

The LEGO Foundation



Annual Report 2015

Koldingvej 2, 7190 Billund, CVR: 12 45 83 39



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Letter from the chairman and CEO



The ability to think and act creatively is more important now than ever before. For children to flourish and reach their potential they have to become true lifelong learners. That is why we place so much emphasis on ensuring that hands-on, minds-on learning, creativity and problem solving become natural components in our children's learning environment.

We very much support the United Nations Sustainable Development Goal number 4, which was launched in September 2015: "Ensuring equitable and quality education leading to relevant and effective learning outcomes." It is encouraging to see the global debate about learning and education shift from access to quality and the LEGO Foundation engages in this debate to create a shared understanding and acceptance of what quality learning is.

Our contribution to this debate focuses on the need to incorporate learning through play as the most effective means to provide children with quality-learning experiences. This is a position that is anchored in an ever-growing body of scientific evidence. Today, school is still very much about fact acquisition and it seems that education systems often focus on producing students who are great at passing multiple-choice tests with just one right answer. We see this approach to learning as counterproductive.

If we really want our children to strive and become lifelong learners, we should expose them to open-ended questions that allow them to build a wide range of skills. We need learning through play in children's education and development. That is quality to us.

2015 has been another very good year for the LEGO Foundation. The continued success of the LEGO Group has resulted in a significant financial contribution to the LEGO Foundation due to the increased dividend flow. This has enabled the Foundation to continue to grow its activities and reach out to more children than ever before.

Among our milestones in 2015 were the establishment of new, long-term partnerships with organisations that include UNICEF (page 19), Right to Play, Sesame Workshop and BRAC, an international development organisation based in Bangladesh, (page 15), that marks our first major investment in learning through play in Asia. In our partnerships, we place a strong emphasis on an advocacy component. An example of this is our work in South Africa where we have a close dialogue and collaboration with government officials and official bodies to unlock the skills potential of millions of children.

We have also continued to expand our academic network. We support and share research into the power of play and hands-on, minds-on learning and use this to inform

practice and to act as a critical resource for thought leaders, influencers, educators and parents all around the world. Highlights from 2015 included a study showing that learning through play helps children develop better writing skills and launching the Centre for Research on Play in Education, Development and Learning (PEDaL) and a LEGO Professorship at the University of Cambridge (page 18). We also celebrated 30 years of collaboration with Massachusetts Institute of Technology (MIT) in Boston.

The annual LEGO® Idea Conference in Billund (page 16) brought 300 practitioners, government representatives and academics together to debate current issues, challenges and potential solutions needed to empower children to become creative, engaged lifelong learners. The 2015 LEGO Idea Conference aimed to define solutions that address barriers to unlocking every child's potential. Participants engaged in an interactive process to agree on the main barriers for five thematic areas and subsequently co-created new solutions to address these barriers.

We continued our focus on turning Billund, Denmark into the Capital of Children – an inspiring example of learning through play. For example, we initiated the Pedagogy of Play research project in partnership with the International School of Billund and Project Zero at the Harvard Graduate School of Education. Pedagogy of Play explores what it means to put play at the centre of schooling and looks into how teachers, curricula and a school community can create a

culture that supports a playful pedagogy. We also supported the successful Billund Builds Music event (page 17). Probably the most visible activity in Billund is the construction of the LEGO House. In late 2015, we celebrated the topping-out, marking a significant step towards the creation of the "Home of the Brick".

For us, it is a great adventure to be a part of the LEGO Foundation's ambitious journey towards making a continuous, positive difference for children around the world and to experience the growth in terms of activities, donations and staff. In 2016, we look very much forward to continuing this journey – and hopefully see you joining it.



Kjeld Kirk Kristiansen
Chairman of the board

Hanne Elisabeth Rasmussen
CEO

In early 2015, Hanne Elisabeth Rasmussen joined the LEGO Foundation as its new CEO. Hanne brings more than 20 years of experience with humanitarian and development work, most recently as Chief Operating Officer in SOS Children's Villages International.

Hanne's two main priorities have been to strengthen the LEGO Foundation's research efforts in collaboration with key academic partners and to broaden its portfolio of implementation partners and activities to further the Foundation's strategy.



Our LEGO® heritage

In the LEGO Foundation, we aim to make children's lives better – and communities stronger – by building a future where learning through play empowers children to become creative, engaged, lifelong learners. We do this by making sure the fundamental value of play is understood, embraced and acted upon.

We fundamentally believe that children are our role models because of their natural hands-on, minds-on approach to learning. Children are curious, creative and imaginative. They embrace discovery and wonder. They are natural, intuitive learners that experience the world through play. These are qualities we should nurture and stimulate throughout life.

We aim to inspire and develop the builders of tomorrow, a mission that we share with the LEGO Group. We benefit from more than 80 years of LEGO Group experience, the strong reputation of the LEGO® brand, and an unwavering ambition to have a positive impact on children and society.

The story of the LEGO Group is also a story of family ownership. Ole Kirk Kristiansen, a carpenter, founded the company in 1932. He came up with the name LEGO from

the Danish words "leg godt" which means "play well" and the company grew to become the LEGO Group. As part of the ongoing commitment to giving children better opportunities to reach their full potential, the LEGO Group owner family has entrusted the LEGO Foundation with 25% ownership of the LEGO Group. This is how we fund our activities.

In 2015, the LEGO Foundation activities amounted to DKK 369 million.



Key figures

Words behind the numbers

In 2015, **150,000 students benefited from learning through play in LEGO Foundation projects**. These projects involve cash grants, training and education of staff, research and LEGO® products.

The Foundation also reached **240,000 children in vulnerable and non-sustainable situations** through LEGO Charity product donations.

Furthermore, the LEGO Foundation and the LEGO Group have a strong collaboration around the Local LEGO Community Engagement programme, which in 2015 **reached more than 66,000 children and involved approximately 3,000 LEGO employees** at 16 different locations around the world.

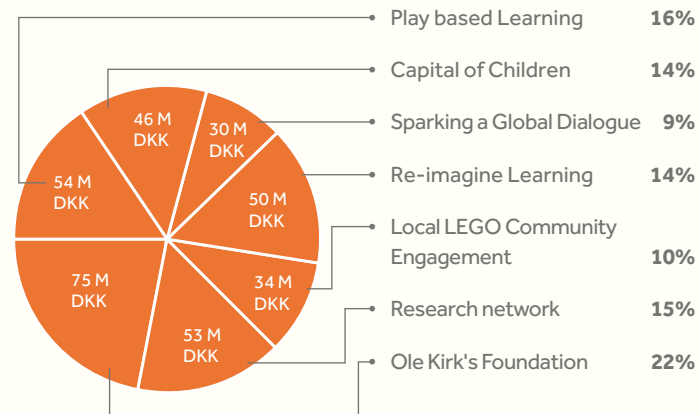
In addition to this, the Foundation reaches a **significant number of children through advocacy activities and partnership agreements with international organisations and NGOs**.

