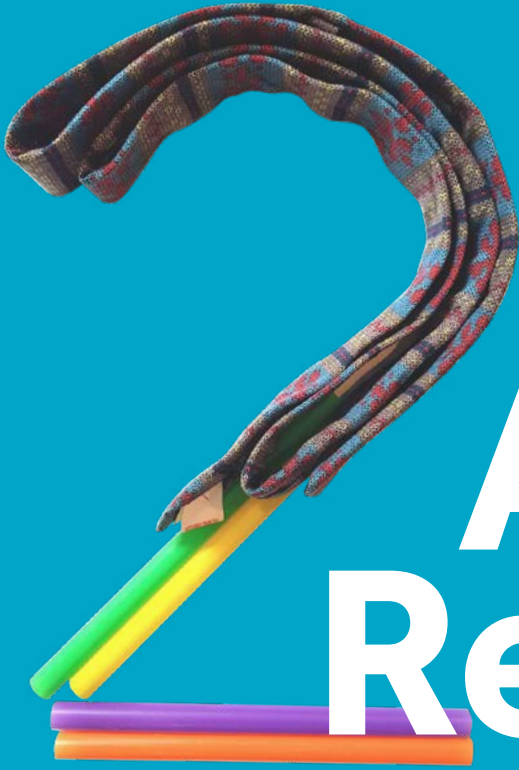
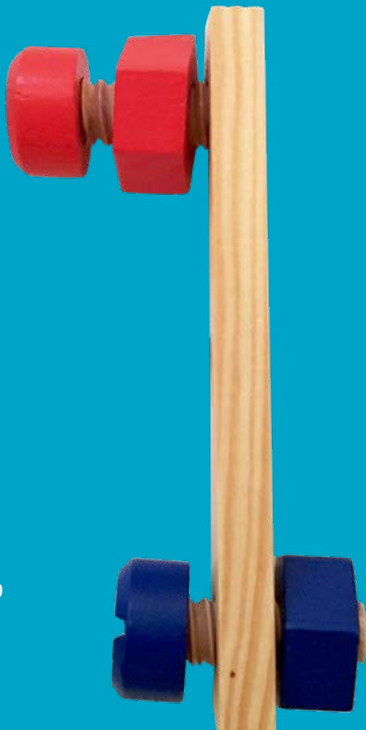


The LEGO Foundation



Annual Report 2018



Koldingvej 2
7190 Billund
Denmark
CVR no. 12 45 83 39

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Management's review



Information about the LEGO Foundation

Name	LEGO Fonden (in English: the LEGO Foundation)
Address	Koldingvej 2, 7190 Billund
Country	Denmark
CVR no.	12 45 83 39
Branch	LEGO Foundation, Baar (CH)*

Leadership team as per 6 March 2019



John Paul Goodwin
CEO



Søren Holm
Head of Experiences



Sarah Bouchie
Head of Programmes, Learning through Play in Early Childhood and Humanitarian Assistance



Carsten Klokkeholm Wammen
Head of Excellence (governance, operation and processes)



Halima Begum
Head of Programme, Connecting Play and Education



Diana Ringe Krogh
Head of Advocacy and New Ventures



Kasper Ottosson Kanstrup
Head of Programme, Communities of Learning through Play



Charlotte Qvist Frandsen
Head of HR and Capability Building



Bo Stjerne Thomsen
Head of LEGO Foundation Centre for Creativity, Play and Learning

* Expected to be closed in 2019

Legal overview

Koldingvej 2, Billund A/S

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

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

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

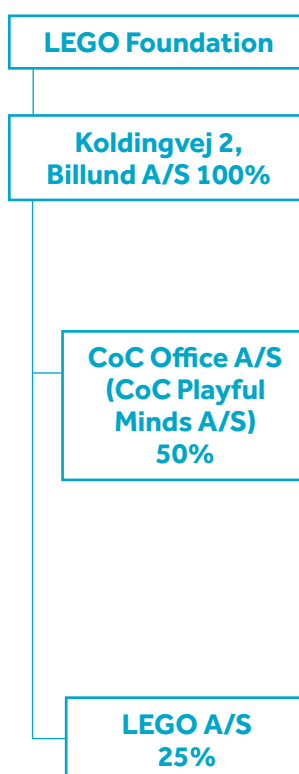
CoC Office A/S (CoC Playful Minds A/S) is an independent public-private corporation, founded on 1 January 2012, in which the LEGO Foundation and Billund Municipality each own 50% of the shares.

