17,178	12,883
Total liabilities		23,764	18,498
TOTAL EQUITY AND LIABILITIES		154,637	123,835

Statement of Changes in Equity

(m DKK)	Balance at year start	Total comprehensive income for the year	Dividend, etc	Balance at year end
2021				
Share capital	200	0	0	200
Retained comprehensive income	99,122	24,705	(600)	123,227
KIRKBI Group's share of equity	99,322	24,705	(600)	123,427
Non-controlling interests	6,015	3,409	(1,978)	7,446
Total equity	105,337	28,114	(2,578)	130,873
2020				
Share capital	200	0	0	200
Retained comprehensive income	96,607	2,915	(400)	99,122
KIRKBI Group's share of equity	96,807	2,915	(400)	99,322
Non-controlling interests	5,672	2,348	(2,005)	6,015
Total equity	102,479	5,263	(2,405)	105,337



Part 3

Notes – the KIRKBI Group



Notes – The KIRKBI Group

Part 3

Notes – the KIRKBI Group

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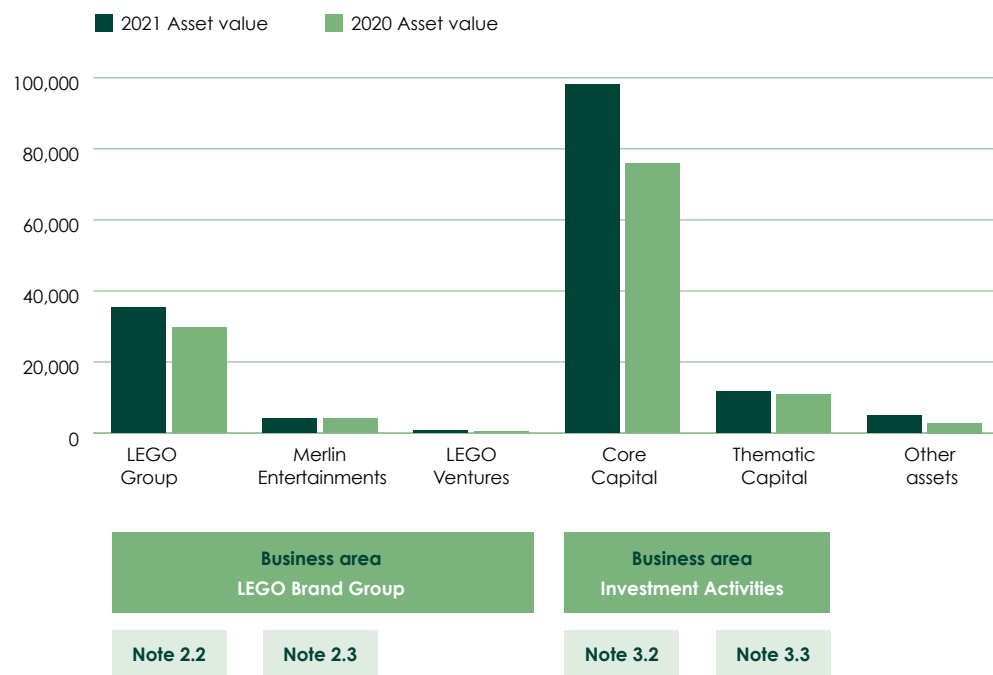
Section 1 – Allocation of assets

1.1. Allocation of KIRKBI's assets

KIRKBI is a private holding and investment company founded to build a sustainable future for the family ownership of the LEGO® brand through generations. The activities are focused on three fundamental objectives: LEGO Brand Group, Investment activities and Support activities.

Below is a split of KIRKBI's assets of DKK 155 billion (2020: DKK 124 billion), into LEGO Brand Group, Investment activities and Other areas.

Allocation of KIRKBI assets (m DKK)



Section 2 – LEGO Brand Group

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 and Merlin Entertainments Ltd. (owner of the

LEGOLAND® parks and LEGOLAND® Discovery Centres) as well as trademark royalties and activities within education, learning and digital play.

Accounting policies

Profit before tax from LEGO A/S, a company in which the KIRKBI Group has controlling influence, is fully consolidated and in the income statement included in the line item Operating profit from the LEGO Group.

Merlin Entertainments Ltd., in which KIRKBI owns 47.5 %, is accounted for using the equity method. Changes to the carrying amount of the investment are in the income statement included in the line item Operating profit from Merlin activities together with income from assets leased to Merlin Entertainments Ltd.

2.2. The LEGO Group

(m DKK)	2021	2020
Reconciliation to the Annual Report for the LEGO Group:		
Profit before income tax included as Operating profit from LEGO Group	17,005	12,500
Tax on profit for the year included in Tax on profit for the year	(3,720)	(2,584)
Profit for the year	13,285	9,916
Included as non-controlling interests, 25 %	(3,321)	(2,479)

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. Merlin activities

Investments in associates under LEGO Brand Group include the ownership of Merlin Entertainments Ltd., which is structured through the holding company Motion JVCO Ltd. The KIRKBI Group owns 47.5 % of Merlin Entertainments

and hence the investment is classified as an investment in associates. Merlin Entertainments Ltd. is located in the UK using GBP as its functional currency.

Operating profit from Merlin activities

(m DKK)	2021	2020
Share of profit from Merlin Entertainments Ltd. / Motion JVCO Ltd.	(588)	(2,031)
Profit/(loss) from assets leased to Merlin Entertainments	7	(8)
Operating profit from Merlin activities	(581)	(2,039)

Investment in associates

(m DKK)	2021	2020
Merlin Entertainments Ltd. / Motion JVCO Ltd.	2,495	2,663
Shanghai LEGOLAND Co. Ltd.	240	-
Carrying amount of shareholdings related to Merlin	2,735	2,663

