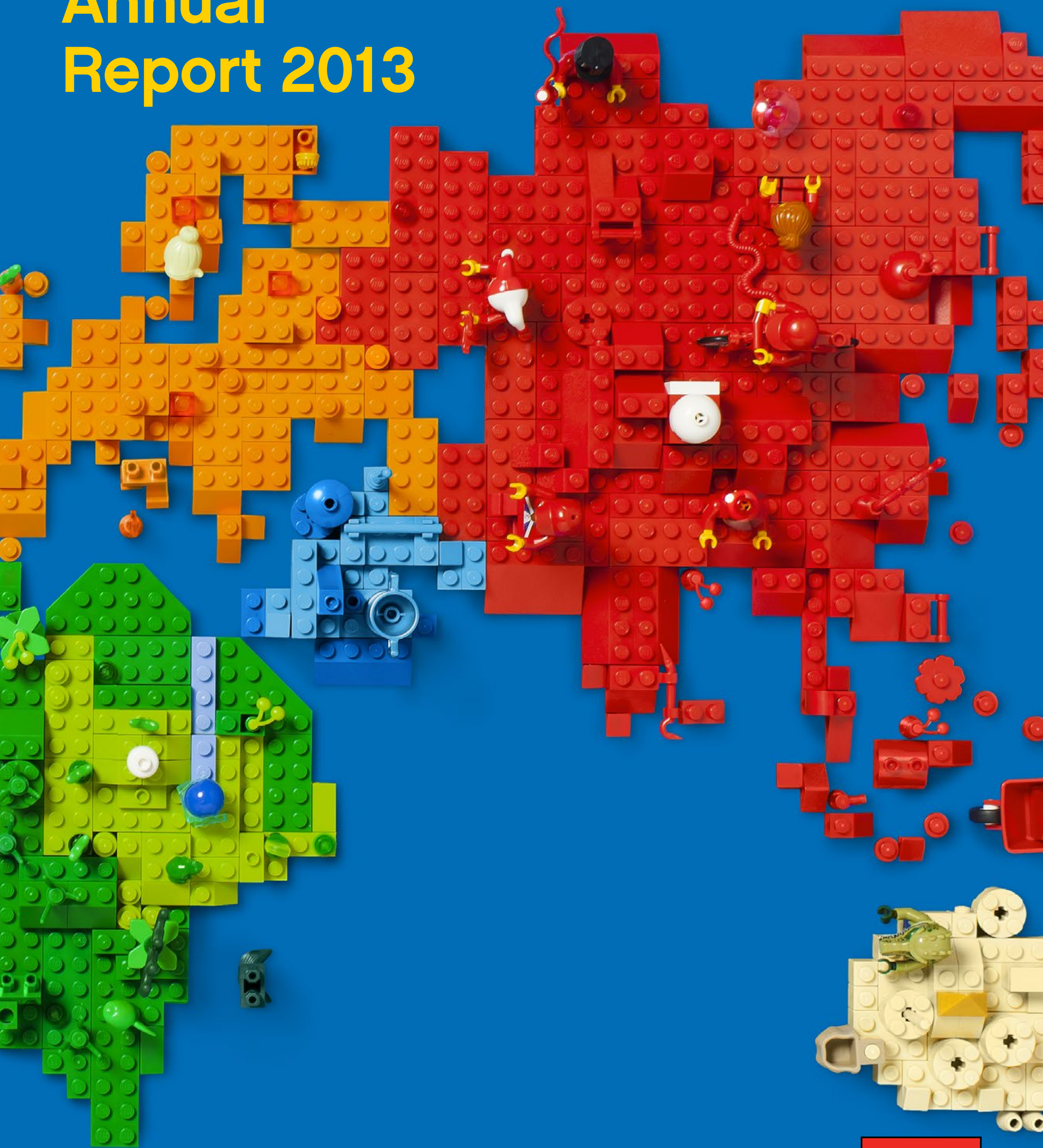
Annual Report 2013



The LEGO Group
CVR: 54 56 25 19

Financial Highlights

The LEGO Group

(mDKK)	2013	2012	2011	2010	2009
Consolidated Income Statement:					
Revenue	25,382	23,095	18,731	16,014	11,661
Expenses	(17,046)	(15,489)	(13,065)	(10,899)	(8,659)
Operating profit	8,336	7,606	5,666	4,973	2,902
Financial income and expenses	(97)	(84)	(124)	(84)	(15)
Profit before income tax	8,239	7,522	5,542	4,889	2,887
Net profit for the year	6,119	5,613	4,160	3,718	2,204
Consolidated Balance Sheet:					
Total assets	17,952	16,352	12,904	10,972	7,788
Equity	11,075	9,864	6,975	5,473	3,291
Liabilities	6,877	6,488	5,929	5,499	4,497
Consolidated Cash Flow Statement:					
Cash flows from operating activities	6,744	6,220	3,828	3,744	2,712
Investment in property, plant and equipment	2,644	1,729	1,451	1,077	1,042
Investment in intangible assets	103	61	129	123	216
Cash flows from financing activities	(3,466)	(4,535)	(2,519)	(3,477)	(906)
Total cash flows	574	(88)	(233)	(871)	558
Employees:					
Average number (full-time)	11,755	10,400	9,374	8,365	7,286
Financial ratios (in %):					
Gross margin	70.1	70.6	70.5	72.4	70.3
Operating margin	32.8	32.9	30.2	31.1	24.9
Net profit margin	24.1	24.3	22.2	23.2	18.9
Return on equity (ROE)	58.4	66.7	66.8	84.8	82.3
Return on invested capital	114.4	134.9	133.4	161.2	139.5
Equity ratio	61.7	60.3	54.1	49.9	42.3

The Financial Highlights for 2012 and 2013 are adjusted as a consequence of a change in classification in the Income Statement. The Financial Highlights for 2011, 2010 and 2009 have not been changed. The change in classification in the Income Statement is described in Note 1.

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

Parentheses denote negative figures.

Contents

LEGO A/S
Aastvej 1 DK-7190 Billund Denmark Tel: +45 79 50 60 70
CVR-no: 54 56 25 19 Incorporated: 19 December, 1975 Residence: Billund
Financial Year: 1 January – 31 December Internet: www.LEGO.com

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Company Information

Management Board

Jørgen Vig Knudstorp
President and
Chief Executive Officer

John Goodwin
Executive Vice President and
Chief Financial Officer

Mads Nipper
Executive Vice President and
Chief Marketing Officer

Bali Padda
Executive Vice President and
Chief Operating Officer

Board of Directors

Niels Jacobsen
Chairman of the Board since 2008.

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

Kjeld Kirk Kristiansen
Deputy Chairman of the Board since 1996.

