THE LEGO GROUP
ANNUAL REPORT 2014

The LEGO Group
CVR: 54 56 25 19

FINANCIAL HIGHLIGHTS
THE LEGO GROUP

(mDKK)	2014	2013	2012	2011	2010
Consolidated Income Statement:					
Revenue	28,578	25,294	23,095	18,731	16,014
Expenses	(18,881)	(16,958)	(15,489)	(13,065)	(10,899)
Operating profit	9,697	8,336	7,606	5,666	4,973
Financial income and expenses	(206)	(97)	(84)	(124)	(84)
Profit before income tax	9,491	8,239	7,522	5,542	4,889
Net profit for the year	7,025	6,119	5,613	4,160	3,718
Consolidated Balance Sheet:					
Total assets	21,419	17,952	16,352	12,904	10,972
Equity	12,832	11,075	9,864	6,975	5,473
Liabilities	8,587	6,877	6,488	5,929	5,499
Consolidated Cash Flow Statement:					
Cash flows from operating activities	7,945	6,744	6,220	3,828	3,744
Investment in intangible assets	59	103	61	129	123
Investment in property, plant and equipment	3,115	2,644	1,729	1,451	1,077
Cash flows from financing activities	(5,302)	(3,466)	(4,535)	(2,519)	(3,477)
Total cash flows	(521)	574	(88)	(233)	(871)
Employees:					
Average number (full-time)	12,582	11,755	10,400	9,374	8,365
Financial ratios (in %):					
Gross margin	71.8	70.7	70.6	70.5	72.4
Operating margin	33.9	33.0	32.9	30.2	31.1
Net profit margin	24.6	24.2	24.3	22.2	23.2
Return on equity (ROE)	58.8	58.4	66.7	66.8	84.8
Return on invested capital	106.0	114.4	134.9	133.4	161.2
Equity ratio	59.9	61.7	60.3	54.1	49.9

The Financial Highlights are adjusted as a consequence of a change in classification in the income statement. The Financial Highlights for 2012, 2011 and 2010 have not been changed. The change in classification in the income statement is described in Note 1. The Financial Highlights for 2014, 2013 and 2012 are adjusted as a consequence of a change in classification in the income statement relating to cash flow hedges. The Financial Highlights for 2011 and 2010 have not been changed.

Financial ratios have been calculated in accordance with the “Recommendations and Financial Ratios 2010”, issued by the Danish Society of Financial Analysts. For definitions, please see the section on accounting policies.

Parentheses denote negative figures.

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LEGO A/S
Aastvej 1 DK-7190 Billund Denmark Tel: +45 79 50 60 70
CVRTno: 54 56 25 19 Incorporated: 19 December, 1975 Residence: Billund
Financial Year: 1 January – 31 December Internet: www.LEGO.com

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COMPANY **INFORMATION**

Management Board

Jørgen Vig Knudstorp
President and Chief Executive Officer

John Goodwin
Executive Vice President and Chief Financial Officer

Julia Goldin
Executive Vice President and Chief Marketing Officer

Loren I. Shuster
Executive Vice President and Chief Commercial Officer

Bali Padda
Executive Vice President and Chief Operations Officer

Board of Directors

Niels Jacobsen
Chairman of the Board since 2008.
President and CEO of William Demant Holding A/S.
Deputy Chairman of the Board of KIRKBI A/S.
Deputy Chairman of the Board of A.P. Møller-Mærsk A/S.
Deputy Chairman of the Board of Jeudan A/S.
Chairman of the Board of Össur hf.

Kjeld Kirk Kristiansen
Deputy Chairman of the Board since 1996.
Member of the Board since 1975.
Chairman of the Board of KIRKBI A/S, KIRKBI Invest A/S, the LEGO Foundation, Ole Kirk's Foundation, LEGO Juris A/S, Koldingvej 2, Billund A/S, INTERLEGO AG, Schelenborg Gods ApS, Blue Hors ApS, Klinkbygård ApS and Lundhøjgård ApS.
President and CEO for the LEGO Group 1979-2004.
Majority shareholder of KIRKBI A/S.
Member of the Board of KIRKBI AG, K&C Holding A/S, Capital of Children Office A/S, KGH Holding, Grindsted A/S and the KG Foundation.

Thomas Kirk Kristiansen
Member of the Board since 2007.
Shareholder and representing the fourth generation of the owner family. Chairman of the Board of KIRKBI AG.
Deputy Chairman of the board of the LEGO Foundation.
Member of the Board of KIRKBI A/S, INTERLEGO AG and LEGO Juris A/S.

Kåre Schultz
Member of the Board since 2007.
President and COO of Novo Nordisk A/S, Denmark.
Chairman of the Board of Royal Unibrew A/S.

Søren Thorup Sørensen
Member of the Board since 2010.
CEO of KIRKBI A/S, KIRKBI Invest A/S and Koldingvej 2, Billund A/S.
Chairman of the Board of K&C Holding A/S and Boston Holding A/S.
Deputy Chairman of KIRKBI AG and INTERLEGO AG.
Deputy Chairman of Topdanmark A/S, Topdanmark Forsikring A/S, Danske Forsikring A/S. Member of the Board of LEGO Juris A/S, KIRKBI Invest A/S, TDC A/S, Falck Holding A/S, Koldingvej 2, Billund A/S and Merlin Entertainments PLC.

Eva Berneke
Member of the Board since 2011.
CEO of KMD A/S.
Deputy Chairman of the Board of Copenhagen Business School.
Member of the Board of Schibsted. Member of the Digital Council.
Member of the Foreign Economic Forum.

Jan Nielsen
Member of the Board since 2013.
Senior Managing Director and Partner in Blackstone.
Chairman of the Board of Antares Restaurant Group (New Zealand).
Member of the Board of Chemstralia Ltd. (Australia).

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

MANAGEMENT'S **REVIEW**

2014 was a year of strong growth for the LEGO Group. Revenue increased by 13.0% in 2014 to DKK 28.6 billion against DKK 25.3 billion the year before.

Revenue growth excluding foreign exchange impacts was 14.9% year over year (on a local currency basis).

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

The LEGO Group's profit before tax amounted to DKK 9.5 billion in 2014 against DKK 8.2 billion the year before, a growth of 15.2%. The result is considered highly satisfactory.

Operating profit
The LEGO Group's operating profit amounted to DKK 9.7 billion in 2014 against DKK 8.3 billion in 2013.

The operating margin was 33.9% in 2014 against 33.0% in 2013.

Financial income and expenses
Net financials created a total expense of DKK 206 million in 2014 against an expense of DKK 97 million in 2013.

Corporate income tax
Corporate income tax amounts to DKK 2.5 billion against DKK 2.1 billion the year before. The effective tax rate for the year is 26.0% against 25.7% in 2013.

Profit for the year
The LEGO Group's profit for the year amounted to DKK 7.0 billion in 2014 against DKK 6.1 billion in 2013, which is higher than expected at the beginning of the year.

The positive results are closely related to the constant and innovative expansion of the product portfolio. As new products make up approximately 60% of the total sales each year, an innovative and consumer-oriented development process is a fundamental parameter to the continued success. Furthermore, the LEGO Group's strategy of globalising its operations has resulted in reaching new consumers in new areas. This has only been possible through an ongoing focus on optimisation and improvement, while securing frictionless collaboration in the entire value chain to deliver on customer demands.

Equity and cash flows
The LEGO Group's assets increased by DKK 3.4 billion in 2014 and amount to DKK 21.4 billion against DKK 18.0 billion at the end of 2013.

Return on invested capital was 106.0% in 2014 against 114.4% in 2013. The decrease is primarily driven by the significant capacity investments in new production facilities to meet future global consumer demand.

After recognition of the profit for the year and distribution of dividend, the LEGO Group's equity has increased by DKK 1.8 billion to DKK 12.8 billion in 2014.

At the end of 2014, the equity ratio of the LEGO Group was 59.9% against 61.7% in 2013.

Return on equity for the LEGO Group was 58.8% in 2014 against 58.4% in 2013. Cash flows from operating activities amounted to DKK 7.9 billion against DKK 6.7 billion in 2013.