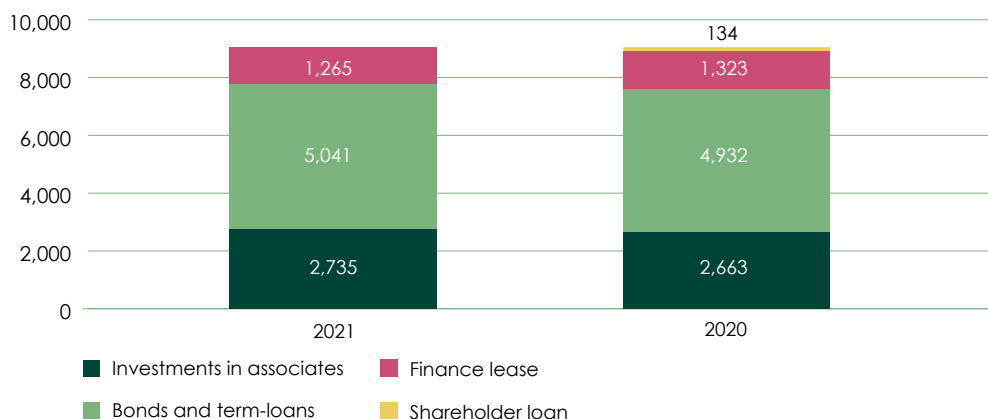
The carrying amount of Merlin Entertainments Ltd. / Motion JVCO Ltd. can be specified as follows:

(m DKK)	2021	2020
Cost at 1 January	3,330	2,722
Additions	-	608
Cost at 31 December	3,330	3,330
Value adjustment at 1 January	(667)	1,721
Exchange adjustment to year-end rate	180	(246)
Dilution	-	112
Share of profit	(588)	(2,031)
Share of comprehensive income	240	(223)
Value adjustment at 31 December	(835)	(667)
Carrying amount at 31 December	2,495	2,663

Total value of assets related to Merlin activities

In addition to the 47.5 % shareholding in Merlin Entertainments Ltd., KIRKBI has other assets related to Merlin Entertainments Ltd. in the balance sheet including bonds and term-loans issued by Merlin Entertainments Ltd. and assets leased to Merlin Entertainments Ltd.

Total value of assets related to Merlin activities (m DKK)



Accounting policies

Merlin Entertainments Ltd. 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.

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

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

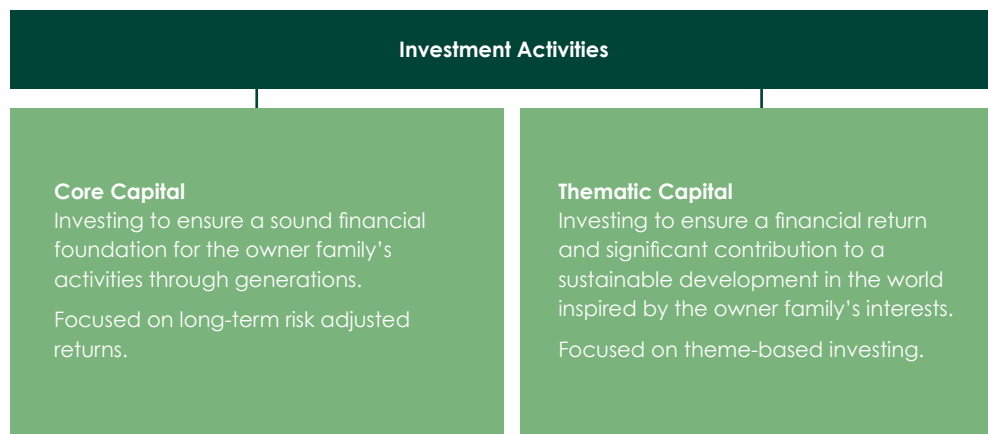
(m DKK)	2021	2020
Revenue	11,244	5,175
Profit/(loss) for the year	(1,238)	(6,920)
KIRKBI Group's share of profit for the year	(588)	(2,031)*
Total assets	71,520	66,765
Total equity	16,640	16,119
Reconciliation of carrying amount of associates		
KIRKBI Group's share of equity	7,887	7,656
Elimination of goodwill in Motion JVCO Ltd.	(5,582)	(5,183)
Goodwill related to prior acquisition	190	190
Carrying amount of associates	2,495	2,663

*) Impairment in Merlin Entertainments in 2020 of DKK 1,374 million was reversed in the KIRKBI Group as related goodwill in line with IFRS was not recognised upon acquisition of significant ownership of Merlin Entertainments in 2019.

Section 3 – Investment activities

3.1. Definition of investment activities

The KIRKBI Group's investment activities are divided into Core capital and Thematic capital investments with different purpose and risk profiles.



Split of Investment activities

(m DKK)	Operating profit		Total assets	
	2021	2020	2021	2020
Core capital	16,550	(2,029)	98,119	75,899
Thematic capital	(929)	383	11,644	10,894
	15,621	(1,646)	109,763	86,793

3.2. Core capital

Through Core Capital, KIRKBI seeks to obtain attractive risk-adjusted returns and capital preservation for the long term, while ensuring high environmental, social and governmental standards.

The core capital 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.

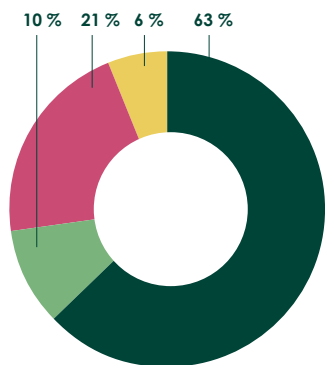


Allocation of Core capital (m DKK)



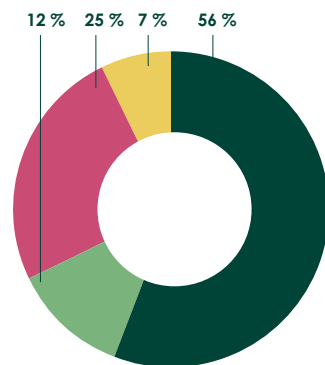
Split of Core capital

2021 (%)



Equity Fixed Income
Real Estate Opportunities

2020 (%)



Equity Fixed Income
Real Estate Opportunities

Accounting policies

Core capital investments are valued at fair value through the income statement. Fair value is the price that would be received by selling an asset between market participants at the measurement date.

Associates and other financial assets that fall into the category of core capital investments are recognised in accordance with IFRS 9 at fair value through the income statement.

Investments are initially recognised at cost and subsequently adjusted to fair

value. Please refer to note 11 for a list of associates valued at fair value through the income statement.

Investments in real estate are measured at fair value through the income statement according to IAS 40. Initially real estate investments are measured at cost and subsequently adjusted to fair value.

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.

Significant accounting estimates and judgements

Core capital investments are valued at fair value. By nature, uncertainties exist regarding fair value assessment of investments not based on observable market data. Consequently, preparation

of the financial statements requires the application of certain estimates and judgements.