An example of this is the partnership with UNICEF that has supported a policy change in South Africa with the potential to reach more than four million children with new approaches, including learning through play.

See our distribution policy on page 48.

Portfolio costs 2015

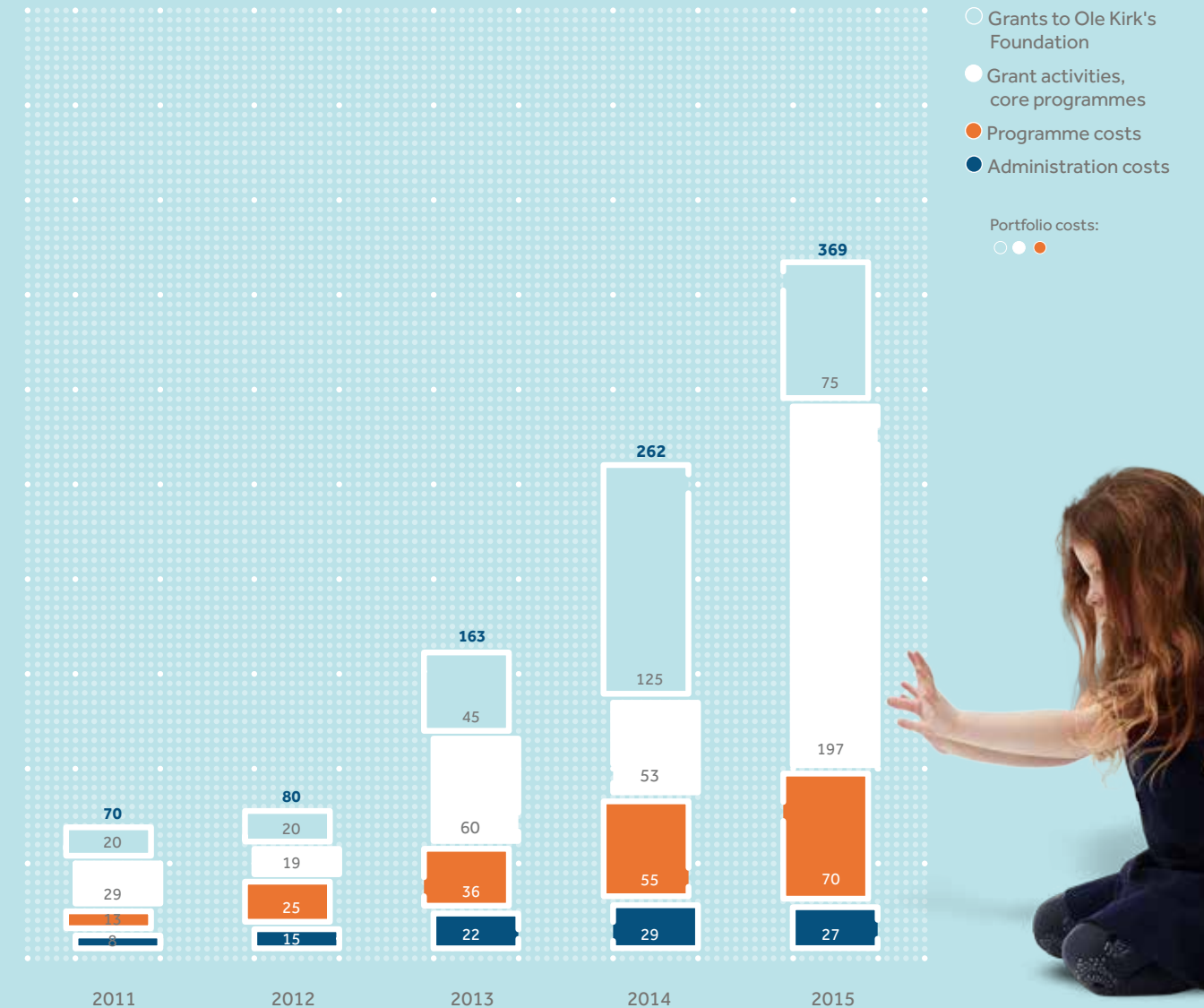
Grant activities and programme costs



Key ratios

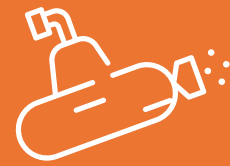
	2011	2012	2013	2014	2015
Portfolio cost share					
of total activities	89%	81%	87%	89%	93%
Administration cost share					
of total activities	11%	19%	13%	11%	7%

Activities 2011–2015 (DKK million)



We don't stop playing because we grow old; we grow old because we stop playing

George Bernard Shaw



Play matters because it creates an opportunity to bring out the best in every kid, and it's an opportunity for kids to really see the best in themselves

Craig Harper



The creation of something new is not accomplished by the intellect but by the play instinct acting from inner necessity

Carl Jung



It is a happy talent to know how to play

Ralph Waldo Emerson

Children learn as they play. Most importantly, in play children learn how to learn

O. Fred Donaldson



Play is essential for quality learning

The percentage of the world's children receiving primary education has increased significantly since the launch of the United Nations Millennium Development Goals in 2000. However, this is only half the story. Unless we also rethink how and what these children learn, any impacts on the children and their future will be limited.

The LEGO Foundation aims to create a future in which learning through play empowers children to become creative, engaged lifelong learners. Time and again, research has proven that play is the most effective way to build lasting skills and support the intellectual, social, emotional, and physical development of a child. In addition, we have come to realise that the world is developing so fast that there should be no end to the learning process.

The LEGO Foundation has taken on the dual task of re-defining what we mean with play and its role in learning, and of re-imagining how we can stimulate children to learn. We do this by promoting systemic, scalable change in partnership with others to transform attitudes and behaviours with regard to learning.

Our work focuses on children aged 0 to 12 with a special emphasis on early childhood – the period when children

develop most rapidly and when play is instrumental in building skills essential for the rest of their lives. We try to find a balance between building the scientific evidence, supporting programmes that demonstrate results and creating buy-in for learning through play.

Play helps children develop the skills they need in life

Play has a key role in establishing the vital early learning skills that underpin all other learning throughout our lives. It enables us to explore, practice and try out ways of tackling similar challenges in the real world and involves a constant process of "try, fail and try again" – helping us develop and fine-tune our creative and critical thinking skills.

Skills like problem-solving, creativity, empathy, communication and teamwork are all rooted in play.

Partnering for lifelong impact

From Denmark to South Africa, we invest in early childhood development because it provides exceptional returns for individual children as well as for society as a whole. We need to start early to give children everywhere an opportunity to fulfil their potential.