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

The LEGO Group

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

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



Board of directors



Chairman of the board
Thomas Kirk Kristiansen

Born: 1979

Gender: Male

Education: Degree in marketing

Year elected: 2013 (chairman since 2016)

Re-elected: Yes

Term expires: 2020

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

Special competences: Family-owned companies and board work

Other management positions: Deputy chairman in LEGO A/S and LEGO Juris A/S. Board member in KIRKBI A/S and three subsidiaries of KIRKBI A/S. Executive management member of Kirk og Kirk Holding ApS and management roles in four subsidiaries of Kirk og Kirk Holding ApS

Appointed by authorities: No

Independent member: No

2018 board remuneration: DKK 0



1st deputy chairman of the board
Kjeld Kirk Kristiansen

Born: 1947

Gender: Male

Education: MBA from IMD, Lausanne, CH

Year elected: 2000

Re-elected: Yes

Term expires: 2019

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

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

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

Appointed by authorities: No

Independent member: No

2018 board remuneration: DKK 0



2nd deputy chairman of the board
Jørgen Vig Knudstorp

Born: 1968

Gender: Male

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

Year elected: 2008

Re-elected: Yes

Term expires: 2019

Short bio: Executive chairman of the LEGO Brand Group. Former president and CEO of the LEGO Group from 2004–2016

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

Other management positions: Chairman of the board of LEGO A/S and LEGO Juris A/S. Member of the board of Starbucks Coffee Company

Appointed by authorities: No

Independent member: No

2018 board remuneration: DKK 0



Member of the board
Agnete Kirk Thinggaard

Born: 1983

Gender: Female

Education: Bachelor's degree in psychology

Year elected: 2016

Re-elected: Yes

Term expires: 2020

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

Special competences: Family-owned companies and board work

Other management positions: Chairman of the board of the Center for ADHD S/I and Julianelyst ApS, deputy chairman of the board of Edith og Godtfred Kirk Christiansens Foundation. Executive manager of A&C Holding ApS

Appointed by authorities: No

Independent member: No

2018 board remuneration: DKK 0



Member of the board
Mette Morsing

Born: 1963

Gender: Female

Education: PhD at Copenhagen Business School

Year elected: 2010

Re-elected: Yes

Term expires: 2020

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

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

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

Appointed by authorities: No

Independent member: Yes

2018 board remuneration: DKK 200,000



Member of the board
William Ervin Hoover

Born: 1949

Gender: Male

Education: MBA from Harvard Business School

Year elected: 2010

Re-elected: Yes

Term expires: 2020

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

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

Other management positions: Working chairman of ReD associates Holding A/S. Deputy chairman in GN Store Nord A/S and two subsidiaries of GN Store Nord A/S. Member of the board of Danfoss A/S, Neopost S.A. and Specialisterne Foundation

Appointed by authorities: No

Independent member: Yes

2018 board remuneration: DKK 200,000

Governance and leadership

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

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

The board of directors has appointed a CEO who is responsible for the overall leadership and day-to-day management of the Foundation. In 2018 the CEO was supported by a leadership team consisting of seven members. As of 1 January 2019 the leadership team was increased by an additional member, following the establishment of 'Experiences' as a functional area.

A minimum of four board meetings are held each year, supplemented by additional conference call meetings when necessary. One of the annual board meetings is held abroad in sites where the LEGO Foundation has significant activities.