The material area of estimates and judgements are set out below:

Asset class	Valuation method
Listed equity shareholdings	Observable market data
Private Equity	Reported Net Asset Value by the respective Private Equity funds in line with IPEV (International Private Equity and Venture capital) valuation guidelines
Unquoted Long-term equity shareholdings	Trading multiples for comparable companies in combination with discounted cash flows analysis
Investment properties	Cash flow estimates and analysis of required rate of return (yield)
Bonds and corporate debt	Observable market data

Management reviews and assesses the value of the individual investments on an ongoing basis. For more information on significant accounting estimates and

judgements please refer to note 10.2 and for more information on fair value estimates on hierarchies please refer to note 9.4.

3.3. Thematic capital

Through Thematic capital, KIRKBI seeks to contribute to a sustainable development

in the world by investing in impact focused themes inspired by the owner family's interests.



Accounting policies and significant estimates and judgements

The Thematic capital investments are valued either at cost less depreciation or fair value through the income statement depending on the nature of the investment. For controlled entities and joint operations the underlying assets are valued at cost less depreciation through

full or partial consolidation in the income statement and balance sheet.

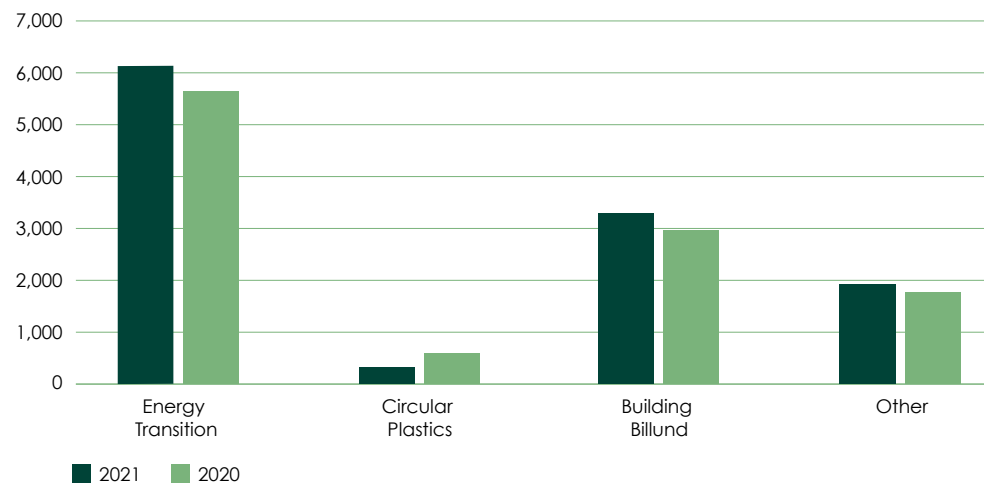
The offshore windfarms Borkum Riffgrund 1 offshore Windpark A/S GmbH & Co. OHG and Burbo Extension Ltd. are classified as joint operations, as there is a contractual arrangement that secures the parties' control over the output from the joint arrangement.

Asset class	Valuation method	Estimates and assumptions
Energy Transition	Cost less depreciation	Estimated lifetime of the assets
Circular Plastic	Equities with observable market data	None
Building Billund and other assets	Cost less depreciation	Estimated lifetime of the assets

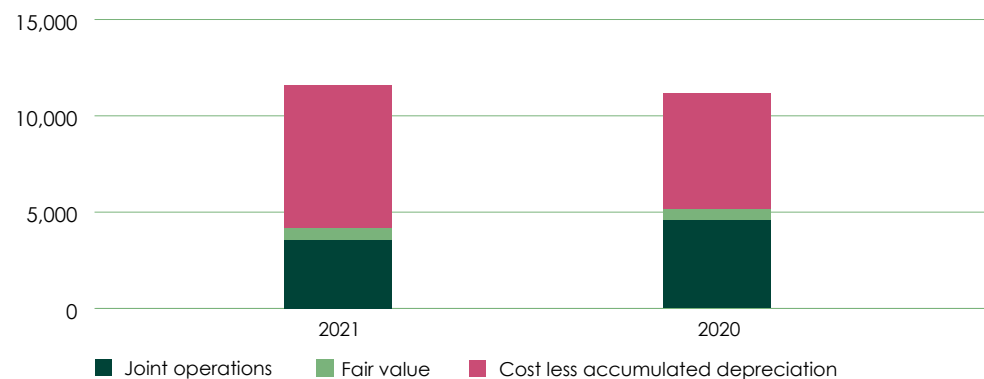
Management reviews and assesses the value of the individual investments on an ongoing basis. For more information on significant accounting estimates and judgements by

management please refer to note 10.2 and for more information on fair value estimates on hierarchies please refer to note 9.4.

Allocation of Thematic capital (m DKK)



Valuation method for Thematic capital (m DKK)



Section 4 – Risk management

4.1. Financial risks

The financial risks of the KIRKBI Group are set out in the financial risk management guidelines approved by the Board of Directors. The guidelines include the KIRKBI Group's treasury and investment policy including definition of appropriate risk limits and controls to monitor the risks and ensure adherence to limits.

The overall purpose of the core capital investment portfolio is to create long-term economical value based on the KIRKBI Fundamentals, i.e. to:

- Protect the investment portfolio to ensure a sustainable future for the family ownership of the LEGO Brand
- Deliver a stable growth of capital with an attractive risk-adjusted return
- Avoid negative spill-over effects on the LEGO brand and the LEGOLAND brand
- Contribute to a sustainable development in the world
- Ensure high ethical standard in investments and engagements

To reflect the above, the investment policy includes 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.

Investment approach and asset allocation

The KIRKBI Group's activities consist of holdings in LEGO Brand Group assets such as the LEGO Group, Merlin Entertainments Ltd. and LEGO Ventures as well as investments within the areas of equities, real estate, fixed income and thematic investment areas such as renewables and Circular Plastics.

The overall purpose implies a portfolio strategy based on firm and conservative investment principles and beliefs. 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.

Financial risk management

- For the KIRKBI Group, the concept of risk is divided into two areas:
- 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.

Risk assessment

Below is set out an overall risk assessment related to business, credit risk and risks related to interest and foreign exchange rates.