Capacity investments
In 2014 the LEGO Group increased its already extensive investments in production capacity, building on its overall strategy to locate production close to core markets. Investments in property, plant and equipment amounted to DKK 3.1 billion in 2014 against DKK 2.6 billion in 2013.

In March 2014, a new factory was inaugurated in Nyíregyháza, Hungary, to replace the existing plant in the same town.

MANAGEMENT'S **REVIEW** – CONTINUED

In April 2014, the foundation stone of a manufacturing facility in China to solely supply the Asian market was revealed. Construction is ongoing and the plant is expected to commence operation in 2015 and be fully operational by 2017.

At the LEGO factory in Monterrey, Mexico, an expansion to the packaging facilities was inaugurated in June 2014.

In September 2014, the construction of a new production hall at the LEGO factory in Kladno, the Czech Republic, was completed. The new hall is part of a significant expansion of the plant that is expected to be finalised in 2016.

During 2014 considerable investments have been made in an upgrade of equipment in the moulding factory in Billund, Denmark, which remains the largest moulding location globally when measured by output.

Finally, sales offices in Brazil, Turkey and Malaysia have been added to the long list of local presence for the LEGO Group.

Intellectual capital resources

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

The average number of full-time employees was 12,582 in 2014 compared to 11,755 in 2013. A significant effort is carried out at all locations to ensure that new employees are carefully on-boarded with a focus on the Group's cultural foundation and strategic outlook.

As a consequence of the LEGO Group's ambition to globalise its activities, an increased focus has been placed on attracting a more diverse, global workforce. This led to the decision in 2013 to set up a structure for the company's non-manufacturing sites that will be able to attract a diverse global workforce. As a result, global main offices have during the year been opened in Shanghai and London to supplement the main offices in Singapore and Enfield, US, and the headquarters in Billund, Denmark. All of these five locations have significant top management presence.

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

Research and development activities

Each year, new launches account for approximately 60% of the LEGO Group's sales to consumers. The considerable development activities that enable such an extensive degree of innovation comprise a wide range of activities from trend spotting and anthropological studies to the actual development of specific products and campaigns. More than 200 designers from 26 different countries make up the creative core of product development that is mainly based at the company headquarters in Billund, Denmark.

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

Responsible business conduct

The LEGO Group wants to have a positive impact on its stakeholders and its surroundings. This is at the core of the Group's culture and the foundation of the strategy it pursues.

MANAGEMENT'S **REVIEW** – CONTINUED

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

The LEGO Group confirms its support to United Nations Global Compact and has issued its Responsibility Report 2014 (COP report) describing how the Group is working within the areas of human rights, labour standards, the environment and anti-corruption. Pursuant to section 99 a and 99 b of the Danish Financial Statements Act, the Responsibility Report 2014 constitutes the statutory statement of corporate social responsibility including quantitative targets for the under-represented gender on the Board of Directors.

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

The Responsibility Report 2014 is available at: www.LEGO.com/responsibility

Market development

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

The market for traditional toys, in which the Group operates, saw modest growth during 2014.

North American and European toy markets experienced low single digit growth during the year. The Asia toy markets experienced the strongest regional growth, with both more established markets (such as Japan and South Korea) and emerging markets (such as China) experiencing year over year increases.

LEGO® sales

All major LEGO markets experienced growth in 2014. The Group's largest market, the US, grew double digit as did the UK, France, Russia and China, while Central and Northern European markets achieved healthy single digit growth rates.

Among the top selling lines in 2014 were core themes like LEGO® City, LEGO® Star Wars™ and LEGO Friends.

Another significant contributor to sales growth in 2014 was THE LEGO® MOVIE™ product line that launched in conjunction with the release of THE LEGO MOVIE feature film in early 2014.

LEGO Creator products as well as the LEGO Technic designed for an older age group also experienced high growth rates in 2014.

Finally, the LEGO Group's sale of products to the educational sector achieved strong double-digit growth.

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

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

Events after the reporting date

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

Expectations for 2015

The LEGO Group expects continued sales growth in 2015, in line with the long-term expectations mentioned above. The LEGO Group expects satisfactory results for 2015.

MANAGEMENT'S **STATEMENT**

The Management Board and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January - 31 December 2014.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2014 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2014.

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

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

Billund, 16 February 2015

Management Board

Jørgen Vig Knudstorp
President and Chief Executive Officer

Julia Goldin
Executive Vice President and Chief Marketing Officer

Bali Padda
Executive Vice President and Chief Operations Officer

John Goodwin
Executive Vice President and Chief Financial Officer

Loren I. Shuster
Executive Vice President and Chief Commercial Officer

Board of Directors

Niels Jacobsen
Chairman

Kjeld Kirk Kristiansen
Deputy Chairman

Thomas Kirk Kristiansen

Søren Thorup Sørensen

Eva Berneke

Jan Nielsen

Kåre Schultz

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LEGO A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LEGO A/S for the financial year 1 January to 31 December 2014, which comprise income statement, balance sheet, statement of changes in equity and notes including summary of significant accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and any further disclosure requirements of the Danish Financial Statements Act, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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

Auditor's Responsibility

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

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

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

The audit has not resulted in any qualification.

INDEPENDENT
AUDITOR'S REPORT – CONTINUED

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2014 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements in accordance with the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2014 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

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

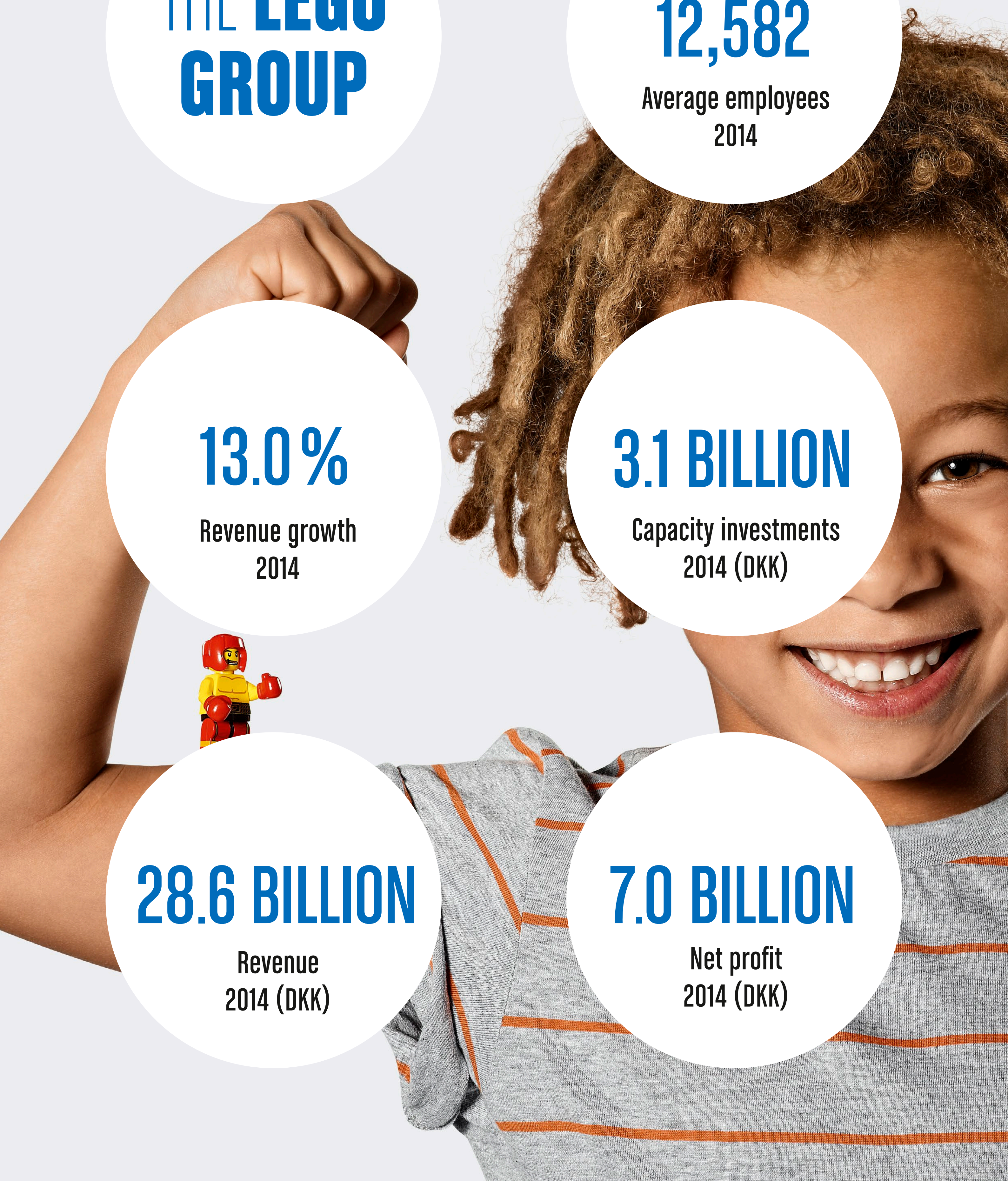
Billund, 16 February 2015

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Henrik Trangeled Kristensen
State Authorised Public Accountant