We aim to address the disconnect between the skills we focus on children learning in school and the skills set they need to function well in current and future society.

We live in a world in which half of today's jobs did not exist 25 years ago. How do we prepare students for jobs that do not exist today? This is at best very difficult, but what we can do is to equip children with a universal skills set that enables them to become lifelong learners and to navigate in a fast-changing world.

There is an increasing global awareness about the need for children to develop stronger life skills, including critical thinking, creativity and social capabilities.

Strong strategic and long-term partnerships with organisations, school systems and governments that already work within in the field of promoting play and quality early childhood development, are essential if we want to achieve a strong, sustained impact.

What we offer in the LEGO Foundation is our expertise – a deep knowledge of children's development and learning processes along with the training and tools educators need to release the potential of our children.

Early learning through play

– a new partnership with BRAC

In 2015, the LEGO Foundation announced a three-year partnership with BRAC, an international development organisation based in Bangladesh, focused on promoting the importance of learning through play in Bangladesh, Uganda and Tanzania.

Over the course of the three-year commitment, the goal is to develop and pilot the Play Lab concept, a model for integrating play-based learning into the lives of young children between the ages of 3 and 5. Our approach to programme design and development enables us to reach the most vulnerable children and their families. We aim to educate and impact both children and their caregivers.

The pilot project will launch 240 Play Labs for 7,200 children; train nearly 500 adolescent girls as play leaders, and educate parents about the importance and value of learning through play. Additionally, we commit to designing environmentally sustainable play spaces for communities that otherwise lack such facilities. A global network of experts will be established to gather and collate best practices on learning through play, to develop curricula and materials, and to act as advocates for children's right to play.

The project will be monitored and evaluated to establish an evidence-based model of scalable Play Labs that exemplifies a low-cost, high-impact intervention capable of preparing children to overcome future challenges.

This commitment strengthens the LEGO Foundation's efforts in East Africa and marks our first major investment in learning through play in Asia.

Photo credit BRAC





Breaking down barriers and co-creating solutions

Each year in spring, the LEGO Foundation hosts the LEGO® Idea Conference in Billund, Denmark. The conference revolves around re-defining play and re-imagining learning – debating current issues, challenges and potential solutions related to quality learning through play and its role in preparing children to be creative, engaged, lifelong learners.

Over nine years, the Conference has grown from a one-day, in-house event to a well-established global platform recognised for its ability to gather 300 international thought leaders – from academics and practitioners to government representatives and social entrepreneurs.

The 2015 LEGO Idea Conference aimed to define solutions that address barriers to unlocking every child's potential. Participants engaged in an interactive process to agree on the main barriers for five thematic areas (Mindsets and Attitudes, Finance, Informal Learning, Measurement and Formal Learning) and subsequently co-created new solutions to address these barriers.

An annual highlight of the LEGO Idea Conference is the presentation of the LEGO® Prize to a person or institution responsible for an outstanding contribution to the lives of children.

In 2015, Carla Rinaldi, Italian pedagoga and president of Reggio Children, was awarded the LEGO Prize because she has championed child-centred early learning for decades.

Capital of Children strikes a playful learning chord

All the schools and day-care facilities in Billund, Denmark – the Capital of Children – took part in the first ever municipality-wide research and learning project, entitled Billund Builds Music, during a week in October 2015. Student-driven learning through play, problem solving and creativity were at the heart of the project, and "music" was the unifying theme.

Some 4,000 children and young people up to the age of 16 worked on designing and building their own instruments, composing music pieces, learning about notes, and performing for each other. Hundreds of teachers, kindergarten teachers, nursery staff and child minders took on the challenge of facilitating the week.

A team of researchers monitored the project to evaluate the impact this type of learning has on motivation, creativity, the ability to solve problems and the ability to cooperate with others. The results will be published in an upcoming report.



A great year for LEGO Charity

180 retired LEGO® employees in Billund can look back at a year with 58 packaging days and product donations at a reported value of DKK 46.5 million, compared to DKK 44 million in 2014.

Charity boxes have increased significantly in numbers with 7,800 LEGO Play boxes and 11,200 DUPLO Play boxes bringing play and joy to around 240,000 children all over the world.

2015 also saw the start-up of a LEGO Charity packaging line at the LEGO factory in Monterrey, Mexico. Volunteering LEGO employees from both production and administration will now be able to package up to 70 LEGO Charity boxes an hour.

Establishing a play research centre

In October 2015, the University of Cambridge launched a new Research Centre on Play in Education, Development and Learning (PEDaL) to examine the role of play in helping children, especially in early childhood, to develop skills for lifelong learning. The LEGO Foundation funds both the new centre and a new LEGO® professorship.

The LEGO Foundation's collaboration with the University of Cambridge started in 2010 with the development of a report on the future of play. One current project revolves around exploring how learning through play impacts children's language development along with their writing and narrative skills.



Partnering with UNICEF to promote quality early learning through play

The LEGO Foundation and UNICEF share a dedication and commitment to improving young children's lives. In early 2015, the two organisations signed a partnership extending over three-and-a-half years, and aimed at promoting quality early learning through play for children around the world. The partnership has the potential to reach more than four million children.

Planned activities include:

- Assessment of the current global situation of the inclusion of play in early childhood development and learning standards, with the aim of building better understanding of the key links between play and early learning skills.
- Strengthen the connection between early learning and play in several existing UNICEF programmes through the training of practitioners.
- Support the development and piloting of new metrics to increase data and knowledge related to early childhood development (ECD) and early learning through play.
- Strive for play to be an integral part of government policies, ECD curricula and programmes within South Africa.

The partnership between the LEGO Foundation and UNICEF also supports children in emergencies. As an example, some 50,000 Syrian refugee children in Iraq have been given a chance to play and learn through donations of LEGO play materials and the training of local practitioners.

A child holds a set of LEGO play materials at the child-friendly space in Nabi Yunis IDP camp, near Baghdad, Iraq. Photo: UNICEF/Iraq/2015/Khuzaiie



LEGO employees engage more than 66,000 children

In the Local LEGO Community Engagement programme, the LEGO Foundation conducts Play Agent workshops to build awareness and experience among LEGO employees about learning through play. The Foundation also provides financial support to LEGO employees' volunteer work in their local communities.

In 2015, more than 700 LEGO employees participated in the Play Agent programme and more than 3,000 employees were engaged in the initiatives at 16 different locations around the world.

The Local LEGO Community Engagement Programme reached out to more than 66,000 children in the course of the year.





Towards sustainable, systemic change in South Africa

South Africa has been one of the LEGO Foundation's geographic priorities since 2008, and 2015 saw a further ramping-up of activities.