Risk levels (yearly financial impact on the income statement):

Low	DKK 0 m - DKK 1,000 m
Moderate	DKK 1,000 m - DKK 2,000 m
High above	DKK 2,000 m

	Type	Risk level	Description
Business risks	Consumer demand in the LEGO Group	High	The impact of consumer demand in the LEGO Group has a significant effect on the profitability and cash flows in the KIRKBI Group.
	Number of visitors in Merlin Entertainments	Moderate	With a significant ownership share in Merlin Entertainments, the KIRKBI Group is impacted by the number of visitors in the attractions of Merlin.
	Development in global equity markets	High	The KIRKBI Group has significant equity exposure and the financial result is impacted by the development in the global Equity markets.
Credit risks	Risk of bankruptcies at customers	Low	The KIRKBI Group has no relatively credit risk concentration, but has some single significant trade debtors.
	Risk of bankruptcies at counterparts	Low	Financial instruments and engagement with insurance companies are entered into with counterparts with investment grade level ratings.
	Risk for loss due to lack of liquidity	Low	The KIRKBI Group has a significant portion of quoted bonds and equities that are relative liquid in a liquidity stress situation.
Interest and exchange rate risks	Foreign exchange exposure	High	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 highest risk is related to USD, where the KIRKBI Group has assets measured at fair value of around DKK 33 billion. The exchange rate risk for other currencies than USD is considered low. The LEGO Group hedges forecast transactions and balance sheet items for a period of up to 12 months, mainly USD. Total contract amount for which hedge accounting applies is DKK 11.6 billion with a negative fair value of DKK 0.4 billion.
	Interest rate exposure	Low	The KIRKBI Group's interest rate risk relates mainly to the portfolio of core fixed income and corporate debt instruments. With the current composition of the portfolio, the KIRKBI Group's interest rate risk is considered low.

4.2. Contingent liabilities and other obligations

Contingent liabilities and other obligations

(m DKK)	2021	2020
Private Equity and Long-term Equity commitments	13,237	8,584
Completion of real estate projects	4,113	2,033
Guarantees	2,649	2,647
Other obligations	4,477	1,119
	24,476	14,383

Obligations to private equity funds and long-term equity reflects outstanding commitments to funds and committed purchase agreements of equities. Commitments to private equity funds are expected to have a liquidity effect within the next 1-7 years.

Remaining liabilities in real estate projects mainly consists of costs to complete ongoing projects, with expected liquidity effect within 2 years. Guarantees mainly relate to bank guarantees for commitments.

Other obligations comprise purchase, service and licence agreements.

Security has been given in land, buildings and installations at a net carrying amount of DKK 3.202 million (DKK 3,104 million in 2020) for mortgage loans with a carrying amount of DKK 841 million (DKK 858 million in 2020).

Section 5 – Taxes

5.1. Income tax expense

(m DKK)	2021	2020
Current tax on profit for the year	5,725	2,895
Deferred tax on profit for the year	(183)	(120)
Effect of change in tax rate	3	(5)
Other	75	41
Prior year adjustments	87	6
	5,707	2,817

Income tax expenses are specified as follows:

Calculated 22 % (22 %) tax on profit for the year before income tax	7,206	2,021
Tax effect of		
Corporate tax rate in Denmark	22.0 %	22.0 %
Higher/(lower) tax rate in subsidiaries	(0.7 %)	(2.1 %)
Non-taxable income / fair value adjustments	(4.4 %)	(2.4 %)
Non-deductible expenses / fair value adjustments	0.1 %	11.5 %
Effect of change in tax rate	0.0 %	(0.1 %)
Adjustment of tax relating to previous years	0.3 %	0.1 %
Other	0.1 %	1.7 %
	17.4 %	30.7 %

Accounting policies

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except

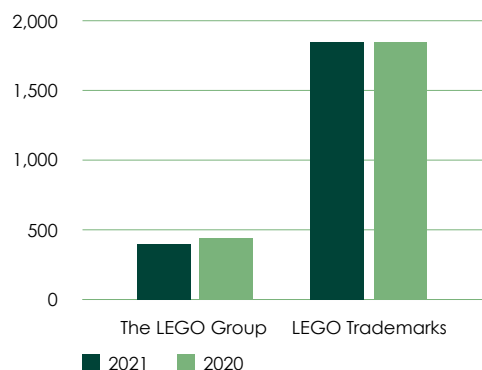
to the extent that it relates to items recognised in other comprehensive income. In this case, tax is also recognised in other comprehensive income.

Section 6 – Intangible assets and property, plant and equipment

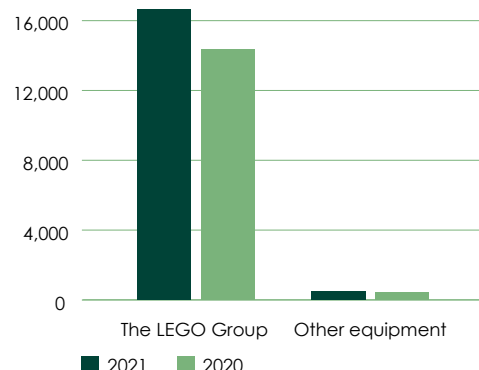
6.1. Intangible assets and property, plant and equipment

The carrying amount of intangible assets and property, plant and equipment is split into the following groups:

Composition of intangible assets (m DKK)



Composition of property plant and equipment (m DKK)



Depreciation and amortisation (m DKK)

(m DKK)	2021	2020
Intangible asset amortisation	77	96
Property, plant and equipment, depreciation and impairment	1,542	1,404
Right-of-use assets, depreciation	657	607
	2,276	2,107

Carrying amount of intangible assets and property, plant and equipment

(m DKK)	Intangible assets	2021 Property, plant and equipment	Intangible assets	2020 Property, plant and equipment
Cost at 1 January	3,028	26,356	2,987	25,235
Exchange adjustment to year-end rate	18	923	(21)	(1,148)
Reclassification	-	457	-	168
Additions	45	3,830	64	2,471
Disposals	(282)	(573)	(2)	(370)
Cost at 31 December	2,809	30,993	3,028	26,356
Amortisation and impairment losses at 1 January	(741)	(11,299)	(668)	(9,908)
Exchange adjustment to year-end rate	(16)	(301)	21	299
Amortisation and depreciation for the year	(77)	(2,153)	(96)	(2,011)
Impairment	-	(46)	-	-
Disposals	275	532	2	321
Amortisation and impairment losses at 31 December	(559)	(13,267)	(741)	(11,299)
Carrying amount at 31 December	2,250	17,726	2,287	15,057

Accounting policies

Intangible assets

Goodwill and trademarks are initially recognised in the balance sheet at cost and are not amortised.