THE LEGO GROUP



12,582
Average employees 2014

13.0 %
Revenue growth 2014

3.1 BILLION
Capacity investments 2014 (DKK)

28.6 BILLION
Revenue 2014 (DKK)

7.0 BILLION
Net profit 2014 (DKK)

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

1 January – 31 December

(mDKK)	Note	**2014**	**2013**
Revenue	3	28,578	25,294
Production costs	4,6,7	(8,071)	(7,423)
Gross profit		**20,507**	**17,871**
Sales and distribution expenses	4,6,7	(7,782)	(7,026)
Administrative expenses	4,5,6,7	(1,444)	(1,200)
Other operating expenses	4,6,8	(1,584)	(1,309)
Operating profit		**9,697**	**8,336**
Financial income	9	12	13
Financial expenses	10	(218)	(110)
Profit before income tax		**9,491**	**8,239**
Tax on profit for the year	11	(2,466)	(2,120)
Net profit for the year		**7,025**	**6,119**
Allocated as follows:			
Parent Company shareholders		7,025	6,076
Non-controlling interests		–	43
		7,025	**6,119**
Consolidated Statement of Comprehensive Income:			
Profit for the year		7,025	6,119
Items that will be reclassified subsequently to the income statement, when specific conditions are met:			
Change in market value of cash flow hedges		(378)	258
Reclassification of cash flow hedges from equity to be recognised as part of:			
Revenue in the income statement		40	(167)
Production costs in the income statement		4	(18)
Tax on other comprehensive income		83	(18)
Currency translation differences		12	(257)
Items that will not be reclassified subsequently to the income statement:			
Remeasurements of defined benefit plans		14	(1)
Total comprehensive income for the year		**6,800**	**5,916**
Allocated as follows:			
Parent Company shareholders		6,800	5,874
Non-controlling interests		–	42
		6,800	**5,916**

Consolidated Balance Sheet

at 31 December

(mDKK)	Note	2014	2013
ASSETS			
Non-current assets:			
Development projects		85	71
Software		126	131
Licences, patents and other rights		60	58
Intangible assets	12	**271**	**260**
Land, buildings and installations		3,299	1,777
Plant and machinery		2,494	2,114
Other fixtures and fittings, tools and equipment		1,072	846
Fixed assets under construction		1,591	1,553
Property, plant and equipment	13	**8,456**	**6,290**
Deferred tax assets	19	494	140
Investments in associates	14	3	3
Prepayments		162	146
Other non-current assets		**659**	**289**
Total non-current assets		**9,386**	**6,839**
Current assets:			
Inventories	15	2,182	1,824
Trade receivables	16,25	5,891	4,870
Other receivables	25	733	946
Prepayments		99	74
Current tax receivables		48	65
Receivables from related parties	25,29	2,598	2,310
Cash at banks	25,28	482	1,024
Total current assets		**12,033**	**11,113**
TOTAL ASSETS		**21,419**	**17,952**

Consolidated Balance Sheet – continued

at 31 December

(mDKK)	Note	2014	2013
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	20	20
Reserve for hedge accounting		(158)	94
Reserve for currency translation		(362)	(374)
Retained earnings	18	13,332	11,335
LEGO A/S' share of equity		**12,832**	**11,075**
Non-controlling interests		–	–
Total equity		**12,832**	**11,075**
LIABILITIES			
Non-current liabilities:			
Borrowings	25	196	205
Deferred tax liabilities	19	209	126
Pension obligations	20	82	57
Provisions	22	95	88
Debt to related parties	25, 29	600	600
Other long-term debt	21, 25	96	68
Total non-current liabilities		**1,278**	**1,144**
Current liabilities:			
Borrowings	25	162	88
Trade payables	25	2,530	2,201
Current tax liabilities		154	85
Provisions	22	228	110
Other short-term debt	21, 25	4,235	3,249
Total current liabilities		**7,309**	**5,733**
Total liabilities		**8,587**	**6,877**
TOTAL EQUITY AND LIABILITIES		**21,419**	**17,952**

Contingent assets, contingent liabilities and other obligations	23
Financial risks	24
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Consolidated Statement of Changes in Equity

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

2013 (mDKK)	Share capital	Reserve for hedge-accounting	Reserve for currency translation	Retained earnings	**LEGO A/S' share of equity**	Non-controlling interests	**Total equity**
Balance at 1 January	**20**	**39**	**(117)**	**9,888**	**9,830**	**34**	**9,864**
Profit for the year	–	–	–	6,076	**6,076**	43	**6,119**
Other comprehensive income/ (expenses) for the year	–	55	(257)	–	**(202)**	(1)	**(203)**
Acquisition of non-controlling interest in subsidiaries	–	–	–	(129)	**(129)**	(44)	**(173)**
Dividend paid relating to prior year	–	–	–	(3,000)	**(3,000)**	(32)	**(3,032)**
Extraordinary dividend paid	–	–	–	(1,500)	**(1,500)**	–	**(1,500)**
Balance at 31 December	**20**	**94**	**(374)**	**11,335**	**11,075**	**–**	**11,075**

Consolidated Cash Flow Statement

1 January – 31 December

(mDKK)	Note	2014	2013
Cash flows from operating activities:			
Operating profit		9,697	8,336
Interest paid etc.		(218)	(110)
Interest received etc.		12	13
Income tax paid		(2,556)	(2,090)
Other reversals with no effect on cash flows	27	838	822
Change in inventories		(358)	(119)
Change in trade receivables, other receivables and prepayments		(849)	(230)
Change in trade payables and other payables		1,379	122
Net cash generated from operating activities		**7,945**	**6,744**
Cash flows from investing activities:			
Purchases of intangible assets	12	(59)	(103)
Purchases of property, plant and equipment	13	(3,115)	(2,644)
Proceeds from sale of property, plant and equipment		10	43
Net cash used in investing activities		**(3,164)**	**(2,704)**
Cash flows from financing activities:			
Dividend paid to shareholders		(5,000)	(4,500)
Dividend paid to non-controlling interests		(43)	(32)
Acquisition of non-controlling interest		(36)	(141)
Payment to related parties	29	(12,948)	(6,280)
Repayment from related parties	29	12,660	8,012
Repayments of borrowings		65	(525)
Net cash used in financing activities		**(5,302)**	**(3,466)**
Total cash flows		**(521)**	**574**
Cash and cash equivalents at 1 January		1,024	468
Exchange losses on cash at banks		(21)	(18)
Cash at banks at 31 December	**28**	**482**	**1,024**

Note 1. Significant accounting policies

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

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

Changes in classification in the income statement

To ensure alignment of the annual report with the internal reporting, the LEGO Group has made some reclassifications in the income statement.

The reclassifications in 2013 impact the revenue with DKK 88 million (expense), production costs DKK 175 million (income), sales and distributions expenses DKK 391 million (expense), administrative expenses DKK 159 million (income) and other operating expenses DKK 145 million (income).

The reclassifications have not had any effect on the operating profit for 2013.

Effects of new and amended accounting standards

All new and amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2014 have been adopted by the LEGO Group. The application of the new IFRS's has not had a material impact on the Consolidated Financial Statements in 2014 and we do not anticipate any significant impact on future periods from the adoption of these new IFRS's.