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

Thomas Kirk Kristiansen
Member of the Board since 2007.

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

Kåre Schultz
Member of the Board since 2007.

Executive Vice President and COO of Novo Nordisk A/S, Denmark.
Chairman of the Board of Royal Unibrew A/S

Søren Thorup Sørensen
Member of the Board since 2010.

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

Eva Berneke
Member of the Board since 2011.

Senior Executive Vice President of TDC A/S.
Managing Director, TDC Business.
Deputy Chairman of the Board of Copenhagen Business School.
Member of the Board of Schibsted.
Member of the Digital Council.

Jan Nielsen
Member of the Board since 2013.

Senior Managing Director and Partner in Blackstone.
Chairman of the Board of Antares Restaurant Group (New Zealand).

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management's Review

The LEGO Group continued its strong growth in 2013 as revenue increased by DKK 2.3 billion in 2013 to DKK 25.4 billion against DKK 23.1 billion the year before.

Revenue growth excluding foreign exchange impacts was 11% year over year on a local currency basis.

Despite very challenging market conditions most markets maintained double digit sales growth and even in the declining US toy market the LEGO Group achieved sales growth during the year.

The LEGO Group's profit before tax amounted to DKK 8.2 billion in 2013 against DKK 7.5 billion the year before. The result is considered very satisfactory.

Licence and royalty expenses

Licence and royalty expenses increased in 2013 to DKK 1.6 billion from DKK 1.5 billion in 2012. The item includes royalty to the KIRKBI Group for the use of the LEGO trademark, as well as licence agreements with inventors, designers and other licensees for the use of intellectual property rights.

Operating profit

The LEGO Group's operating profit amounted to DKK 8.3 billion in 2013 against DKK 7.6 billion in 2012.

The operating margin was 32.8% in 2013 against 32.9% in 2012.

Financial income and expenses

Net financials created a total expense of DKK 97 million in 2013 against an expense of DKK 84 million in 2012.

Corporation tax

Corporation tax amounts to DKK 2.1 billion against DKK 1.9 billion the year before. The effective tax rate for the year is 25.7% against 25.4% in 2012.

Profit for the year

The LEGO Group's profit for the year amounted to DKK 6.1 billion in 2013 against DKK 5.6 billion in 2012, which is as expected at the beginning of the year.