A key achievement was the adoption of play into South Africa's National Early Childhood Development Policy, which covers five million children from birth to the age of five. This policy now highlights the importance of play for child development and identifies actions required to give young children opportunities to play.

In 2015, the LEGO Foundation also began exploring whether delivering a play-based, hands-on learning concept through a low-cost, scalable teacher-training model would be effective in improving children's executive functions. These involve skills that underpin memory, reasoning and the ability to solve problems, and are important for children's school readiness, early achievement and lifelong learning.

We are awaiting the results from a randomised controlled trial with more than 800 children aged 5–6 from 124 early childhood development centres and primary schools in the Kwa-Zulu Natal province.

*A 3-year-old boy at play in an Early Childhood Development centre in the Diepsloot township near Johannesburg, South Africa
Photo credits: UNICEF/South Africa/2015/Reddy*



Changing teacher mindsets in Ukraine

Since 2010, the LEGO Foundation has been working with the Ukrainian Ministry of Education to improve the quality of early learning in kindergartens in several Ukrainian cities. In 2015, the project expanded from 63 to 118 kindergartens.

As a result, around 20,000 children are learning through play on a daily basis and some 400 kindergarten teachers have been taught to understand the importance of play and to use it actively in their work. This has shifted practice from a more traditional chalk-and-talk approach to playful, hands-on student engagement.

As a part of the LEGO Foundation's global partnership with UNICEF, a project was launched in September 2015 to support 18,000 children affected by the current conflict in the country.

New global research and innovation network

The LEGO Foundation aims to deepen the understanding of how children learn through play, and to answer a fundamental question: "How do we know that play is learning?"

To help support these efforts, the LEGO Foundation provides financial support for the establishment of a research and innovation network. The goal is a community of researchers, academics and practitioners that will develop ideas, share results and co-create applicable knowledge relating to play, learning and creativity.



Governance and leadership

The LEGO Foundation Annual Report complies with Danish recommendations for good governance in corporate foundations. A compliance status report can be found at LEGOFoundation.com.*

The LEGO Foundation is managed by a board of directors composed of six members elected according to its charter. The board approves the strategy of the LEGO Foundation and makes decisions on how the Foundation directs its resources, including grants.

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

The Board has appointed a CEO who is responsible for the day-to-day management of the Foundation.

There are a minimum of five board meetings each year, supplemented by additional conference call meetings if and when necessary.

The work of the board is regulated in its Rules of Procedure. The Rules of Procedure are drawn up to describe the responsibilities of the board of directors, and how the board's work is to be organised.

The board of the LEGO Foundation reviews the Foundation's strategy on an annual basis, as well as a number of policies and procedures to ensure good governance:

1. **Distribution Policy, which defines the focus of distribution in accordance with the LEGO Foundation charter and strategy.**
2. **Communication Policy, which defines who can speak on behalf of the Foundation in different matters and how these mandates are given.**
3. **Diversity Policy, which defines the gender and general diversity guidelines of the Foundation.**

The six members of the board are elected for a period of two consecutive years, taking into consideration the need for continuity in the board's work. Two members must be independent, to comply with the recommendations for best practice in Danish foundations.

In accordance with the board's Rules of Procedure, the board of directors evaluate the competences and

know-how of the board on an ongoing basis to ensure that the board serves its purpose to the benefit of the LEGO Foundation.

Each board member is entitled to recommend a new member, and a simple majority will then decide the recommendation/election. No one over the age of 75 can be elected or re-elected to the board.

Independent members of the board are remunerated by a fixed fee that does not depend on the financial results. The remuneration of each member is specified in the annual report. No board members received extraordinary remuneration for special tasks in 2015.

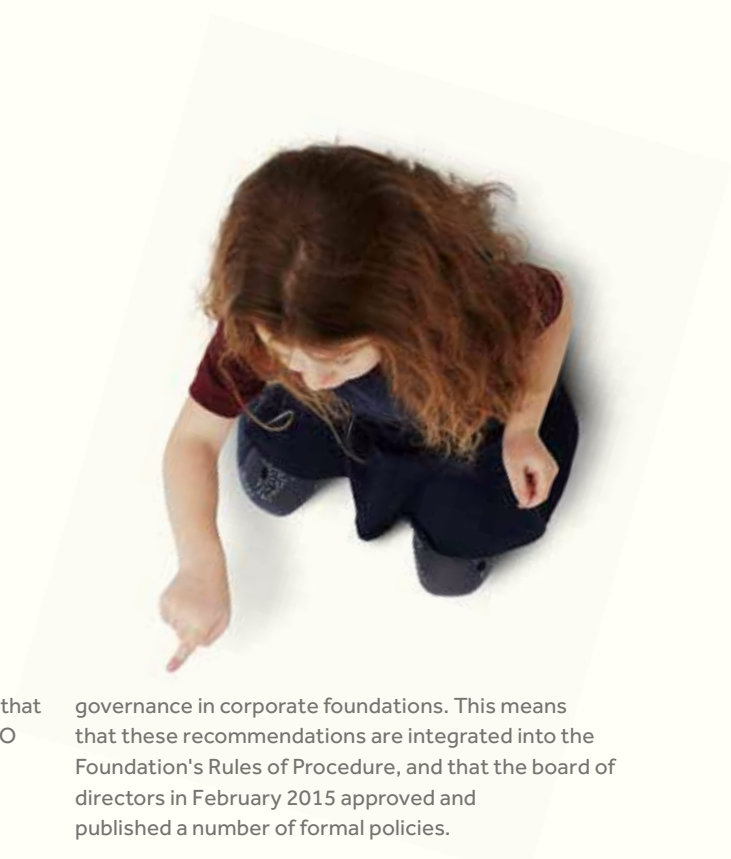
The LEGO Foundation wants to ensure transparency in respect of all of its activities. This is done through a high level of information on the LEGO Foundation website and a detailed description of the activities of the year in the annual review and report.

In 2014, the board of directors initiated a process to ensure that the foundation is compliant with and follows the spirit of Danish recommendations for good

governance in corporate foundations. This means that these recommendations are integrated into the Foundation's Rules of Procedure, and that the board of directors in February 2015 approved and published a number of formal policies.