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 their respective cash generating units at the acquisition date and is tested for impairment at that level.

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.

Property, plant and equipment

Land and buildings comprise mainly

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

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 are included in the cost price.

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

Buildings	25-50 years
Installations	5-20 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.

Section 7 – Working capital

7.1. Inventories

Inventories comprises inventory from the LEGO Group.

(m DKK)	2021	2020
Raw materials	346	194
Work in progress	1,493	1,124
Finished goods	1,670	1,630
	3,509	2,948

Inventories recognised as an expense during 2021 amounted to DKK 10,978 million (DKK 8,690 million in 2020). Write-down of inventories is recognised as a cost of DKK 75 million (DKK 32 million income in 2020).

All figures are in the income statement reported in the reporting line LEGO Group.

Accounting policies

Inventories are measured at the lower of cost and net realisable value. Cost is accounted for on a first-in, first-out (FIFO) method. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure (indirect production costs), the latter being allocated on the basis of normal production capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of

business less the estimated costs of completion and the estimated costs necessary to make the sale.

The LEGO Group applies a standard cost model that is defined by estimated production capacity. Cost and capacity can vary during the year and therefore adjustments for indirect production costs and purchase price variances are made to reflect the actual cost of inventories.

When the net realisable value is lower than cost, inventory items are impaired and measured at net realisable value.

7.2. Trade receivables

Trade receivables presented in the balance sheet mainly consist of receivables within the

LEGO Group and provision for bad debt solely relate to the LEGO Group.

Trade receivables

(m DKK)	2021			2020		
	Gross carrying amount	Allowance for bad debt	Net carrying amount	Gross carrying amount	Allowance for bad debt	Net carrying amount
Not overdue	8,250	(418)	7,832	6,715	(569)	6,146
0-60 days overdue	546	(15)	531	523	(20)	503
61-120 days overdue	40	(6)	34	22	(8)	14
121-180 days overdue	28	(7)	21	12	(11)	1
More than 180 days overdue	429	(382)	47	463	(448)	15
	9,293	(828)	8,465	7,735	(1,056)	6,679

Realised losses for 2021 amounted to DKK 156 million compared to DKK 23 million in 2020.

The KIRKBI Group has no significant trade receivable risk in specific countries, but has some single significant trade debtors. The

exposure for trade receivables is managed globally through fixed procedures, and credit limits are set as deemed appropriate for the customer, taking local market conditions into account.

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.

Trade receivables are written off when all possible options have been exhausted and there are no reasonable expectations of recovery.

The KIRKBI Group applies the IFRS 9 simplified approach to measure expected credit loss and a lifetime expected loss allowance for all trade receivables.

Exposure to credit risk on trade receivables is guided by the KIRKBI Group's policies. Credit limits are set based on the customer's financial position and current market conditions.

7.3. Other receivables

(m DKK)	2021	2020
Other receivables related to the LEGO Group	1,890	1,253
Receivable from Koldingvej 2, Billund A/S	2,500	700
Other receivables	205	865
	4,595	2,818

Accounting policies

Other receivables are measured at cost unless specifically stated otherwise.

7.4. Other liabilities

Specified as follows:

(m DKK)	2021	2020
Non-current	1,504	837
Current	8,693	6,444
	10,197	7,281

and relate to:

(m DKK)	2021	2020
Pension obligations	146	223
Provisions	505	447
Other current and non-current liabilities	9,546	6,611
	10,197	7,281

Other current and non-current liabilities mainly relate to the LEGO Group and

comprises wage related debt, VAT, other indirect taxes and sales incentives.

Accounting policies

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

Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in

the income statement over the period of the borrowings using the effective interest method.

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

Section 8 – Other notes Income Statement

8.1. Standard consolidated income statement

The KIRKBI Group presents its consolidated income statement, as an alternative performance measure (APM) as management believes that a standard consolidated income statement does not give the most accurate picture of the company's holding and investment activities. KIRKBI's activities include ownership of LEGO branded entities as well as operation of a large diversified 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 income statement presented is therefore based on the internal management reporting for the KIRKBI Group 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)	2021	2020
Revenue	57,622	45,651
Production costs	(16,849)	(13,162)
Gross profit	40,773	32,489
Sales and distribution costs	(16,807)	(13,943)
Administrative expenses	(5,253)	(3,842)
Other operating expenses	(1,016)	(937)
Operating profit	17,697	13,767
Profit from associated companies	(588)	(2,031)
Financial items, net	15,647	(2,548)
Profit before tax	32,756	9,188
Tax on profit for the year	(5,707)	(2,817)
Profit for the year	27,049	6,371

8.2. Group revenue

(m DKK)	2021	2020
Play materials and license from the LEGO Group	55,294	43,656
Revenue from renewable energy	1,013	885
Rent from buildings	575	549
Other revenue	740	561
Total revenue	57,622	45,651

(m DKK)	2021	2020
Americas	22,289	16,345
Europe, Middle East & Africa	24,915	21,029
Asia & Pacific	9,907	7,857
License income (not divided into regions)	511	420
Total revenue per region	57,622	45,651

Accounting policies

Revenue is recognised when the KIRKBI Group fulfils its contractual performance obligations towards the buyer, at the transaction price to which the

KIRKBI Group expects to be entitled. Transaction price includes rebates, sales incentives and provisions for returned products.

8.3. Group expenses by nature

(m DKK)	2021	2020
Raw materials and consumables	7,567	5,775
Employee expenses	10,198	8,470
Depreciation and amortisation	2,298	2,114
License and royalty expenses	4,481	3,308
Other external expenses	13,706	11,077
Trademark and related costs	727	748
Total operating expenses from LEGO Brand Group activities	38,977	31,492
Support activities	655	369
Total operating expenses from KIRKBI Group	39,632	31,861
Research and development costs charged during the year	1,016	937

Accounting policies

Expenses by nature discloses information about expenses arising from the main

inputs that are consumed in order to accomplish the KIRKBI Group's activities.