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

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

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

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

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

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

The independent members of the board are rewarded a fixed remuneration that does not depend on the financial results. The remuneration of each member is specified in the annual report. No board members received extraordinary remuneration for special tasks in 2018.

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

The LEGO Foundation board of directors has approved the LEGO Foundation 2018 Mandatory Report on Recommendations on Foundation Governance*.

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

* Redegørelse for god fondsledelse jf. årsregnskabsloven §77a

Report on distribution policy*

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

Based on our charter and strategy, the board of directors laid down the framework for grants by approving the 2018 annual budget and plan. During the year and within that framework, the leadership team put forward individual grant proposals for the board's approval.

The LEGO Foundation's grant distribution supports our six core programmes and activities:

- **Learning through Play in Early Childhood** is a global programme supporting the need for quality early childhood development programmes targeted at children up to the age of six.
- **Humanitarian Assistance** seeks to improve the lives of children in crisis context by improving their access to quality learning experiences that supports them and their caregivers.
- **Connecting Play and Education** is focusing on integrating play-based learning into the educational system and making play a part of development and learning for children between the age of five and twelve.
- **Communities of Learning through Play** targets our four strategic countries South Africa, Mexico, Ukraine and Denmark. Here we work to create synergies through partnerships and collaboration across the full learning ecosystem in each country in order to support and increase the impact of Learning through Play. We also support Capital of Children, a centre of excellence for Learning through Play in and around the town of Billund in Denmark, where both the LEGO Foundation and the LEGO Group have their headquarters.
- **LEGO Foundation Centre for Creativity, Play and Learning** is our research centre. The centre works with national and international research institutions and academia to build a body of evidence about Learning through Play and aims at establishing a thought leader agenda within Learning through Play.
- **Other charter-related programmes** include funding to the philanthropic foundation Ole Kirk's Foundation. The purpose of Ole Kirk's Foundation is to increase quality of life for children, primarily in Denmark.

The grants were distributed accordingly between programmes and activities:

(DKK million)	2018	2017
Learning through Play in Early Childhood	32	34
Humanitarian Assistance	50	-
Connecting Play and Education	44	8
Communities of Learning through Play	24	52
LEGO Foundation Centre for Creativity, Play and Learning	97	77
Other charter related	144	124
Total of current year's grant activity	391	295

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

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

** The distribution policy is available at www.legofoundation.com/da-dk/who-we-are/policies



Annual review

Income statement

The LEGO Foundation annual result for 2018 amounted to DKK 1,697 million compared with DKK 1,919 million in 2017.

The predominant contribution to this result is the DKK 1,835 million result from subsidiaries, where the 25% share of the result in the LEGO Group amounted to DKK 2,019 million (DKK 1,952 million in 2017).

The result is below last year's result, especially due to a decrease in financial income, as a result of a challenging financial market.

Activity statement

The total activities for the LEGO Foundation in 2018 amounted to DKK 532 million compared with DKK 407 million in 2017.

In 2018, the LEGO Foundation continued to apply substantial resources to strengthening the Foundation's strategic focus to systemically reach children with Learning through Play. During 2018 the Foundation onboarded 17 more employees (net) with a wide array of capabilities, in order to enable the Foundation to have an even stronger impact, that is needed to positively influence children's learning all over the world.

A higher level of grant activities has been achieved in 2018, with total grant activities of DKK 391 million compared with DKK 295 million in 2017. In 2018 the board of directors approved the Foundation's largest grant commitment ever, by granting DKK 650 million to a new focus area covering Humanitarian Assistance for children living in crisis context. A significant share of this will be part of future activities.

Expenses related to programmes increased during the year from DKK 70 million to DKK 101 million due to increased programme activities, whereas expenses related to administration fell slightly compared to last year, from DKK 42 million to DKK 40 million.

Balance sheet

At the end of the year, the LEGO Foundation assets totaled DKK 14,899 million compared with DKK 13,620 million in 2017. This increase is primarily due to the increase in the value of the net assets of the subsidiary Koldingvej 2, Billund A/S.