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

- IFRS 9, Financial instruments. IFRS 9 is the new standard on classification and measurement of financial instruments. Among other amendments, it introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities. It includes amendments to the treatment of option premiums and the possibility to hedge net positions. The standard is effective for annual periods beginning on or after 1 January 2018.

- IFRS 15, Revenue from contracts with customers. IFRS 15 deals with revenue recognition and establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue. The standard is effective for annual periods beginning on or after 1 January 2017.

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

Consolidation practice

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

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

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

Note 1. Significant accounting policies – continued

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

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

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

Foreign currency translation

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

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

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

- Assets and liabilities for each subsidiary are translated into DKK at the closing rate at the balance sheet date.
- Income and expenses for each subsidiary are translated at average exchange rates.
- Differences deriving from translation of the foreign subsidiaries opening equity to the exchange rates prevailing at the balance sheet date, and differences owing to the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognised in other comprehensive income and classified as a separate reserve for exchange adjustments under equity.

Derivative financial instruments

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

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

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

Note 1. Significant accounting policies – continued

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

Income statement

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

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

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

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

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

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

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

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

Sales and distribution expenses
Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as depreciation, etc.

Other operating expenses
Other operating expenses include royalty and research and development costs.

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

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

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

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

Balance sheet

Software and development projects
Research expenses are charged to the income statement as incurred. Software and development projects that are clearly defined and identifiable and which

Note 1. Significant accounting policies – continued

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

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

Licences, patents and other rights

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

Property, plant and equipment

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

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

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

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

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

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

Leases

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

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

Impairment of assets

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

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

Inventories

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

The cost of raw materials, consumables and purchased goods comprises the invoice price plus delivery expenses. The cost of finished goods and work in progress comprises the purchase price

Note 1. Significant accounting policies - continued

of materials and direct labour costs plus indirect production costs. Indirect production costs include indirect materials and wages, maintenance and depreciation of plant and machinery, factory buildings and other equipment as well as expenses for factory administration and management.

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

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

Equity

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

Reserve for currency translation
The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the LEGO Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognised in the income statement.

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

Liabilities

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

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

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

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

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

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

Note 1. Significant accounting policies – continued

Past service costs are recognised immediately in profit/loss.

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

Provisions
Provisions are recognised when the LEGO Group identifies legal or constructive obligations as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the LEGO Group makes the estimate based upon an evaluation of the individual, most likely outcome of the cases. In cases where a reliable estimate cannot be made, these are disclosed as contingent liabilities.

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

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

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

Cash flow statement

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

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

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

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

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

Financial ratios
Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios 2010", issued by the Danish Society of Financial Analysts.

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

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

Note 2. Significant accounting estimates and judgements

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

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

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

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

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

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

Note 3. Revenue

Revenue contains sale of goods and licence income. Sale of goods amounts to DKK 28,141 million (DKK 24,929 million in 2013), and licence income amounts to DKK 437 million (DKK 365 million in 2013).

Note 4. Expenses by nature

(mDKK)	Note	2014	2013
Raw materials and consumables used		4,062	3,923
Employee expenses	6	4,778	4,310
Depreciation and amortisation	7	947	764
Licence and royalty expenses		2,019	1,602
Other external expenses		7,075	6,359
Total operating expenses		**18,881**	**16,958**

Note 5. Auditors' fees

(mDKK)	Note	2014	2013
Fee to PwC:			
Statutory audit of the Financial Statements		9	9
Other assurance engagements		1	4
Tax assistance		18	9
Other services		12	7
		40	**29**

Note 6. Employee expenses

(mDKK)	Note	2014	2013
Wages and salaries		4,201	3,840
Termination benefit and restructuring		32	54
Pension costs	20	262	251
Other expenses and social security expenses		327	221
Total employee costs for the year		**4,822**	**4,366**
Employee costs included in:			
Intangible assets		(13)	(24)
Property, plant and equipment		(31)	(32)
Total employee costs expensed in the income statement		**4,778**	**4,310**
Classified as:			
Production costs		1,540	1,489
Sales and distribution expenses		2,061	1,836
Administrative expenses		971	807
Other operating expenses		206	178
		4,778	**4,310**
Including Key Management Personnel (Management Board):			
Salaries		25	26
Pension		1	1
Short-term incentive plans		8	12
Long-term incentive plans		19	12
		53	**51**
Including fee to Board of Directors:		**4**	**3**

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.

Average number of full-time employees	**12,582**	**11,755**
Number of employees (Headcount)	**14,762**	**13,869**

Note 7. Depreciation and amortisation

(mDKK)	2014	2013
Licences, patents and other rights	9	10
Software	45	40
Buildings and installations	103	81
Plant and machinery	612	496
Other fixtures and fittings, tools and equipment	178	137
	947	**764**
Classified as:		
Production costs	763	598
Sales and distribution expenses	122	109
Administrative expenses	62	57
	947	**764**

Note 8. Research and development costs

(mDKK)	2014	2013
Research and development costs charged during the year	437	384
	437	**384**

Note 9. Financial income

(mDKK)	2014	2013
Interest income from related parties	1	2
Interest income from credit institutions measured at amortised cost	6	6
Other interest income	5	5
	12	**13**

Note 10. Financial expenses

(mDKK)	2014	2013
Interest expenses on mortgage loans measured at amortised cost	2	2
Interest expenses to related parties	19	11
Interest expenses to credit institutions measured at amortised cost	8	4
Other interest expenses	14	7
Exchange loss, net	175	86
	218	**110**

Note 11. Tax on profit for the year

(mDKK)	2014	2013
Current tax on profit for the year	2,593	2,143
Deferred tax on profit for the year	(137)	(26)
Other	3	12
Revaluation deferred tax	5	–
Deferred tax, effect of change in tax rate	(5)	(3)
Adjustment of tax relating to previous years, current tax	50	(108)
Adjustment of tax relating to previous years, deferred tax	(43)	102
	2,466	**2,120**
Income tax expenses are specified as follows:		
Calculated 24.5% (25% in 2013) tax on profit for the year before income tax	2,325	2,060
Tax effect of:		
Higher/lower tax rate in subsidiaries	43	41
Non-taxable income	(36)	(82)
Non-deductible expenses	101	25
Deferred tax, effect of change in tax rate	(5)	(3)
Adjustment of tax relating to previous years	8	(6)
Changed valuation of deferred tax asset and liability	5	–
Other	25	85
	2,466	**2,120**
Effective tax rate	**26.0%**	**25.7%**

Note 12. Intangible assets

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

2013 (mDKK)	Development projects	Software	Licences, patents and other rights	**Total**
Cost at 1 January	37	413	194	**644**
Exchange rate adjustment to year-end rate	–	(2)	–	**(2)**
Additions	88	15	–	**103**
Disposals	–	(49)	–	**(49)**
Transfer	(54)	54	–	**–**
Cost at 31 December	**71**	**431**	**194**	**696**
Amortisation and impairment losses at 1 January	–	309	126	**435**
Amortisation for the year	–	40	10	**50**
Disposals	–	(49)	–	**(49)**
Amortisation and impairment losses at 31 December	**–**	**300**	**136**	**436**
Carrying amount at 31 December	**71**	**131**	**58**	**260**

Note 13. Property, plant and equipment

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

Property, plant and equipment in general:
An obligation regarding the purchase of property, plant and equipment of DKK 1,258 million exists at 31 December 2014 (DKK 816 million at 31 December 2013).

Assets under finance leases:
Assets under finance leases consist of buildings.