8.4. Group employee expenses

(m DKK)	2021	2020
Wages and salaries	9,902	8,147
Termination benefit and restructuring	48	19
Pension costs, defined contribution plans	322	275
Other expenses and social security costs	738	606
	11,010	9,047
Including fee to Executive Management and Board of Directors	61	37
Average number of full-time employees	20,825	17,980

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 cost, leave and sick leave, bonuses and non-monetary employee benefits are recognised in the financial year in which

the services are rendered. Whenever the KIRKBI Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

8.5. Auditor's fee

(m DKK)	2021	2020
Fee to Deloitte:		
Statutory audit of the financial statements	3	3
Other assurance engagements	1	2
Tax assistance	18	15
Other services	152	49
	174	69
Fee to PwC (auditors of The LEGO Group):		
Statutory audit of the financial statements	12	12
Other assurance engagements	1	1
Tax assistance	8	8
Other services	15	17
	36	38
Total auditor's fees	210	107

Section 9 – Other notes Balance sheet

9.1. Share capital

The share capital consists of (mDKK):

1 A-shares of DKK 1,000 or multiples thereof
199 B-shares of DKK 1,000 or multiples thereof

200 Total shares at 31 December 2021

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 3.00 per share (2020 DKK 2.00).

Within the last 5 years, there has 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.

9.2. Non-controlling interests

The non-controlling interest of the KIRKBI Group mainly relates to Koldingvej 2, Billund A/S' 25 % ownership of the LEGO Group.

Financial information about LEGO A/S:

(billion DKK)	2021	2020
Income statement		
Revenue	55,3	43,7
Net profit for the year	13,3	9,9
Total comprehensive income	13,6	9,4
Balance sheet		
Non-current assets	20,3	16,5
Current assets	27,6	20,7
Total liabilities	18,9	13,7
Equity	29,1	23,5
Cash flow		
Cash flow from operating activities	16,0	13,4
Cash flow from investing activities	(3,2)	(1,9)
Dividend to shareholders	(8,0)	(8,0)

9.3. Related party transactions

KIRKBI A/S' related parties comprise its owners Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen, Agnete Kirk Thinggaard as well as its Board of Directors and 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 owners significant influence in KIRKBI A/S.

In the financial year, a certain 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 amounted to DKK 32 million (2020: DKK 39 million). In the financial year interests

paid to owners of KIRKBI A/S amounted to DKK 8 million (2020: DKK 7 million).

Transactions related to sales of products and services between associates and the KIRKBI Group amounted to DKK 616 million (2020: DKK 375 million), which were paid on normal market terms.

There were no transactions with the Board of Directors or the Executive Management besides transactions related to the employment. For information about remuneration to the Board of Directors and the Executive Management, see note 8.4.

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

9.4. Financial assets and liabilities

Financial assets and liabilities by valuation category

The table below shows which financial assets and liabilities that are measured at either fair value through the income statement or at amortised cost.

	2021		2020	
	Fair value through the income statement	Amortised cost	Fair value through the income statement	Amortised cost
(m DKK)				
Financial assets:				
Core capital investments	98,119	-	75,899	-
Thematic capital investments	335	11,309	595	10,299
Finance leases	-	1,265	-	1,323
LEGO Ventures investments	765	-	360	-
Trade and other receivables	-	13,060	-	9,497
Cash	-	2,555	-	1,978
Total financial assets	99,219	28,189	76,854	23,097
Financial liabilities:				
Financial liabilities (current and non-current)	-	6,514	-	5,957
Trade payables	-	5,739	-	3,564
Other liabilities (current and non-current)	-	8,693	-	6,444
Total financial liabilities	-	20,946	-	15,965

Due to the short term nature of financial assets and liabilities measured at amortised cost

their carrying amount is considered to be approximately the same as their fair value.

Fair value hierarchy for financial assets measured at fair value through the income statement:

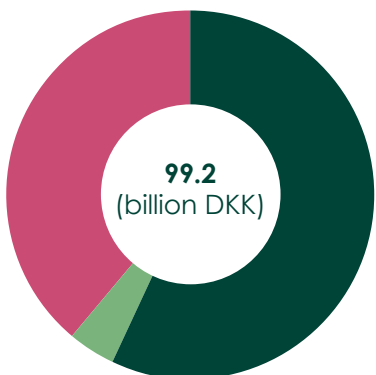
Investments measured at fair value are classified according to a fair value hierarchy depending on the inputs used in the valuation method. The fair value hierarchy distinguishes between observable and unobservable inputs, which are classified at one of the following levels:

Level 1 Unadjusted quoted market prices for identical assets in an active market

Level 2 Inputs other than quoted market prices included within level 1 that are observable for the assets either directly or indirectly

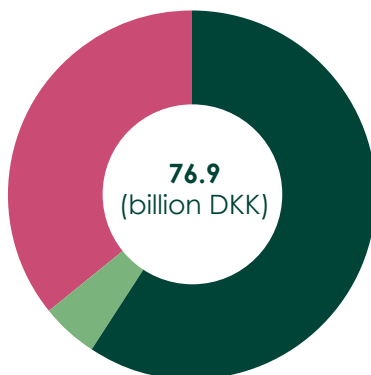
Level 3 Inputs for the asset or liability that are not based on observable market data

2021 (billion DKK)



■ Level 1 ■ Level 2 ■ Level 3

2020 (billion DKK)



■ Level 1 ■ Level 2 ■ Level 3

There has not been transfers between fair value hierarchies in the last two years.

Change in value for level 3 in 2021

	Value at year start	Additions	Disposals	Gain/(loss) through profit and loss	Value at year end
Financial assets:					
Real Estate	8,810	582	(196)	356	9,552
Unlisted equities	18,196	3,566	(2,824)	9,267	28,205
LEGO Ventures	360	156	-	249	765
Investments not based on observable market data (level 3)	27,366	4,304	(3,020)	9,872	38,522

2020

Financial assets:					
Real Estate	8,577	388	-	(155)	8,810
Unlisted equities	16,070	3,580	(2,237)	783	18,196
LEGO Ventures	277	173	(87)	(3)	360
Investments not based on observable market data (level 3)	24,924	4,141	(2,324)	625	27,366

Accounting policies

The KIRKBI Groups investment activities and LEGO Ventures investments are measured at fair value through the 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 cost less depreciation. For description of significant accounting estimates and judgements please see note 3.2, note 3.3 or note 10.2.