The book value of the equity is at the end of the year DKK 13,135 million compared with DKK 12,616 million in 2017. The equity ratio is 88% compared with 93% in 2017.

Cash flows

In 2018, cash flows from operating activities amounted to DKK -185 million compared with DKK -99 million in 2017. Cash flows from investment activities amounted to DKK 581 million compared with DKK 305 million in 2017. Cash flow from financing activities amounted to DKK -391 million compared with DKK -295 million in 2017.

Development in activities and financial position

Overall the Management is satisfied with the financial result for the LEGO Foundation, despite the decrease in profit compared to last year. The financial result for 2018 is in line with the expectations for the financial year.

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

Financial return on the investment portfolio decreased compared to 2017, impacted by volatility on the financial markets, in a year characterised by global uncertainty. Return of the investment portfolio in the subsidiary Koldingvej 2, Billund A/S decreased to a negative return of DKK -147 million, equivalent to a return of -1.6%, compared to last year's return of 5.2%. Net interests in the LEGO Foundation carried to the income statement, in 2018 were positive totaling DKK 3.7 million compared to last year's DKK 8.1 million.

In 2018, the LEGO Group stabilised the business after a difficult 2017 and delivered satisfactory modest top- and bottom-line growth. The LEGO Group increased revenues with 4% to DKK 36.4 billion and earnings with 3% to DKK 8.1 billion. The LEGO Group's balance sheet and profitability remained satisfactory and the LEGO Group had strong operational cash flows of DKK 9.8 billion in 2018 against DKK 10.7 billion in 2017.

Knowledge resources

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

At the end of the financial year 2018, the total number of employees in Billund (DK), Baar (CH), Johannesburg (SA), Kiev (UA), Mexico City (MX) and Boston (US) was 66 compared with 49 at the end of 2017.

Research and development activities

The LEGO Foundation has its own research centre that works intensively with children's development and learning. The Foundation also maintains an extensive network of partners working with research on children's development and learning, including many of the most reputable universities in the world.

Business Model

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

The LEGO Foundation promotes Learning through Play and aims to empower children

around the world to become creative, engaged, lifelong learners with useful skills for the 21st century.

Responsibility

The Foundation's core mission is rooted in a sense of responsibility and a promise to support the global society by promoting play and learning for the wellbeing and development of children.

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

The Foundation's policy is to ensure high standards for corporate responsibility in all its operations. The Foundation supports the LEGO Group commitment to the United Nations Global Compact and the Responsibility Report, describing how the LEGO Groups is working within the areas of human rights, labor standards, the environment and anti-corruption.

The LEGO Group Responsibility Report 2018 is available at www.LEGO.com/da-dk/aboutus/responsibility/story/report.

Besides supporting the LEGO Group commitment to the United Nations Global Compact and the LEGO Group Responsibility Report, the LEGO Foundation has standards and policies in place to ensure corporate responsibility during the Foundations operations. These policies among others include a Child Protection Policy and an Anti-harassment Policy

Diversity policy

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

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

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

Compliance and good governance

The LEGO Foundation governance and leadership are managed with respect for good governance in corporate foundations. A compliance status report from the board of directors is available at www.LEGOFoundation.com/da-dk/who-we-are/policies.

Risks

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

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

Expectations for 2019

Based on a high level of grant commitments at the end of 2018, the Foundation expects increased core foundation activities for 2019 compared with 2018.

Koldingvej 2, Billund A/S expects stabilisation of the financial markets in 2019, and an increase in the return of the investment portfolio for 2019.

The LEGO Group expects that revenue will grow single-digits in 2019. The goal is considered achievable given the LEGO Group's focus on product innovation and the growth outlook in

established and emerging markets, such as China. The LEGO Group also plans to continue investing in activities to drive longer-term sustainable growth.

The overall result for 2019 for the LEGO Foundation is expected to increase compared to the result for 2018, however the uncertainty of the financial markets must be considered.