For more information, visit www.LEGOFoundation.com/da-dk/who-we-are/policies

** Lovpligtig redegørelse for god fondsledning jf. Årsregnskabslovens §77a*



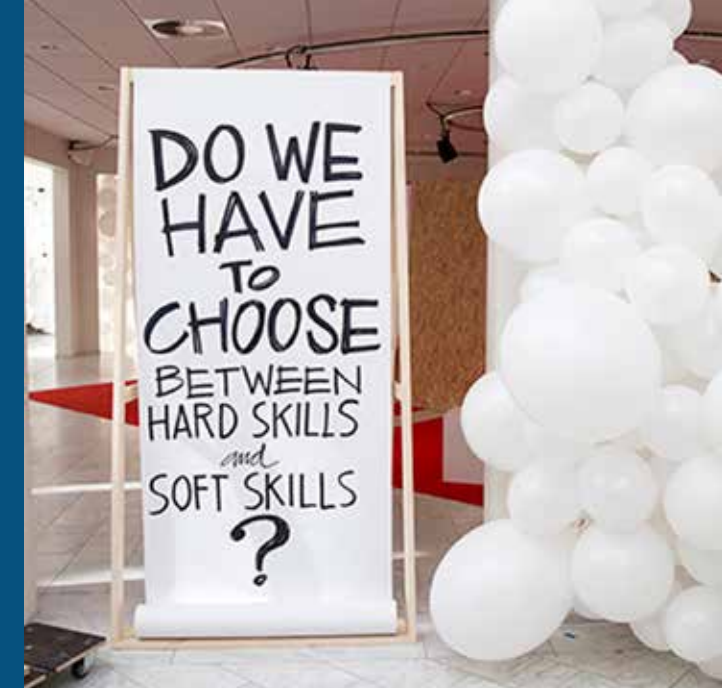
Minds are like parachutes. They only function when they are open

James Dewar



Today's young children are controlled by the expectations, schedules, whims, and rules of adults. Play is the only time they can take control of their world

Sheila G. Flaxman



Children learn through doing – play is how they explore their world, learn how to assess risk, try things out, and get to know themselves

Bethe Almeras



It's a miracle that curiosity survives formal education

Albert Einstein

Tell me and I forget.
Teach me and I remember.
Involve me and I learn

Benjamin Franklin

Board of directors



Chairman of the board
Kjeld Kirk Kristiansen (1947)

Education: Holds an MBA from IMD, Lausanne, Switzerland

Year elected: 2000

End of term: 2017 (re-elected in 2015)

Short bio: Third generation of the LEGO® ownership family and the principal shareholder of the family-owned LEGO Group through KIRKBI A/S. President and CEO of the LEGO Group 1979-2004. Appointed a Knight of The Order of Dannebrog in 1994 and a Knight 1st Degree in 2008. Appointed Chamberlain in 2012

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

Board and management positions: Chairman of the board of Koldingvej 2, Billund A/S and Ole Kirk's Foundation. Board member in CoC Office A/S, in KIRKBI A/S and seven subsidiaries

Appointed by authorities: No

Independent/not independent board member: Not independent

2015 annual remuneration within the LEGO Foundation: DKK 0



1st deputy chairman of the board
Thomas Kirk Kristiansen (1979)

Education: Holds a degree in marketing

Year elected: 2013

End of term: 2016

Short bio: Active as fourth-generation representative in the Kirk Kristiansen family businesses. Shareholder in KIRKBI A/S, the family's holding and investment company whose assets include the majority shareholding in LEGO A/S

Special competences: Family-owned companies and board work

Board and management positions: Board member in KIRKBI A/S and five subsidiaries. Executive management member of Kirk & Kirk Holding ApS and management roles in four subsidiaries.

Appointed by authorities: No

Independent/not independent board member: Not independent

2015 annual remuneration within the LEGO Foundation: DKK 0



2nd deputy chairman of the board
Jørgen Vig Knudstorp (1968)

Education: Holds a Master of Economics and PhD from the University of Aarhus. Executive MBA from Cranfield School of Management

Year elected: 2008

End of term: 2017 (re-elected in 2015)

Short bio: CEO of the LEGO Group. Former McKinsey & Company consultant. Prior positions in the LEGO Group include Vice President, Strategic Development

Special competences: Business development, sales, marketing and production

Board positions: Chairman of the board in LEGO System A/S. Member of The IMD Foundation Board

Appointed by authorities: No

Independent/not independent board member: Not independent

2015 annual remuneration within the LEGO Foundation: DKK 0



Board member
Sofie Kirk Kristiansen (1975)

Education: Educated Wildlife Manager with a bachelor's degree in Ethnography and Social anthropology

Year elected: 2012

End of term: 2017 (re-elected in 2015)

Short bio: Forestry owner, dedicated to working with nature conservation and biodiversity, establishing a nature reserve in the southern part of Denmark. Fourth generation of the Kirk Kristiansen family and shareholder in KIRKBI A/S, the family's holding and investment company whose assets include the majority shareholding in LEGO A/S

Special competences: Family-owned companies

Board and management positions: Board member in KIRKBI Estates Ltd. (UK) and Executive Management member of Sofies Holdingselskab ApS and two subsidiaries.

Appointed by authorities: No

Independent/not independent board member: Not independent

2015 annual remuneration within the LEGO Foundation: DKK 0



Board member
Mette Morsing (1963)

Education: PhD at Copenhagen Business School

Year elected: 2010

End of term: 2016

Short bio: PhD and Professor at Copenhagen Business School

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

Board positions: Claus Meyer Melting Pot Foundation, Copenhagen Business School, N. Zahle Gymnasium and editorial board member of the "Business, Society and Value Creation" series for Cambridge University Press

Appointed by authorities: No

Independent/not independent board member: Independent

2015 annual remuneration within the LEGO Foundation: DKK 200,000



Board member
William E. Hoover (1949)

Education: MBA from Harvard Business School

Year elected: 2010

End of term: 2016

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

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

Board positions: Danfoss A/S, Neopost S/A, GN Great Nordic, Sanistål, and working chairman of R&D Associates

Appointed by authorities: No

Independent/not independent board member: Independent

2015 annual remuneration within the LEGO Foundation: DKK 200,000



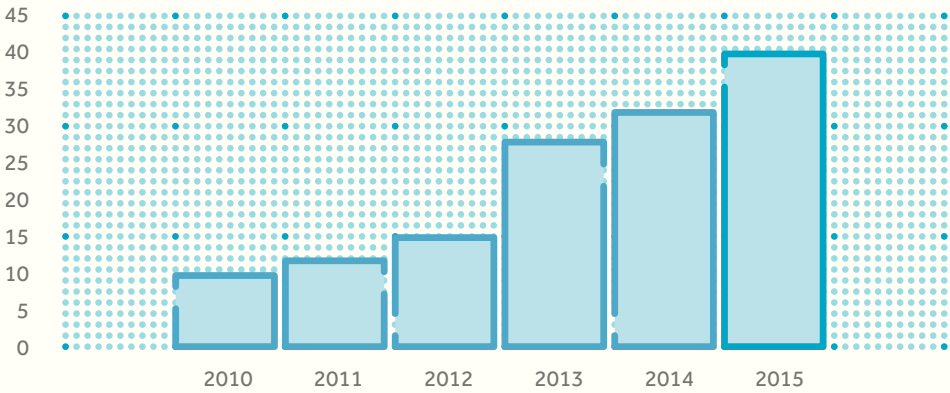
Our team

We are a Danish corporate foundation working out of Billund (DK), Baar (CH), Kiev (UKR) and Enfield (US). Our core team of specialists have different nationalities but one single shared passion: to make children's lives better – and communities stronger – by making sure the fundamental value of play is understood, embraced and acted upon.