Section 10 – Basis for preparation

10.1. Basis of reporting

The consolidated financial statements of the KIRKBI Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

This section introduces the overall basis for the KIRKBI Groups accounting policies. A more detailed description of accounting policies for the various areas is presented in the respective notes.

The accounting policies are unchanged from last year. Comparative figures in the balance sheet and in the notes have been restated to align with this year's presentation. The adjustment of comparative figures has no effect on total assets.

Applying materiality

To ensure appropriate presentation of relevant information for the user of the financial statements, management has made materiality judgements of content and presentation.

From a quantitative perspective, the following classifications are applied:

- **Clearly immaterial.** Information has no effect to the user's decision-making
- **In between.** Information that is above the clearly immaterial threshold but below the material threshold. The information requires a further assessment of qualitative factors to determine whether a disclosure

should be included or not

- **Material.** Information that is quantitative significant to the user's decision-making

Based on these classifications the following thresholds have been applied:

- Clearly immaterial information is set to the lowest of 1 % of equity or 7 % of profit before tax
- In between information is set to between 1-4 % of equity and between 7-35 % of profit before tax
- Material information is set to above 5 % of equity or 35 % of profit before tax

Besides the quantitative threshold on the financial statements a separate thresholds is made for risk and control disclosures. As such the threshold for risk and control disclosures is set at 0.01 % of equity and 0.07 % of profit before tax.

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.

The KIRKBI Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the KIRKBI Group's 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.

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).

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 deriving from 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.

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 2021 have been adopted by the KIRKBI Group. None of the newly adopted or amended standards impacted the Consolidated Financial Statements. Further, none of the amendments that are issued, but not yet effective, are likely to impact the Consolidated Financial Statements.

10.2. Significant accounting estimates and judgements

When preparing the financial statements, 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 KIRKBI Group's financial statements.

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 the income statement 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.

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. Financial information about associated companies classified as investment activities is not disclosed, as these investments are measured at fair value.

Financial information about associated companies classified as investment activities is not disclosed, as these investments are measured at fair value.

Please refer to the KIRKBI Group Structure (note 11) 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 applied 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 in combination with discounted cash flow analysis. 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 0.6 billion.

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

Real Estate investments

Valuation of investments in 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 which varies from 3.75 % to 5.5 % based on individually assessment of each property. If the yield in the calculations increases by 1 % point, the impact on profit before tax would be negative with around DKK 1.5 billion.

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

Section 11 – Group Structure

11.1. Group Structure

Subsidiaries (fully consolidated into the KIRKBI Group)

LEGO A/S, 75 % (Denmark)

and all subsidiaries of LEGO A/S

KIRKBI Invest A/S, 100 % (Denmark)

Denmark	KIRKBI Anlæg A/S
Denmark	KIRKBI Operationel Support ApS
Denmark	KIRKBI Real Estate Investment A/S
Denmark	LEGO Juris A/S
Denmark	Mølholm-Klinikken Ejendom ApS
Denmark	Neue Flora Invest A/S
Denmark	K & C Holding A/S
Denmark	Blue Hors ApS
Denmark	Schelenborg Gods ApS
Denmark	Privathospital Mølholm P/S, 91 %
Denmark	HCM A/S, 51 %
Denmark	Privatmedicinsk Klinik Mølholm A/S
Denmark	Light Brick A/S
Germany	Blue Hors GmbH
Germany	KIRKBI Real Estate Investment GmbH
Germany	Einsteinstrasse GmbH, 90 %
Germany	Elsenheimerstrasse GmbH
Germany	Maxor 4 GmbH, 94 %
Japan	LLJ Investco KK
Switzerland	KIRKBI AG
Switzerland	KIRK AG
Switzerland	Valbella Resort AG
USA	Adapture Renewables Inc., 91.8 %

Joint Operations (accounted for using pro-rata consolidation)

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

Associates (accounted for using the equity method)

Denmark	Founders A/S, 33.3 %
United Kingdom	Merlin Entertainments Ltd., 47.5 %
United Kingdom	Motion JVCO Ltd., 47.5 %
China	Shanghai LEGOLAND Ltd.CO, 26 %

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

Denmark	Falck A/S, 28.6 %
Denmark	Nilfisk A/S, 20.3 %
Denmark	Armacell International S.A., 43.5 %
Sweden	Välinge Group AB, 48.4 %

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

Sweden	Peppy Pals AB, 23.6 %
USA	Evolve Additive Solutions, Inc., 24.6 %
United Kingdom	Eedi Ltd. 27.7 %

KIRKBI Estates Ltd., 100 % (United Kingdom)

Part 4

Parent Company





Parent Company

PART 4 – Parent Company

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Income Statement & Comprehensive Income 1 January – 31 December

(m DKK)	Note	2021	2020
Dividend from investments in subsidiaries		6,000	17,257
Other net income		74	31
Administration expenses	2	(735)	(437)
Operating profit		5,339	16,851
Financial income		81	11
Financial expenses		(123)	(23)
Profit before tax		5,297	16,839
Tax on profit for the year	3	125	72
Profit for the year		5,422	16,911
Statement of comprehensive income			
Profit for the year		5,422	16,911
Other comprehensive income after tax		7	(1)
Total comprehensive income for the year		5,429	16,910
Proposed distribution			
Dividend		200	400
Transferred to retained comprehensive income		5,229	16,510
Total comprehensive income for the year		5,429	16,910

Balance Sheet at 31 December

ASSETS (m DKK)	Note	2021	2020
Non-current assets			
Property		635	630
Other fixtures, fittings, tools and equipment		41	34
Fixed assets under construction		1,614	1,496
Property, plant and equipment	4	2,290	2,160
Investments in subsidiaries	5	47,665	47,665
Other investments		-	15
Other non-current assets		47,665	47,680
Total non-current assets		49,955	49,840
Current assets			
Receivables from subsidiaries		19,000	11,093
Current tax receivables		1,660	-
Other receivables		41	71
Securities		3,998	8,751
Cash		5	5
Total current assets		24,704	19,920
TOTAL ASSETS		74,659	69,760

Balance Sheet at 31 December parent company

EQUITY AND LIABILITIES (m DKK)	Note	2021	2020
EQUITY			
Share capital		200	200
Retained comprehensive income		73,569	68,540
Proposed dividend		200	400
Total equity		73,969	69,140
LIABILITIES			
Non-current liabilities			
Borrowings	6	122	133
Deferred tax liabilities	7	1	4
Other long-term liabilities	6	180	146
Total non-current liabilities		303	283
Current liabilities			
Borrowings	6	16	15
Payables to subsidiaries		12	16
Payables to associates		-	2
Trade payables		51	37
Current tax liabilities		-	19
Other short-term liabilities		308	248
Total current liabilities		387	337
Total liabilities		690	620
TOTAL EQUITY AND LIABILITIES		74,659	69,760
Contingent liabilities and other obligations	8		