Financial highlights

(DKK million)	2018	2017	2016	2015	2014
Income statement					
Net result from subsidiaries	1,835	2,023	2,551	2,344	1,804
Other operating income	0	0	9	1	1
Result of financial items, net	4	8	4	1	13
Result before tax	1,697	1,919	2,442	2,249	1,734
Result for the year	1,697	1,919	2,442	2,248	1,734
Balance sheet					
Total assets	14,899	13,620	12,024	9,872	7,821
Equity	13,135	12,616	10,981	8,786	7,459
Activities and commitments					
Grant activities during the year	391	295	256	272	178
Expenses related to programmes	101	70	70	70	55
Expenses related to administration	40	42	51	27	29
Total activities during the year	532	407	378	369	262
Grant commitments during the year	1,169	252	210	983	458
Employees					
Average number (full-time) during the year	64	46	41	38	28
Financial ratios					
Portfolio cost share of total activities	92%	90%	86%	93%	89%
Administration cost share of total activities	8%	10%	14%	7%	11%

Definitions, key figures and ratios

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

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

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

Portfolio cost share:
$$\frac{\text{Portfolio costs}}{\text{Activities}}$$

Administration cost share:
$$\frac{\text{Administration costs}}{\text{Activities}}$$

Financial statements



Management's statement

The board of directors and executive management have today considered and adopted the annual report of the LEGO Foundation for the financial year 1 January–31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2018, and of the Foundation's

activities and cash flows for the financial year 1 January–31 December 2018.

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

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

Billund, 6 March 2019

Executive management

John Paul Goodwin
CEO

Board of directors

Thomas Kirk Kristiansen
Chairman of the board

Kjeld Kirk Kristiansen
1st deputy chairman of the board

Jørgen Vig Knudstorp
2nd deputy chairman of the board

Agnete Kirk Thinggaard
Member of the board

Mette Morsing
Member of the board

William Ervin Hoover
Member of the board



Independent auditor's report

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

Opinion

We have audited the financial statements of the LEGO Foundation for the financial year 1 January 2018–31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2018 and of its operations and cash flows for the financial year 1 January-31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by the board of directors and executive management are reasonable.
- Conclude on whether the board of directors and executive management's use of the going concern basis of accounting in preparing the financial statements is appropriate, and, based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions, which could cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Foundation can no longer remain a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review

The board of directors and executive management are responsible for the management's review.

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

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

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

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

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

Aarhus, 6 March 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Thomas Rosquist Andersen

State-Authorised Public Accountant
mne31482

Nikolaj Thomsen

State-Authorised Public Accountant
mne33276

Accounting policies

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

Legislation

The LEGO Foundation annual report for 2018 has been prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting on class C large enterprises.

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

Consolidated financial statements

No consolidated financial statements have been prepared, with reference to section 111(3) of the Danish Financial Statements Act.

Reporting currency

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

Translation of foreign currency

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

Recognition and measurement in general

Income is recognised in the income statement as earned. Furthermore, all expenses incurred

to generate the year's earnings, including depreciation and amortisation, impairment losses and write-downs and provisions, are recognised in the income statement.

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

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

Income statement

Investments in subsidiaries

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

Financial income and expenses

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

Tax

The LEGO Foundation has opted to use section 3(4) of the Danish Corporation Tax Act. Under these rules, the taxable income of Koldingvej 2, Billund A/S is considered to have been earned

by the LEGO Foundation if the taxable income is distributed as dividends to the LEGO Foundation. Since the LEGO Foundation's taxable income is regularly offset against grants for the year and provisions for future grants, no current or deferred tax is recognised. Tax on the result for the year consists of taxes paid in Switzerland related to the activities in the Swiss branch.

Balance sheet

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 comprise grants that are conditional upon fulfillment of certain conditions.

Cash flow statement

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

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise payments of committed grants.