Through 2015, we have continued to build up and strengthen our team and its competences. We have grown from 10 people in 2010 to 40 people in 2015.

Number of employees

Heads, end of year



Supporting the work of Ole Kirk's Foundation

In addition to its own activities, the LEGO Foundation also supports the work of Ole Kirk's Foundation. In 2015, this amounted to DKK 75 million.



Ole Kirk's Foundation was established in 1964 in memory of the founder of the LEGO Group.

The Foundation is a charitable body that mainly supports social, cultural and educational purposes in Denmark. Ole Kirk's Foundation prioritises activities that promote both physical and psychological quality of life for children, young people and families.

In 2015 Ole Kirk's Foundation made donations amounting DKK 86 million.

For more information, visit olekirksfond.dk

OLE KIRK's Foundation





Financial statements

Management review 2015



Income statement

The LEGO Foundation's annual result for 2015 amounted to DKK 2,248 million against DKK 1,734 million in 2014.

The huge contribution to this result is the result from subsidiaries of DKK 2,344 million where the 25% share of the result in the LEGO Group amounted to DKK 2,294 million.

The result for the year is considered highly satisfactory and has exceeded the level of expectation for the financial year.

Activity statement

The activities for the LEGO Foundation amounted in 2015 to DKK 369 million against DKK 262 million in 2014. The increase in activities is in accordance with the implementation of the Foundation's Theory of Change which focuses on the three mutually reinforcing approaches:

- Build and share EVIDENCE to show value,
- Open minds to develop BUY-IN,
- Identify and support PROGRAMMES that demonstrate results.

As part of working with these three approaches, the foundation focuses on core programmes, reflected in the annual report and the distribution policy.

Balance sheet

At the end of the year, the assets totalled DKK 9,872 million against DKK 7,821 million in 2014. The increase is primarily due to the increase in the value of the subsidiary Koldingvej 2, Billund A/S where the value has increased by DKK 2,288 million. The book value of the equity is DKK 8,786 million against DKK 7,459 million. The equity ratio is 89% compared to 95% in 2014.

Cash flows

The significant contribution to the LEGO Foundation's cash flow is the dividend from the LEGO Group to the LEGO Foundation's 100% owned subsidiary Koldingvej 2, Billund A/S. In 2015 the 25% share of dividend amounted to DKK 1,125 million distributed to Koldingvej 2, Billund A/S.

Development in the LEGO Foundation's activities and financial position

The highly satisfactory financial result for the year is due to the continuing positive development for the LEGO Group that had yet another successful year in 2015. The LEGO Group's net revenue increased by 25% to DKK 35,780 million. Earnings also improved significantly as result before tax was DKK 12,148 million against DKK 9,491 million in 2014.

Engaged employees

For the LEGO Foundation's activities, employees are the single most critical resource. The LEGO Foundation's activities and results are accomplished thanks to the motivation and commitment of the employees. That is the reason why management and employees work closely together throughout the year to ensure a strong, collaborative work environment and maintain high levels of job satisfaction.

At the end of year 2015, the total number of employees in Billund (DK), Baar (CH), Kiev (UKR) and Enfield (US) was 40 compared to 32 at the end of year 2014.

Risks

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

Expectations for 2016

Based on a good start to 2016 for the LEGO Group and the expected continuous high level of activities in the LEGO Foundation, the overall result for 2016 is expected to be satisfactory.

The LEGO Foundation Annual Report is in compliance with the recommendations for best practice in Danish Foundations. A compliance status reported by our board of directors can be found on LEGOfoundation.com.

Management statement

The board of directors and the executive management have today considered and adopted the annual report for the LEGO Foundation for the financial year 1 January - 31 December 2015.

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

In our opinion the financial statements give a true and fair view of the Foundation's financial position at 31 December 2015, and of the Foundation's activities for 2015.

Board of directors

Kjeld Kirk Kristiansen
Chairman of the board

Thomas Kirk Kristiansen
1st deputy chairman of the board

Jørgen Vig Knudstorp
2nd deputy chairman of the board

Sofie Kirk Kristiansen
Board member

Mette Morsing
Board member

William E. Hoover
Board member

We believe that the Management Review includes a true and fair account of the matters addressed in the review.

We recommend that the annual report be approved at the annual meeting.

Billund, 3 March 2016

Executive management

Hanne Elisabeth Rasmussen
CEO



Independent auditor's report

To the board of directors and executive management of the LEGO Foundation

Report on the financial statements

We have audited the financial statements of the LEGO Foundation for the financial year 1 January–31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Responsibility of the board of directors and executive management for the financial statements

The board of directors and executive management are responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Further, the board of directors and executive management are responsible for such internal control as the board of directors and executive management determine is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of 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 Foundation's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by the board of directors and executive management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2015, and of the results of the Foundation's activities for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management review

Pursuant to the Danish Financial Statements Act, we have read the management review. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the financial statements.

Aarhus, 3 March 2016

Deloitte

Statsautoriseret Revisionspartnerselskab
Registration number 33 96 35 56

Thomas Rosquist Andersen
State Authorised
Public Accountant

Nikolaj Thomsen
State Authorised
Public Accountant



Income statement

1 January–31 December

(tDKK)	Note	2015	2014
Net result from subsidiaries		2,343,662	1,804,126
Other operating income		1,238	1,038
Financial income		11,301	26,993
Financial expenses		(10,147)	(14,241)
Total net income		2,346,054	1,817,916
Expenses related to programmes			
Employee expenses	1	(32,627)	(24,259)
Operating expenses	2	(37,820)	(30,426)
		(70,447)	(54,685)
Expenses related to administration			
Employee expenses	1	(11,200)	(11,343)
Operating expenses	2	(15,193)	(17,553)
Depreciation	3	(435)	(419)
		(26,828)	(29,315)
Total expenses		(97,275)	(84,000)
Result before tax		2,248,779	1,733,916
Tax on result for the year		(296)	(344)
Result for the year		2,248,483	1,733,572
Distribution of result			
Grants committed prior to new legislation		–	472,342
Reserved for future grants		500,000	500,000
Extraordinary reserved for future grants during the year		750,000	–
Reserve from the use of the equity method		2,343,662	1,804,126
Retained earnings		(1,345,179)	(1,042,896)
Distribution of result		2,248,483	1,733,572

Activity reporting

1 January–31 December

(tDKK)	Note	2015	2014
Grants			
Grants to Ole Kirk's Foundation		75,000	125,000
Grant activities, core programmes, committed current year		19,959	25,715
Grant activities, core programmes, committed previous years		177,158	27,158
Current year's grant activity	4	272,117	177,873
Expenses			
Expenses related to programmes		70,447	54,685
Expenses related to administration		26,828	29,315
Current year's expenses		97,275	84,000
Total activities in the year		369,392	261,873

Activity reporting

The LEGO Foundation measures the "activities" as a sum of grant activities, expenses related to programmes and expenses related to administration. The total activities for the year are specified above as the information cannot be seen directly in the Income Statement in the annual report.