Statement of Changes in Equity

(m DKK)	Share capital	Retained Comprehensive income	Proposed dividend	Total
2021				
Equity at 1 January	200	68,540	400	69,140
Profit for the year	-	5,222	200	5,422
Other comprehensive income for the year	-	7	-	7
Total comprehensive income for the year	-	5,229	200	5,429
Dividend	-	(200)	(400)	(600)
Equity at 31 December	200	73,569	200	73,969
2020				
Equity at 1 January	200	52,230	200	52,630
Profit for the year	-	16,511	400	16,911
Other comprehensive income for the year	-	(1)	-	(1)
Total comprehensive income for the year	-	16,510	400	16,910
Dividend 2019, reversed	-	200	(200)	-
Dividend	-	(400)	-	(400)
Equity at 31 December	200	68,540	400	69,140

Cash Flow Statement 1 January – 31 December

(m DKK)	Note	2021	2020
Operating profit		5,339	16,851
Interest paid		(42)	(12)
Income tax (paid)/received		(1,557)	1,456
Reversals of items with no effect on cash flows		74	39
Changes in working capital		(7,809)	(8,549)
Cash flows from operating activities		(3,995)	9,785
Purchases of property, plant and equipment		(169)	(364)
Investment in subsidiaries		-	(257)
Investment in Securities		-	(8,751)
Disposal of Securities		4,753	-
Disposal of fixed assets		6	-
Other investments		15	(2)
Cash flows from investing activities		4,605	(9,374)
Dividend paid to shareholders		(600)	(400)
Repayments of borrowings		(10)	(8)
Cash flows from financing activities		(610)	(408)
Net cash flows for the year		-	3
Cash and bank deposits at 1 January		5	2
Cash and bank deposits at 31 December		5	5



Note 1 Significant accounting policies

The financial statements 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 cost. 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)	2021	2020
Wages and salaries	477	317
Pension costs	6	6
Other staff costs and social security costs	2	3
Employee expenses	485	326
Including remuneration to Executive Management and Board of Directors	60	36
Number of employees	161	152

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 Tax on profit for the year

(m DKK)	2021	2020
Current tax on profit for the year	(124)	(84)
Changes in deferred tax	(3)	9
Adjustment of tax relating to previous years, current tax	2	3
	(125)	(72)
Wages and salaries		
Calculated 22 % (22 %) tax on profit for the year before income tax	1,165	3,705
Non-taxable income	(1,320)	(3,782)
Non-deductable expenses	32	8
Adjustment of tax relating to previous years	(2)	(3)
	(125)	(72)

Note 4 Property, plant and equipment

(m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
2021				
Cost at 1 January	807	37	1,496	2,340
Additions	5	5	159	169
Disposals	(21)	-	-	(21)
Transfer	38	3	(41)	-
Cost at 31 December	829	45	1,614	2,488
Depreciation and impairment losses at 1 January	177	3	-	180
Depreciation for the year	32	1	-	33
Disposals	(15)	-	-	(15)
Depreciation and impairment losses at 31 December	194	4	-	198
Carrying amount at 31 December	635	41	1,614	2,290
2020				
Cost at 1 January	798	21	1,157	1,976
Additions	1	16	347	364
Transfer	8	-	(8)	-
Cost at 31 December	807	37	1,496	2,340
Depreciation and impairment losses at 1 January	146	3	-	149
Depreciation for the year	31	-	-	31
Depreciation and impairment losses at 31 December	177	3	-	180
Carrying amount at 31 December	630	34	1,496	2,160

Note 5 Investments in subsidiaries

(m DKK)	2021	2020
Cost at 1 January	47,665	47,408
Additions	-	257
Cost at 31 December	47,665	47,665

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 %
KIRKBI Estates Ltd.	United Kingdom	GBP	22,000,000	100 %

Note 6 Non-current liabilities

(m DKK)	Total debt	Due within 1 year	Due between 2 and 5 years
Borrowings	133	11	42
Other long-term liabilities	185	5	180
	318	16	222

Note 7 Deferred tax

(m DKK)	2021	2020
Deferred tax, net at 1 January	(4)	5
Change in deferred tax	3	(9)
Provision for deferred tax, net at 31 December	(1)	(4)

(m DKK)	2021	2020
Classified as		
Deferred tax assets	-	-
Deferred tax liabilities	(1)	(4)
	(1)	(4)

Note 8 Contingent liabilities and other obligations

(m DKK)	2021	2020
Remaining obligations in investment projects	-	233
Guarantees for group enterprises' balances with credit institutions	2,091	2,049
Total	2,091	2,282

Security has been given in land, buildings and installations at a net carrying amount of DKK 153 million (DKK 148 million in 2020) 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 9 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 certain 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 amounts to DKK 20 million (2020 DKK 21 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)	2021	2020
Rental income	87	65
Sale of services	99	102
Financial expenses	-	-
Rental expenses	(9)	(9)
Purchase of services	(54)	(50)

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

Part 5

Additional Information



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 2021.

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 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021 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 commentary on page 85 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 2022

Executive Management

Søren Thorup Sørensen
CEO

Board of Directors

Kjeld Kirk Kristiansen
Chairman of the Board

Jeppe Christiansen

Thomas Kirk Kristiansen

Niels Jacobsen
Deputy Chairman of the Board

Michael Halbye

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 01.01.2021 – 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated 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, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31.12.2021, and of the results of its operations and cash flows for the financial year 01.01.2021 – 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31.12.2021, and of the results of its operations for the financial year 01.01.2021 – 31.12.2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary 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 commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent 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 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Thomas Rosquist Andersen

State-Authorised Public Accountant
Identification No (MNE) 31482

Søren Marquart Alsen

State-Authorised Public Accountant
Identification No (MNE) 40040



KIRKBI A/S

Kolding 2
DK-7190 Billund
Tel: +45 75 33 88 33
Website: www.KIRKBI.com
E-mail: KIRKBI@KIRKBI.com

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