Income statement

1 January–31 December

(DKK thousand)	Note	2018	2017
Net result from subsidiaries		1,834,874	2,022,740
Financial income		17,038	13,989
Financial expenses		(13,363)	(5,869)
Total net income		1,838,549	2,030,860
Expenses related to programmes			
Employee expenses	1	(43,196)	(34,424)
Operating expenses	2	(57,920)	(35,992)
Total expenses related to programmes		(101,116)	(70,416)
Expenses related to administration			
Employee expenses	1	(23,595)	(22,990)
Operating expenses	2, 3	(16,437)	(18,643)
Total expenses related to administration		(40,032)	(41,633)
Total expenses		(141,148)	(112,049)
Result before tax		1,697,401	1,918,811
Tax on result for the year		(37)	(272)
Result for the year	4	1,697,364	1,918,539

Activity reporting

1 January–31 December

(DKK thousand)	2018	2017
Grants (executed during the year)		
Grant to Ole Kirk's Foundation	131,300	121,030
Grant activities, other core programmes, committed current year	85,491	31,544
Grant activities, other core programmes, committed previous years	173,909	142,596
Current year's grant activities	390,700	295,170
Expenses		
Expenses related to programmes	101,116	70,416
Expenses related to administration	40,032	41,633
Current year's expenses in total	141,148	112,049
Total activities during the year	531,848	407,219

Activity reporting

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

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

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

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

Balance sheet

at 31 December

(DKK thousand)	Note	2018	2017
ASSETS			
Financial non-current assets			
Investments in subsidiaries	5	13,456,009	12,015,385
Receivables from subsidiaries	6	282,726	808,906
Financial non-current assets		13,738,735	12,824,291
Total non-current assets		13,738,735	12,824,291
Current assets			
Receivables from associates		23,908	-
Other receivables		28,826	24,143
Securities		1,011,623	681,796
Cash		95,999	89,904
Total current assets		1,160,356	795,843
Total assets		14,899,091	13,620,134

Balance sheet

at 31 December

(DKK thousand)	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Basic capital		262,453	262,453
Reserve from the use of the equity method		8,797,016	11,356,392
Reserved for future grants		1,406,783	805,521
Retained earnings		2,668,912	191,509
Total equity		13,135,164	12,615,875
Liabilities			
Non-current liabilities			
Committed grants	7	1,163,510	599,438
Total non-current liabilities		1,163,510	599,438
Current liabilities			
Short-term part of committed grants	7	564,691	349,537
Trade payables		4,762	4,573
Payables to subsidiaries		-	6,145
Payables to associates		22,917	4,633
Other payables		8,047	39,933
Total current liabilities		600,417	404,821
Total liabilities		1,763,927	1,004,259
Total equity and liabilities		14,899,091	13,620,134
Contingent liabilities and other obligations	8		
Related party transactions	9		

Statement of changes in equity

(DKK thousand)	2018	2017
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	11,356,392	9,751,402
Dividend distributed	(385,000)	(385,000)
Expected dividend	(4,000,000)	-
Distribution of result	1,834,874	2,022,740
Other comprehensive expenses	(9,250)	(32,750)
Reserve from the use of the equity method at 31 December	8,797,016	11,356,392
Reserved for future grants		
Balance at 1 January	805,521	807,367
Extraordinary reserved during the year	520,000	-
Distribution of result	1,250,000	250,000
Commitments during the year	(1,168,738)	(251,846)
Reserved for future grants at 31 December	1,406,783	805,521
Retained earnings		
Balance at 1 January	191,509	160,026
Dividend received	385,000	385,000
Expected dividend	4,000,000	-
Extraordinary reserved during the year	(520,000)	-
Distribution of result	(1,387,510)	(354,201)
Currency translation	(87)	684
Retained earnings at 31 December	2,668,912	191,509
Total equity	13,135,164	12,615,875