Note 13. Property, plant and equipment – continued

2013 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	**Total**
Cost at 1 January	2,308	4,569	1,320	517	**8,714**
Exchange adjustment to year-end rate	(111)	(29)	(48)	(4)	**(192)**
Additions	254	772	230	1,388	**2,644**
Disposals	(157)	(208)	(73)	–	**(438)**
Transfers	62	242	44	(348)	**–**
Cost at 31 December	**2,356**	**5,346**	**1,473**	**1,553**	**10,728**
Depreciation and impairment losses at 1 January	620	2,954	574	–	**4,148**
Exchange adjustment to year-end rate	(11)	(14)	(14)	–	**(39)**
Depreciation for the year	81	496	137	–	**714**
Disposals	(111)	(204)	(70)	–	**(385)**
Depreciation and impairment losses at 31 December	**579**	**3,232**	**627**	**–**	**4,438**
Carrying amount at 31 December	**1,777**	**2,114**	**846**	**1,553**	**6,290**
Including assets under finance leases	**22**	**–**	**–**	**–**	**22**

Note 14. Investments in associates

(mDKK)	2014	2013
Cost at 1 January	4	4
Cost at 31 December	**4**	**4**
Value adjustment at 1 January	(1)	(1)
Share of profit/(loss)	–	–
Value adjustment at 31 December	**(1)**	**(1)**
Carrying amount at 31 December	**3**	**3**

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

Note 15. Inventories

(mDKK)	2014	2013
Raw materials and components	138	133
Work in progress	801	746
Finished goods	1,243	945
	2,182	**1,824**
Cost of sales recognised in production costs	6,180	5,327
Including:		
Write-down of inventories to net realisable value (profit)/losses	9	12

DKK 795 million (DKK 644 million in 2013) corresponding to 36.4% of total inventories (35.3% in 2013) consist of indirect production costs.

Note 16. Trade receivables

(mDKK)	2014	2013
Trade receivables (gross)	**5,970**	**4,918**
Provisions for bad debts:		
Balance at 1 January	(48)	(52)
Exchange adjustment to year-end rate	1	–
Change in provisions for the year	(44)	(1)
Realised losses for the year	12	5
Balance at 31 December	**(79)**	**(48)**
Trade receivables (net)	**5,891**	**4,870**

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

The age distribution of gross trade receivables is as follows:

(mDKK)	2014	2013
Not overdue	5,329	4,510
0 - 60 days overdue	577	355
61 - 120 days overdue	23	9
121 - 180 days overdue	9	3
More than 180 days overdue	32	41
	5,970	**4,918**

None of the trade receivables are covered by insurance (76% in 2013). In 2013 DKK 1,161 million corresponding to 24% of trade receivables was not covered by insurance.

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

Note 17. Share capital

	2014	2013
The share capital consists of:		
A-shares of DKK 100,000	9	9
A-shares of DKK 10,000	10	10
B-shares of DKK 500,000	3	3
B-shares of DKK 100,000	67	67
B-shares of DKK 10,000	80	80
C-shares of DKK 500,000	16	16
C-shares of DKK 100,000	20	20
Total shares at 31 December	**205**	**205**

The total number of shares is 205 (205 in 2013). All issued shares are fully paid up.

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

Shareholders that own more than 5% of the share capital:
KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark
Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

Note 18. Dividend per share

Dividend of DKK 5,000 million was paid in May 2014, corresponding to DKK 24.4 million in average per share (DKK 4,500 million in 2013, DKK 22.0 million in average per share).

Proposed dividend for 2014 is DKK 4,500 million, corresponding to DKK 22.0 million in average per share.

Note 19. Deferred tax

(mDKK)	2014	2013
Deferred tax, net at 1 January	14	110
Change in tax rates recognised in income statement	5	3
Exchange rate adjustments	8	(5)
Income statement charge	175	(76)
Charged to other comprehensive income	83	(18)
	285	**14**
Classified as:		
Deferred tax assets	494	140
Deferred tax liabilities	(209)	(126)
	285	**14**

Note 19. Deferred tax - continued

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

2013 (mDKK)	Deferred tax assets	Provision for deferred tax	**Deferred tax net**
Non-current assets	64	(39)	**25**
Receivables	2	(1)	**1**
Inventories	156	(152)	**4**
Provisions	96	–	**96**
Other liabilities	66	(43)	**23**
Other	11	(164)	**(153)**
Offset	(273)	273	**–**
Tax loss carry-forwards	18	–	**18**
	140	**(126)**	**14**

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

DKK 3 million of the LEGO Group's capitalised tax losses expires after 5 years (DKK 18 million in 2013 expires after 5 years).

Note 20. Pension obligations

Defined contribution plans
In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (eg a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish companies and some of the foreign companies are all defined contribution plans. In the LEGO Group, DKK 262 million (DKK 251 million in 2013) have been recognised in the income statement as costs relating to defined contribution plans.

Defined benefit plans
In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the Group include employees in Germany and in the UK. In the LEGO Group, a net obligation of DKK 82 million (DKK 57 million in 2013) has been recognised relating to the LEGO Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the LEGO Group, DKK 5 million (DKK 4 million in 2013) have been recognised in the income statement and DKK 14 million (DKK 1 million in 2013) have been recognised in other comprehensive income.

No new employees will be included in the defined benefit plans.

(mDKK)	**2014**	**2013**
The amounts recognised in the balance sheet are calculated as follows:		
Present value of funded obligations	(171)	(124)
Fair value of plan assets	144	115
	(27)	**(9)**
Present value of unfunded obligations	(55)	(48)
Net liability recognised in the balance sheet	**(82)**	**(57)**
Of which included as part of the liabilities	(82)	(57)
The change in present value of defined benefit obligations over the period is as follows:		
Present value at 1 January	(172)	(166)
Effect of amended accounting standard	–	(9)
Exchange adjustment to year-end rate	(12)	1
Pension costs relating to current financial year	(3)	(1)
Interest expenses	(7)	(7)
Remeasurement gains/(losses)	(37)	5
Benefits paid	5	5
Present value at 31 December	**(226)**	**(172)**

Note 20. Pension obligations – continued

(mDKK)	2014	2013
The change for the period in fair value of plan assets is as follows:		
Plan assets at 1 January	115	118
Exchange adjustment to year-end rate	5	(2)
Interest income	5	–
Expected return on plan assets	–	(4)
Remeasurement (gain)/losses	22	5
Employer contributions	–	1
Benefits paid	(3)	(3)
Plan assets at 31 December	**144**	**115**
Movements in the net liability recognised in the balance sheet are as follows:		
Net liability at 1 January	57	48
Effect of amended accounting standard	–	9
Exchange adjustment to year-end rate	8	1
Total expenses charged to the income statement	5	3
Total income charged to other comprehensive income	14	(1)
Contributions paid	(2)	(3)
Net liability at 31 December	**82**	**57**
The actual return on plan assets amounts to	**22**	**1**

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

(mDKK)	2014	2013
Discount rate	2% - 4%	3% - 5%
Expected return on plan assets	2% - 4%	3% - 5%
Future salary increases	2% - 6%	2% - 4%
Future pension increases	1% - 3%	2% - 4%

Note 21. Other debt

(mDKK)	2014	2013
Wage-related payables and other charges	1,282	1,084
Debt to related parties	374	315
Finance lease obligations	28	31
VAT and other indirect taxes	330	266
Amortised debt	151	148
Discounts	698	676
Other current liabilities	1,468	797
	4,331	**3,317**
Specified as follows:		
Non-current	96	68
Current	4,235	3,249
	4,331	**3,317**

Finance lease obligations:

The fair value of obligations regarding assets under finance leases corresponds to the carrying amount. The fair value is estimated to equal the present value of expected future cash flows at a market interest rate for similar leases.

(mDKK)	2014	2013
Obligations regarding finance leases are as follows:		
0-1 year	6	6
1-5 years	26	24
> 5 years	6	10
	38	**40**
Reconciliation of carrying amount and gross liability:		
Carrying amount of the liability	28	28
Interest expenses not yet accrued	10	12
Gross liability	**38**	**40**

No contingent leases have been recognised in expenses in 2014 or 2013.

None of the assets under finance leases have been subleased.

Note 22. Provisions

2014 (mDKK)	Restructuring	Other	**Total**
Provisions at 1 January	55	143	**198**
Exchange adjustment to year-end rate	–	1	**1**
Additions	–	313	**313**
Used	(24)	(114)	**(138)**
Reversed	(4)	(47)	**(51)**
Provisions at 31 December	**27**	**296**	**323**
Specified as follows:			
Non-current			95
Current			228
			323

2013 (mDKK)	Restructuring	Other	**Total**
Provisions at 1 January	7	128	**135**
Additions	71	109	**180**
Used	(14)	(60)	**(74)**
Reversed	(9)	(34)	**(43)**
Provisions at 31 December	**55**	**143**	**198**
Specified as follows:			
Non-current			88
Current			110
			198

Provisions for restructuring obligations relate primarily to close-down and reduction of production facilities, close-down of activities, and redundancy programmes. The majority of these obligations is expected to result in cash outflows in 2015.