The income statement for the LEGO Foundation is prepared in accordance with the provisions of the Danish Act on Corporate

Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class B enterprises (Danish GAAP).

Grant activities for the period are specified in Note 4 summarized on each programme described in the Distribution Policy

Balance sheet

at 31 December

(tDKK)	Note	2015	2014
ASSETS			
Non-current assets			
Land and buildings	3	6,460	6,988
Historical toy collection		3,000	3,000
Property, plant and equipment		9,460	9,988
Investments in subsidiaries	5	8,018,560	5,730,648
Financial non-current assets		8,018,560	5,730,648
Total non-current assets		8,028,020	5,740,636
Current assets			
Receivables from subsidiaries		1,367,694	1,500,344
Other receivables		9,662	21,736
Securities		403,151	554,147
Cash		63,252	3,965
Total current assets		1,843,759	2,080,192
Total assets		9,871,779	7,820,828

Balance sheet

at 31 December

(tDKK)	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Basic capital		262,453	262,453
Reserve from the use of the equity method		7,359,568	5,071,656
Reserved for future grants		766,894	500,000
Retained earnings		397,177	1,625,237
Total equity		8,786,092	7,459,346
Liabilities			
Non-current liabilities			
Committed grants	6	800,102	154,937
Total non-current liabilities		800,102	154,937
Current liabilities			
Short-term part of committed grants	6	250,990	177,361
Trade payables		5,913	3,033
Payables to subsidiaries		2,276	-
Payables to associates		7,606	-
Liabilities		18,800	26,151
Liabilities		285,585	206,545
Total liabilities		1,085,687	361,482
Total equity and liabilities		9,871,779	7,820,828

Contingent liabilities and other obligations

7

Related party transactions

8

Statement of changes in equity

(tDKK)	2015	2014
Basic capital		
Balance at 1 January	262,453	262,453
Basic capital at 31 December	262,453	262,453
Reserve from the use of the equity method		
Balance at 1 January	5,071,656	4,852,530
Income from subsidiaries	2,343,662	1,804,126
Dividend distributed	(117,000)	(1,518,000)
Other comprehensive income/(expenses)	61,250	(67,000)
Reserve from the use of the equity method at 31 December	7,359,568	5,071,656
Reserved for future grants		
Balance at 1 January	500,000	–
Reserved during the year	500,000	500,000
Extraordinary reserved during the year	750,000	–
Commitments in the year	(983,106)	–
Reserved for future grants at 31 December	766,894	500,000
Retained earnings		
Balance at 1 January	1,625,237	1,150,121
Dividend received	117,000	1,518,000
Transferred in the year	(1,345,179)	(1,042,896)
Currency translation	119	12
Retained earnings at 31 December	397,177	1,625,237
Total equity	8,786,092	7,459,346



Accounting policies

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

Legislation

The LEGO Foundation's annual report for 2015 has been prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class B enterprises.

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

Consistency with prior years reporting

The accounting policies are consistent with those of prior years.

Consolidated financial statements

No consolidated financial statements have been prepared, see section 110 of the Danish Financial Statements Act, which concerns small groups.

Reporting currency

The annual report is presented in Danish kroner.

Translation of foreign currency

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

Recognition and measurement in general

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

losses and write-downs and provisions, are recognised in the income statement. Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the entity, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the entity and the value of such liabilities can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost. On recognition and measurement, allowance is made for foreseeable losses and risks arising before the time at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Income statement

Investments in subsidiaries

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

Depreciation

Depreciation of and impairment losses on property, plant and equipment are based on an ongoing assessment of the useful lives of the entity's assets. Non-current assets are depreciated on a straight-line basis based on cost, based on the following estimated useful lives and residual value of the assets:

	Useful life
Buildings	25 years
Historical toy collection	Infinity

Gains and losses from the disposal of non-current assets are recognised in the income statement under other operating income and expenses.

Financial income and expenses

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

Tax

The LEGO Foundation has opted to use section 3(4) of the Danish Corporation Tax Act. Under these rules, the taxable income of Koldingvej 2, Billund A/S is considered to have been earned by the LEGO Foundation if the taxable income is distributed as dividends to the LEGO Foundation. Since the LEGO Foundation's taxable income is regularly offset against grants for the year and provisions for future grants, no current or deferred tax is recognised.

Grants

Grants are recognised when they are committed before the end of the financial year. Non-disbursed committed grants are recognised as either non-current or current liabilities.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost plus any revaluations and less accumulated depreciation and impairment losses. Cost comprises the acquisition price and directly related costs up until such time as the asset is ready for use. Impairment testing of property, plant and equipment is performed if indications of impairment exist. The impairment test is performed for each individual asset or group of assets. Assets are impaired to the higher of the capital value of the individual asset or asset group and the net sales price (recoverable amount) if this is lower than the carrying amount.

Investments in subsidiaries

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

Securities

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

Other receivables

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

Cash

Cash comprises cash at bank and in hand.

Liabilities

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

Committed grants

Committed grants comprise grants that are conditional upon fulfilment of certain conditions. Commitments expected due within one year are recognised as current liabilities and commitments expected due after one year are recognised as non-current liabilities.

Definitions, key figures and ratios

Activities:	Administration costs + Programme costs + Grants related to the financial year
Portfolio costs:	Programme costs + Grants related to the financial year

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

PORTFOLIO COST SHARE:

Portfolio costs
Activities

ADMINISTRATION COST SHARE:

Administration
Activities

Distribution policy

The charter stipulates that the LEGO Foundation will provide support for children and their development along with support for general research and educational purposes. It also emphasises the close relationship between the LEGO Foundation and the LEGO Group through the stipulation of the purpose to ensure and support the ongoing existence and development of the Group.

With a starting point in line with our charter, our aim is to build a future where learning through play empowers children to become creative, engaged, lifelong learners. Our board of directors lays down the framework for grants as part of approving the yearly budget and plans. During the year, the leadership team puts forward individual proposals for distribution of grants within that framework, for board approval.