Cash flow statement

1 January–31 December

(DKK thousand)	2018	2017
Result for the year	1,697,364	1,918,539
Net result from subsidiaries	(1,834,874)	(2,022,740)
Financial expenses with no effects on result for the year	1,188	(16,710)
Currency translation	(87)	684
Changes in receivables from associates	(23,908)	-
Changes in receivables	(4,683)	(1,024)
Changes in payables	(19,558)	21,524
Cash flows from operating activities	(184,558)	(99,727)
Changes in receivables from subsidiaries	526,180	293,985
Dividend received	385,000	385,000
Investment in securities, net	(329,827)	(377,476)
Sale of property, plant and equipment	-	3,000
Cash flows from investment activities	581,353	304,509
Grants paid	(390,700)	(295,170)
Cash flows from financing activities	(390,700)	(295,170)
Net cash flows for the year	6,095	(90,388)
Cash and cash equivalents at 1 January	89,904	180,292
Cash and cash equivalents at 31 December	95,999	89,904

Notes

NOTE 1. EMPLOYEE EXPENSES

(DKK thousand)	2018	2017
Employee expenses related to programmes	43,196	34,424
Employee expenses related to administration	23,595	22,990
Total employee expenses	66,791	57,414
Which can be split into:		
Wages and salaries	55,141	48,717
Pension costs	1,891	2,220
Other staff and social security expenses	9,759	6,477
Total employee expenses	66,791	57,414
Salaries and remuneration for leadership team*	17,293	16,772
Remuneration for the board of directors	400	400
Average number of employees	64	46

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

NOTE 2. OPERATING EXPENSES

(DKK thousand)	2018	2017
Operating expenses related to programmes	57,920	35,992
Operating expenses related to administration	16,437	18,643
Total operating expenses	74,357	54,635

NOTE 3. AUDITORS' FEES

(DKK thousand)	2018	2017
Statutory audit of the financial statements	119	106
Other assistance	25	72
Total auditors' fees	144	178

Notes

NOTE 4. DISTRIBUTION OF RESULT

(DKK thousand)	2018	2017
Extraordinary reserved during the year for future grants	520,000	-
Reserved for future grants	1,250,000	250,000
Reserve from the use of the equity method	1,834,874	2,022,740
Retained earnings	(1,907,510)	(354,201)
Total distribution of result	1,697,364	1,918,539

NOTE 5. INVESTMENTS IN SUBSIDIARIES

(DKK thousand)	2018	2017
Cost		
Cost at 1 January	658,992	658,992
Cost at 31 December	658,992	658,992
Value adjustment		
Value adjustment at 1 January	11,356,392	9,751,402
Share of result for the year	1,834,874	2,022,740
Dividend distributed	(385,000)	(385,000)
Other comprehensive expenses	(9,250)	(32,750)
Value adjustment at 31 December	12,797,016	11,356,392
Carrying amount at 31 December	13,456,009	12,015,385

Information about subsidiaries:

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

Notes

NOTE 6. LONG-TERM RECEIVABLES FROM SUBSIDIARIES

(DKK thousand)	2018	2017
Cost		
Cost at 1 January	808,906	1,102,891
Additions	3,820	6,015
Reductions	(530,000)	(300,000)
Cost at 31 December	282,726	808,906
Carrying amount at 31 December	282,726	808,906

The long-term receivables from subsidiaries is a convertible loan.

NOTE 7. COMMITTED GRANTS

(DKK thousand)	2018	2017
Committed grants at 1 January	948,975	1,009,009
Commitments during the year	1,168,738	251,846
Grant activities during the year	(390,700)	(295,170)
Currency adjustments	1,188	(16,710)
Committed grants at 31 December	1,728,201	948,975
Committed grants, due within one year (current liabilities)	564,691	349,537
Committed grants, due after one year (non-current liabilities)	1,163,510	599,438
Total committed grants	1,728,201	948,975

NOTE 8. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The Foundation has lease obligations of DKK 4,3 million (2017: DKK 2,4 million.)

Notes

NOTE 9. 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.

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

Transactions with subsidiaries and associates include the following:

(DKK thousand)	2018	2017
Grants	82,278	39,386
Purchase of goods and services	7,638	7,059
Total related party transactions	89,916	46,445

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

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

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