The positive results are closely related to the constant and innovative expansion of the product portfolio. As new products make up approximately 60% of the total sales each year, an innovative and consumer-oriented development process is a fundamental parameter to the continued success. Also the company's operating model, and the strategy of manufacturing close to the markets, ensures an ongoing focus on optimisation and improvement, while securing frictionless collaboration in our value chain to deliver on customer demands.

Equity and cash flows

The LEGO Group's assets increased by DKK 1.6 billion in 2013 and amount to DKK 18 billion against DKK 16.4 billion at the end of 2012.

Return on invested capital was 114.4% in 2013 against 134.9% in 2012. The decrease is primarily driven by the significant capacity investments in new production facilities to meet future global consumer demand.

After recognition of the profit for the year and distribution of dividend, the LEGO Group's equity has increased by DKK 1.2 billion to DKK 11.1 billion in 2013.

At the end of 2013, the equity ratio of the LEGO Group was 61.7% against 60.3% in 2012.

Return on equity for the LEGO Group was 58.4% in 2013 against 66.7% in 2012. Cash flows from operating activities amounted to DKK 6.7 billion against DKK 6.2 billion in 2012.

Management's Review – continued

Capacity investments
In 2013 the LEGO Group stepped up its extensive investments in production capacity. Investments in property, plant and equipment amounted to DKK 2.6 billion in 2013 against DKK 1.7 billion in 2012.

In March 2013 the LEGO Group announced its plans to build a manufacturing facility in China to solely supply the Asian market. Asia – including China – is a rapidly growing and future core market for the LEGO Group. Thus the move is a natural consequence of the Group's strategy of having production close to its core markets in order to secure short lead-time and world class service to customers and consumers. Construction began in 2013 and the plant is expected to be operational by 2017.

A significant expansion of the LEGO factory in Kladno, the Czech Republic, commenced in 2013 and is expected to be finalised in 2016.

In Nyíregyháza, Hungary, the construction of a new factory to replace the existing leased factory in the same town continued during 2013. The new factory will open in 2014.

At the LEGO factory in Monterrey, Mexico, the building of an expansion to the packaging facilities commenced in 2013. The facilities are expected to open in 2014.

Intellectual capital resources
The LEGO Group welcomed a large number of new employees to the company during 2013. Since the LEGO Group has a low employee turnover rate (see Responsibility Report 2013 for details) the large intake of new employees was mainly due to the company's growth. The average number of full-time employees was 11,755 in 2013 against 10,400 in 2012.

As a consequence of the Group's ambition to globalise its activities an increased focus has been placed on attracting a more diverse, global workforce. It was therefore decided during 2013 to set-up a structure for the company's non-manufacturing sites that will be able to attract a diverse, global workforce. While the headquarters remain in Billund, Denmark, major regional sites will be set up in London, Singapore and Shanghai as well as at the present US facilities in Enfield, each with significant top management presence. (Read more on diversity in the Responsibility Report 2013.)

The considerable success of the company is only possible because of the skills, dedication and commitment of LEGO employees. It is of the utmost importance to the company and its performance to ensure a clear link between the overall targets and objectives of the company and the individual employees' targets. Therefore all employees in the LEGO Group participate in the Performance Management Program (PMP). This Program ensures that the goals set for the performance of the employees relate directly to the overall objectives of the Group. On a current basis during the year, the manager and the employee follow up on whether the goals are achieved. The goals can be either individual or shared with other colleagues to foster collaboration. A total evaluation of the employee's and the company's performance compared with the defined goals, which is carried out at year end, decides the amount of bonus for each individual employee.

Research and development activities
Each year, new launches account for approximately 60% of the LEGO Group's sales to consumers. The considerable development activities that enable such an extensive degree of innovation comprise a wide range of activities from trend spotting and anthropological studies to the actual development of specific products and campaigns. More than 180 designers from about 24 different countries make up the creative core

Management's Review – continued

of product development that is mainly based at the company headquarters in Billund, Denmark.

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

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

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

The LEGO Group confirms its support to United Nations Global Compact and has issued its Responsibility Report 2013 (COP report) describing how the Group is working within the areas of human rights, labour standards, the environment and anti-corruption. The Responsibility Report 2013 constitutes the statutory statement of corporate social responsibility pursuant to section 99 a of the Danish Financial Statements Act.

The Responsibility Report 2013 also constitutes the statutory statement of corporate social responsibility pursuant to section 99 b of the Danish Financial Statements Act.