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

Note 23. Contingent assets, contingent liabilities and other obligations

(mDKK)	2014	2013
Guarantees	96	320
Operating lease obligations	2,214	2,243
Other obligations	368	219
	2,678	**2,782**

Guarantees relates to bank guarantees for commitments.

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

(mDKK)	2014	2013
Lease expenses for the year charged to the income statement amount to	633	527

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

(mDKK)	2014	2013
Related parties:		
0-1 year	60	45
1-5 years	125	75
> 5 years	157	176
	342	**296**
Other:		
0-1 year	414	392
1-5 years	1,010	985
> 5 years	448	570
	1,872	**1,947**

Security has been given in land, buildings and installations with a net carrying amount of DKK 318 million (DKK 233 million in 2013) for the LEGO Group's mortgage loans.

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

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

The Group is part in certain legal disputes. It is Management's assessment, that the settlement of these legal disputes will not impact the financial position of the Group.

Note 24. Financial risks

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

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

Credit risk

Financial instruments are entered into with counterparties with a credit rating of A- or higher from Standard & Poor's.

Similarly, the LEGO Group only uses insurance companies with a credit rating of A- or higher from Standard & Poor's. The LEGO Group does not use credit ratings when hedging electricity consumption.

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

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

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

Foreign exchange risk

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

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

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

(mDKK)	%-change	2014	2013
EUR:			
Equity	10%	8	6
Net profit for the year	10%	14	21
USD:			
Equity	10%	(252)	(160)
Net profit for the year	10%	53	(29)
GBP:			
Equity	10%	(76)	(56)
Net profit for the year	10%	(9)	(2)
CZK:			
Equity	10%	54	44
Net profit for the year	10%	54	32
MXN:			
Equity	10%	59	53
Net profit for the year	10%	41	31
HUF:			
Equity	10%	61	40
Net profit for the year	10%	55	38

Note 24. Financial risks - continued

The financial instruments included in the foreign exchange sensitivity analysis are the Group's; Cash, Accounts Receivable, Accounts Payable, Current and Non-Current Loans and Foreign Exchange Forwards and Foreign Exchange Options.

Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The LEGO Group's interest-bearing assets consist mainly of liquid funds. Liquid funds yield interest on the short-term money market. An increase in the interest level of 1.0% for 2014 would have had a positive impact on the LEGO Group's profit before tax of approx. DKK 4.4 million in 2014 (DKK 15.4 million in 2013). The LEGO Group's interest rate risk is considered immaterial and is not expected to have a significant impact on the LEGO Group's results.

Other market risk

Electricity derivatives

The LEGO Group has entered into electricity derivatives in order to hedge part of the LEGO Group's electricity consumption for 2015. The LEGO Group does not use hedge accounting on electricity derivatives. As a consequence the profit before tax has been affected negatively with DKK 0.4 million (negatively DKK 1.0 million in 2013). An increase/decrease in the electricity price of DKK 0.05 per kWh would have increased/reduced the net income with DKK 1.1 million (DKK 4.3 million in 2013) based on the net present value of the derivatives.

Liquidity risk

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

Capital risk management

Dividend of DKK 5,000 million has been paid in May 2014 (DKK 4,500 million in 2013). It is expected that the dividend for 2014, to be paid in 2015 will amount to DKK 4,500 million. The dividend payment reflects the strategy behind the capital structure where the LEGO Group is the operational company and any surplus liquidity is distributed to the owners.

Note 25. Financial assets and liabilities

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

At 31 December 2014 forward contracts have been applied for hedging of cash flows covering future financial periods. The hedging mainly relates to the LEGO Group's sales of goods and services in USD, EUR, GBP, AUD and CAD as well as purchases of goods in CZK, MXN and HUF. All contracts are expected to expire - and thus affect results - in the financial years 2015 to 2016. The following table shows the timing of cash flows related to financial liabilities and hedging instruments.

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

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

Note 25. Financial assets and liabilities – continued

2013 (mDKK)	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	**Total cash flows**
Measured at amortised cost (Liabilities):						
Debt to credit institutions	293	293	89	42	179	**310**
Debt to related parties	600	600	19	676	–	**695**
Trade payables	2,201	2,201	2,201	–	–	**2,201**
Other debt[1]	1,909	1,909	1,884	24	10	**1,918**
	5,003	**5,003**	**4,193**	**742**	**189**	**5,124**
Derivative financial instruments:						
Measured at fair value through the income statement	19	19	19	–	–	**19**
Measured at fair value through other comprehensive income (Cash Flow Hedging)	30	30	21	9	–	**30**
	49	**49**	**40**	**9**	**–**	**49**
Total financial liabilities	**5,052**	**5,052**	**4,233**	**751**	**189**	**5,173**
Measured at amortised cost (Assets):						
Trade receivables	4,870	4,870	4,870	–	–	**4,870**
Other receivables[1]	403	403	403	–	–	**403**
Receivables from related parties	2,310	2,310	2,310	–	–	**2,310**
Cash at bank and in hand	1,024	1,024	1,024	–	–	**1,024**
	8,607	**8,607**	**8,607**	**–**	**–**	**8,607**
Derivative financial instruments:						
Measured at fair value through the income statement	108	108	108	–	–	**108**
Measured at fair value through other comprehensive income (Cash Flow Hedging)	155	155	155	–	–	**155**
	263	**263**	**263**	**–**	**–**	**263**
Total financial assets	**8,870**	**8,870**	**8,870**	**–**	**–**	**8,870**

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

Note 25. Financial assets and liabilities – continued

The following table presents the LEGO Group's assets and liabilities measured at fair value at 31 December 2014:

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

2014 (mDKK)	Level 1	Level 2	Level 3	**Total**
ASSETS				
Financial assets at fair value through income statement:				
Derivative financial instruments	–	16	–	**16**
Financial assets at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	37	–	**37**
TOTAL ASSETS	**–**	**53**	**–**	**53**
LIABILITIES				
Financial liabilities at fair value through income statement:				
Derivative financial instruments	–	87	–	**87**
Financial liabilities at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	246	–	**246**
TOTAL LIABILITIES	**–**	**333**	**–**	**333**

Note 25. Financial assets and liabilities – continued

2013 (mDKK)	Level 1	Level 2	Level 3	**Total**
ASSETS				
Financial assets at fair value through income statement:				
Derivative financial instruments	–	108	–	**108**
Financial assets at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	155	–	**155**
TOTAL ASSETS	**–**	**263**	**–**	**263**
LIABILITIES				
Financial liabilities at fair value through income statement:				
Derivative financial instruments	–	19	–	**19**
Financial liabilities at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	30	–	**30**
TOTAL LIABILITIES	**–**	**49**	**–**	**49**

Note 26. Derivative financial instruments

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

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

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

Note 26. Derivative financial instruments – continued

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

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

Note 26. Derivative financial instruments – continued

2013 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
Hedging of forecast transactions qualifying for hedge accounting:				
USD (Sale of currency)	1,741	97	4	17 months
JPY (Sale of currency)	258	39	–	12 months
GBP (Sale of currency)	716	–	11	12 months
CZK (Purchase of currency)	163	–	10	11 months
Other (Purchase of currency)	317	5	5	17 months
Other (Sale of currency)	378	14	–	12 months
Total forward contracts	**3,573**	**155**	**30**	
Hedging of balance items qualifying for hedge accounting:				
USD (Sale of currency)	1,320	79	9	2 months
JPY (Sale of currency)	52	9	–	2 months
GBP (Sale of currency)	134	–	4	2 months
CZK (Purchase of currency)	598	–	5	2 months
Other (Purchase of currency)	130	4	–	2 months
Other (Sale of currency)	224	16	–	2 months
Total forward contracts	**2,458**	**108**	**18**	
Total for which hedge accounting applies	**6,031**	**263**	**48**	
Other forecast transaction hedges for which hedge accounting is not applied:				
Electricity	18	–	1	24 months
Energy contracts	**18**	**–**	**1**	
Total for which hedge accounting is not applied	**18**	**–**	**1**	
Total of forecast transactions	**6,049**	**263**	**49**	