The core programmes and activities serve as our main distribution categories:

[Play based Learning](#)
[Sparking a Global Dialogue](#)
[Re-imagine Learning](#)
[Capital of Children](#)
[Local LEGO Community Engagement](#)
[Research network](#)

An overview of actual distributions summarised per programme can be found in Note 4

In line with the purpose as mentioned above, the LEGO Foundation supports Ole Kirk's Foundation's charitable activities and interest in the Danish society, where the LEGO Foundation and the LEGO Group have their headquarters.

Distribution guidelines

- Every grant must be kept within the purposes mentioned in our charter.
- The distribution frame must safeguard our obligations by securing that sufficient funds are available to cover 3 years of activity even without new income from the LEGO Group.
- When giving grants to third party organisations, we agree a budget for administration/overhead appropriate to the purpose of the grant and the nature of the grantee.
- The LEGO Foundation does not consider unsolicited grant applications.

Approved by the board of directors.

Notes

Note 1. Employee expenses

(tDKK)	2015	2014
Employee expenses related to programmes	32,627	24,259
Employee expenses related to administration	11,200	11,343
Total employee expenses	43,827	35,602
Which can be split into:		
Wages and salaries	36,737	29,672
Pension costs	2,314	1,983
Other staff and social security expenses	4,776	3,947
Total employee expenses	43,827	35,602
Salaries and remuneration for leadership team*	11,536	14,614
Remuneration for the board of directors	400	400
Average number of employees	37	28

NOTE 2. OPERATING EXPENSES

(tDKK)	2015	2014
Operating expenses related to programmes	37,820	30,426
Operating expenses related to administration	15,193	17,553
Total operating expenses	53,013	47,979

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

Notes

Note 3. Property, plant and equipment

(tDKK)	2015	2014
Cost		
Cost at 1 January	10,885	10,885
Disposal for the year	(93)	–
Cost at 31 December	10,792	10,885
Depreciation		
Balance at 1 January	3,897	3,478
Depreciation for the year	435	419
Depreciation at 31 December	4,332	3,897
Carrying amount at 31 December	6,460	6,988

Note 4. Current year's grant activity

(tDKK)	2015	2014
Play based Learning grants	36,767	6,122
Sparking a Global Dialogue grants	13,885	–
Re-imagine Learning grants	40,109	12,243
Capital of Children grants	32,746	12,593
Local LEGO® Community Engagement grants	31,449	16,968
Research network grants	42,161	4,947
Ole Kirk's Foundation grants	75,000	125,000
Total of current year's grant activity	272,117	177,873

Notes

Note 5. Investments in subsidiaries

(tDKK)	2015	2014
Cost		
Cost at 1 January	658,992	658,992
Cost at 31 December	658,992	658,992
Value adjustment		
Value adjustment at 1 January	5,071,656	4,852,530
Share of result for the year	2,343,662	1,804,126
Dividend distributed	(117,000)	(1,518,000)
Other comprehensive income/(expenses)	61,250	(67,000)
Value adjustment at 31 December	7,359,568	5,071,656
Carrying amount at 31 December	8,018,560	5,730,648

Information about subsidiaries:

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

Notes

Note 6. Committed grants

(tDKK)	2015	2014
Committed grants at 1 January	332,298	37,829
Commitments in the year	983,106	472,342
Grant activities in the year	(272,117)	(177,873)
Currency adjustments	7,805	–
Committed grants at 31 December	1,051,092	332,298
Committed grants, due within one year (current liabilities)	250,990	177,361
Committed grants, due after one year (non-current liabilities)	800,102	154,937
Total committed grants	1,051,092	332,298

Note 7. Contingent liabilities and other obligations

The Foundation has lease obligations of DKK 1,608 thousand.

Note 8. Related party transactions

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

Transactions have been conducted on normal market conditions.

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

Transactions with subsidiaries and associates have included the following in 2015 (tDKK):

Grants	33,725
Purchase of goods and services	4,181
Total Related party transactions	37,906

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



Information about the LEGO Foundation

Legal name LEGO Fonden (in English: the LEGO Foundation)
Address Koldingvej 2, 7190 Billund
Country Denmark
CVR 12 45 83 39
Branch LEGO Foundation, Baar (CH)

Leadership team per 3 March 2016
Hanne Elisabeth Rasmussen, Executive Management and CEO
 Board positions: Member of the board of CoC Office A/S

Mirjam Schöning, Vice President
 Programmes and Partnerships

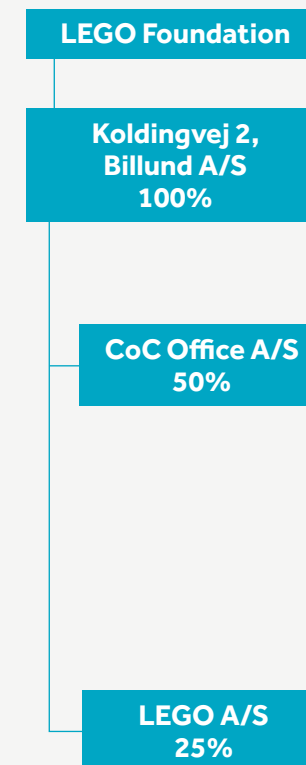
Carsten Klokkeholm Wammen, Vice President
 Operations



The LEGO Foundation is a Danish foundation with corporate interests, registered with the Danish Business Authority. A corporate foundation has similarities to the concept defined as a trust under US law.

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LEGO Foundation legal structure



Koldingvej 2, Billund A/S

Koldingvej 2, Billund A/S is a 100% owned subsidiary of the LEGO Foundation. The most significant asset in Koldingvej 2, Billund A/S is the 25% shareholding of the LEGO Group. Another significant asset in the company is the LEGO® House. Koldingvej 2, Billund A/S invests surplus liquidity in financial assets.

CoC Office A/S

CoC Office A/S is an independent public limited company, in which the LEGO Foundation and Billund Municipality each own 50% of the shares. The LEGO Foundation and Billund Municipality founded the company on 1 January 2012.

The project is a unique partnership between a local authority and a company, which have a common desire to develop Billund into an outstanding place for children, play, learning and creativity, to benefit everyone who lives in Billund Municipality and children all over the world.

The LEGO Group

The LEGO Group is owned 25% by LEGO Foundation through Koldingvej 2, Billund A/S' share of ownership in LEGO A/S. The remaining 75% is owned through KIRKBI A/S by the Kirk Kristiansen family, who founded the company in 1932.

The LEGO Group is engaged in the development of children's creativity through play and learning. Based on the world-famous LEGO® brick, the company today provides toys, experiences and teaching materials for children in more than 130 countries. The head office is in Billund, Denmark.

Together, we champion learning through play



Get to know us better at LEGOFoundation.com
Follow us on Twitter @LEGOFoundation
E-mail us at LEGOFoundation@LEGO.com