Note 27. Other reversals with no effect on cash flows

(mDKK)	2014	2013
Depreciation, amortisation and impairment	947	764
Loss on sale of property, plant and equipment	6	10
Net movements in provisions	125	63
Other adjustments	(240)	(15)
	838	**822**

Note 28. Cash at banks

(mDKK)	2014	2013
Cash at banks	482	1,024
	482	**1,024**

Note 29. Related party transactions

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

The following transactions were carried through with related parties:

(mDKK)	2014	2013
Transactions with KIRKBI A/S:		
Sale of assets	1	–
Rent charged	(44)	(43)
Service fee charged	(3)	(3)
Service fee received	19	–
Total transactions with KIRKBI A/S	**(27)**	**(46)**
Transactions with Koldingvej 2, Billund A/S:		
Service fee received	42	–
Total transactions with Koldingvej 2, Billund A/S	**42**	**–**
Transactions with associates:		
Trademark fee received	9	9
Purchase of products	(4)	(9)
Total transactions with associates	**5**	**–**
Transactions with KIRKBI Invest A/S Group:		
Interest received	1	2
Service fee charged	–	(37)
Rent charged	(18)	(3)
Interest charged	(19)	(10)
Service fee received	30	–
Trademark fee charged	(1,036)	(920)
Total transactions with KIRKBI Invest A/S Group	**(1,042)**	**(968)**
Transactions with Merlin Entertainments Group:		
Sale of products	373	322
Trademark fee received	19	16
Service fee charged	(10)	(9)
Total transactions with Merlin Entertainments Group	**382**	**329**

Note 29. Related party transactions – continued

(mDKK)	2014	2013
Transactions with other related parties:		
Sale of products	2	1
Donations received	10	9
Rent charged	(1)	(1)
Service fee charged	(2)	(1)
Total transactions with other related parties	**9**	**8**

Remuneration to Key Management Personnel is disclosed in note 6.
Transactions with related parties were carried out on an arm's length basis.

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

(mDKK)	2014	2013
Balances with KIRKBI A/S:		
Receivables	5	–
	5	**–**
Balances with Koldingvej 2, Billund A/S:		
Receivables	3	–
	3	**–**
Balances with KIRKBI Invest A/S Group:		
Receivables	18	–
Payables	(360)	(314)
	(342)	**(314)**
Balances with Merlin Entertainments Group:		
Receivables	60	22
Payables	(1)	(2)
	59	**20**
Balances with other related parties:		
Receivables	1	1
	1	**1**

Note 29. Related party transactions – continued

Year-End balances regarding loans:

2014 (mDKK)	**Koldingvej 2, Billund A/S**	**KIRKBI Invest A/S**
Balance at 1 January – Loan investment	–	2,310
Loans advanced during the year[1]	1,250	9,698
Repayments - loan investment[1]	(1,250)	(9,410)
Balance at 31 December	**–**	**2,598**
Specified as follows:		
Non-current	–	–
Current	–	2,598
	–	**2,598**
Balance at 1 January – Loan borrowing	–	(600)
Loans raised during the year[1]	–	(2,000)
Repayments – loan borrowing[1]	–	2,000
Balance at 31 December	**–**	**(600)**
Specified as follows:		
Non-current	–	(600)
Current	–	–
	–	**(600)**

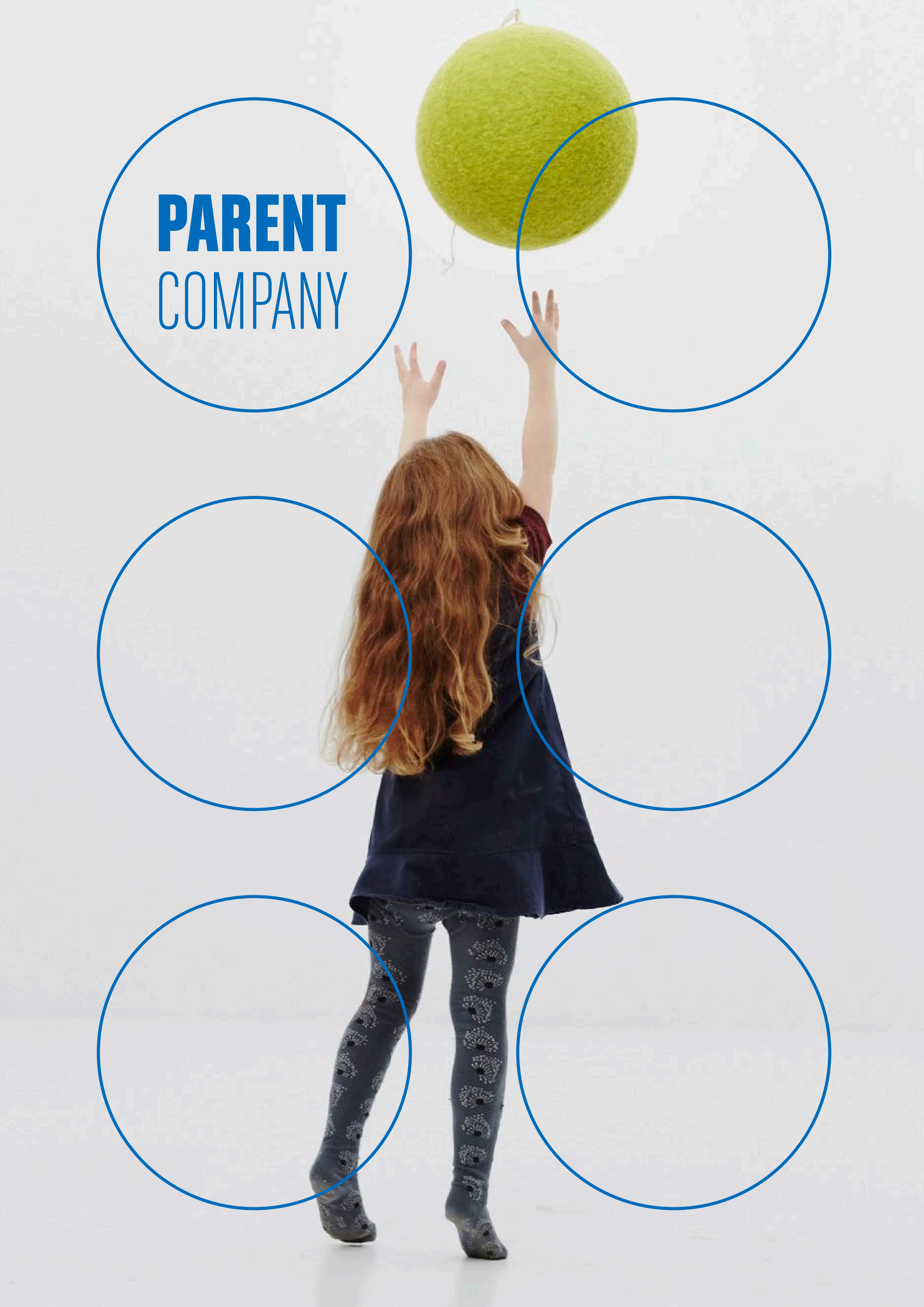
[1] Payments to related parties amounting to DKK 12,948 million and payments from related parties amounting to DKK 12,660 million.

Note 29. Related party transactions – continued

2013 (mDKK)	Koldingvej 2, Billund A/S	KIRKBI Invest A/S
Balance at 1 January – Loan investment	–	3,442
Loans advanced during the year[2]	750	5,530
Repayments – loan investment[2]	(750)	(6,662)
Balance at 31 December	**–**	**2,310**
Specified as follows:		
Non-current	–	–
Current	–	2,310
	–	**2,310**
Balance at 1 January – Loan borrowing	–	–
Loans raised during the year[2]	–	(600)
Balance at 31 December	**–**	**(600)**
Specified as follows:		
Non-current	–	(600)
Current	–	–
	–	**(600)**

[2] Payments to related parties amounting to DKK 6,280 million and payments from related parties amounting to DKK 8,012 million.

PARENT COMPANY



Income Statement

1 January – 31 December

(mDKK)	Note	2014	2013
Revenue		97	85
Gross profit		**97**	**85**
Other operating expenses	2	(73)	(67)
Operating profit		**24**	**18**
Net profit for the year from subsidiaries		7,023	6,089
Financial income	3	2	–
Financial expenses	4	(36)	(28)
Profit before income tax		**7,013**	**6,079**
Tax on profit for the year	5	(14)	(3)
Net profit for the year		**6,999**	**6,076**
Proposed distribution of profit:			
Dividend		4,500	5,000
Reserve from the use of the equity method		1,228	(4,524)
Retained earnings		1,271	5,600
		6,999	**6,076**

Balance Sheet

at 31 December

(mDKK)	Note	2014	2013
ASSETS			
Non-current assets:			
Patents		6	–
Intangible assets	6	**6**	**–**
Land, buildings and installations		6	6
Property, plant and equipment	7	**6**	**6**
Deferred tax assets	10	2	–
Investments in subsidiaries	8	15,714	14,197
Investments in associates	8	3	3
Other non-current assets		**15,719**	**14,200**
Total non-current assets		**15,731**	**14,206**
Current assets:			
Receivables from subsidiaries		311	2
Other receivables		4	2
Total current assets		**315**	**4**
TOTAL ASSETS		**16,046**	**14,210**

Balance Sheet – continued

1 January – 31 December

(mDKK)	Note	2014	2013
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	20	20
Reserve from the use of the equity method		2,999	2,029
Retained earnings		5,426	4,155
Proposed dividend		4,500	5,000
Total equity		**12,945**	**11,204**
LIABILITIES			
Non-current liabilities:			
Deferred tax liabilities	10	–	3
Debt to related parties	12	600	600
Total non-current liabilities		**600**	**603**
Current liabilities:			
Debt to subsidiaries		2,358	2,309
Trade payables		6	1
Current tax liabilities		23	3
Other short-term debt		114	90
Total current liabilities		**2,501**	**2,403**
Total liabilities		**3,101**	**3,006**
TOTAL EQUITY AND LIABILITIES		**16,046**	**14,210**
Contingent liabilities and other obligations	11		
Related party transactions	12		

Statement of Changes in Equity

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

2013 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	**Total equity**
Equity at 1 January	**20**	**6,755**	**55**	**3,000**	**9,830**
Dividend paid relating to prior year	–	–	–	(3,000)	**(3,000)**
Extraordinary dividend paid	–	–	(1,500)	–	**(1,500)**
Net profit for the year	–	(4,524)	5,600	–	**1,076**
Currency translation adjustments	–	(257)	–	–	**(257)**
Entries recognised directly on equity in subsidiaries	–	55	–	–	**55**
Proposed dividend	–	–	–	5,000	**5,000**
Equity at 31 December	**20**	**2,029**	**4,155**	**5,000**	**11,204**

Note 1. Significant accounting policies

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

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

The accounting policies for the Financial statements of the Parent company are unchanged from the last financial year.

Supplementary accounting policies for the Parent company

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

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

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

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

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

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

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

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

Equity

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

Note 2. Employee expense

(mDKK)	2014	2013
Management Board[1]:		
Salaries	25	26
Pension	1	1
Short-term incentive plans	8	12
Long-term incentive plans	19	12
	53	**51**
Including fee to Board of Directors:	**4**	**3**
Number of employees	**4**	**4**

[1] Management Board includes Executive Vice Presidents and the CEO for the LEGO Group.
Employee expenses to Management Board are the total amount expensed in all entities within the LEGO Group.

Note 3. Financial income

(mDKK)	2014	2013
Interest income from subsidiaries	2	–
	2	**–**

Note 4. Financial expenses

(mDKK)	2014	2013
Interest expenses on mortgage loans	2	2
Interest expenses to related parties	19	11
Interest expenses to subsidiaries	15	15
	36	**28**

Note 5. Tax on profit for the year

(mDKK)	2014	2013
Current tax on profit for the year	10	3
Deferred tax on profit for the year	(5)	(3)
Adjustment of tax relating to previous years, current tax	9	3
	14	**3**

Note 6. Intangible assets

2014 (mDKK)	**Patents**
Cost at 1 January	4
Additions	6
Cost at 31 December	**10**
Depreciation and impairment losses at 1 January	4
Depreciation and impairment losses at 31 December	**4**
Carrying amount at 31 December	**6**

2013 (mDKK)	**Patents**
Cost at 1 January	4
Cost at 31 December	**4**
Depreciation and impairment losses at 1 January	4
Depreciation and impairment losses at 31 December	**4**
Carrying amount at 31 December	**–**

Note 7. Property, plant and equipment

2014 (mDKK)	Land, buildings & installations	Other fixtures & fitting, tools and equipment	**Total**
Cost at 1 January	6	1	**7**
Cost at 31 December	**6**	**1**	**7**
Depreciation and impairment losses at 1 January	–	1	**1**
Depreciation and impairment losses at 31 December	**–**	**1**	**1**
Carrying amount at 31 December	**6**	**–**	**6**

2013 (mDKK)	Land, buildings & installations	Other fixtures & fitting, tools and equipment	**Total**
Cost at 1 January	6	1	**7**
Cost at 31 December	**6**	**1**	**7**
Depreciation and impairment losses at 1 January	–	1	**1**
Depreciation and impairment losses at 31 December	**–**	**1**	**1**
Carrying amount at 31 December	**6**	**–**	**6**

Note 8. Investments in associates and subsidiaries

2014 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	6,668	4
Additions	547	–
Cost at 31 December	**7,215**	**4**
Value adjustment at 1 January	7,529	(1)
Currency translation adjustments	22	–
Share of net profit for the year	7,023	–
Dividend	(5,795)	–
Entries recognised directly on equity in subsidiaries	(280)	–
Value adjustment at 31 December	**8,499**	**(1)**
Carrying amount at 31 December	**15,714**	**3**

2013 (mDKK)	Investments in subsidiaries	Investments in associates
Cost at 1 January	6,341	4
Additions	327	–
Cost at 31 December	**6,668**	**4**
Value adjustment at 1 January	6,755	(1)
Currency translation adjustments	(257)	–
Share of net profit for the year	6,089	–
Dividend	(5,113)	–
Entries recognised directly on equity in subsidiaries	55	–
Value adjustment at 31 December	**7,529**	**(1)**
Carrying amount at 31 December	**14,197**	**3**

Note 9. Share capital

(mDKK)	2014	2013
The Company's share capital consists of:		
A-shares of DKK 1,000 or multiples hereof	1	1
B-shares of DKK 1,000 or multiples hereof	9	9
C-shares of DKK 1,000 or multiples hereof	10	10
Total shares at 31 December	**20**	**20**

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

Shareholders holding more than 5% of the share capital:
KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark
Koldingvej 2, Billund A/S, Koldingvej 2, 7190 Billund, Denmark

Note 10. Deferred tax

(mDKK)	2014	2013
Deferred tax, net at 1 January	(3)	(6)
Change in deferred tax	5	3
Deferred tax, net at 31 December	**2**	**(3)**
Classified as:		
Deferred tax assets	2	–
Deferred tax liabilities	–	(3)
	2	**(3)**

Note 11. Contingent liabilities and other obligations

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

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

Note 12. Related party transactions

(mDKK)	**2014**	**2013**
Transactions with associates:		
Trademark fee received	8	8
Total transactions with associates	**8**	**8**
Transactions with KIRKBI Invest A/S:		
Service fee charged	–	(30)
Interest charged	(19)	(9)
Total transactions with KIRKBI Invest A/S	**(19)**	**(39)**
Transactions with Merlin Entertainments Group:		
Trademark fee received	19	16
Total transactions with Merlin Entertainments Group	**19**	**16**
Balances with KIRKBI Invest A/S:		
Payable	(10)	(9)
Loan	(600)	(600)
	(610)	**(609)**
Balances with Merlin Entertainments Group:		
Receivables	3	2
	3	**2**

GROUP
STRUCTURE

LEGO A/S

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

Ownership is 100% unless stated otherwise.

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

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

In our Responsibility Report you will find detailed information on the LEGO Group's non-financial results for 2014.

www.LEGO.com/responsibility

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