The Report furthermore describes the LEGO Group's efforts to achieve its non-financial goals. The Responsibility Report 2013 is available at: www.LEGO.com/responsibility

Market development
The LEGO Group's main activity is the development, production, marketing and sale of play materials. The market for traditional toys, in which the Group operates, declined slightly in global value in 2013.

North America saw a decrease in 2013, whereas European markets were flat but with very varying developments; for example the French market was slightly positive, whereas the Austrian market grew high single digits. In Asia, the Japanese market continued its decline, whereas the emerging Chinese market saw growth.

LEGO® sales
All major LEGO markets experienced growth in 2013. The large US, UK and Central and Northern European markets achieved healthy single digit growth rates, whereas markets like France, Spain, Russia and China grew double digits. Sales growth was very strong in many Asian markets. Despite being a relative small part of total LEGO Group sales, this is particularly encouraging since the Asian markets are among the focus areas for the company in the coming years.

Among the top selling lines in 2013 were core themes like LEGO® City, LEGO® Star Wars™ and LEGO DUPLO. LEGO® Friends that was launched in 2012 and LEGO® Chima that was launched at the beginning of 2013 added the most to sales growth in 2013. The pre-school products under the LEGO® DUPLO® brand as well as the LEGO® Technic and LEGO® Creator products also experienced high growth rates in 2013.

The pre-school products under the LEGO® DUPLO® brand as well as the LEGO® Technic and LEGO® Creator products also experienced high growth rates in 2013.

During 2013 the LEGO Games product line of board games was phased out. Even though the product line received very positive feedback from consumers it did not succeed in becoming a long-term sustainable concept for the LEGO Group.

Management's Review – continued

Finally, the LEGO Group's sale of products to the educational sector continued its growth, however, from a small base.

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

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

Events after the reporting date
No events have occurred after the balance sheet date to this date which would influence the evaluation of the annual report.

Expectations for 2014
The global market for traditional toys is expected to experience flat to low digit growth in 2014, however with considerable regional differences.

The LEGO Group expects continued sales growth in 2014, in line with the long term expectations mentioned above. The LEGO Group expects satisfactory results for 2014.

Management's Statement

The Management Board and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January - 31 December 2013.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2013 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2013.

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

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

Billund, 21 February 2014

Management Board

Jørgen Vig Knudstorp
President and Chief Executive Officer

John Goodwin
Executive Vice President and Chief Financial Officer

Mads Nipper
Executive Vice President and Chief Marketing Officer

Bali Padda
Executive Vice President and Chief Operating Officer

Board of Directors

Niels Jacobsen
Chairman

Kjeld Kirk Kristiansen
Deputy Chairman

Thomas Kirk Kristiansen

Kåre Schultz

Søren Thorup Sørensen

Eva Berneke

Jan Nielsen

Independent Auditor's Report

To the shareholders of LEGO A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LEGO A/S for the financial year 1 January to 31 December 2013, which comprise income statement, balance sheet, statement of changes in equity and notes including summary of significant accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and any further disclosure requirements of the Danish Financial Statements Act, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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

Auditor's Responsibility

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

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

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

The audit has not resulted in any qualification.

Independent Auditor's Report – continued

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2013 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements in accordance with the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2013 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

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

Billund, 21 February 2014
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorised Public Accountant

Henrik Trangeled Kristensen
State Authorised Public Accountant

The LEGO Group

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

1 January – 31 December

(mDKK)	Note	2013	2012
Revenue	3	25,382	23,095
Production costs	4,6,7	(7,598)	(6,794)
Gross profit		**17,784**	**16,301**
Sales and distribution expenses	4,6,7	(6,635)	(6,150)
Administrative expenses	4,5,6,7	(1,359)	(1,326)
Other operating expenses	4,6,7,8	(1,454)	(1,219)
Operating profit		**8,336**	**7,606**
Financial income	9	13	19
Financial expenses	10	(110)	(103)
Profit before income tax		**8,239**	**7,522**
Tax on profit for the year	11	(2,120)	(1,909)
Net profit for the year		**6,119**	**5,613**
Allocated as follows:			
Parent Company shareholders		6,076	5,583
Non-controlling interests		43	30
		6,119	**5,613**
Consolidated statement of comprehensive income:			
Profit for the year		6,119	5,613
Items that will be reclassified subsequently to the Income statement, when specific conditions are met:			
Change in market value of cash flow hedges		258	42
Reclassification of cash flow hedges from Equity to be recognised as part of the relevant items of the income statement		(185)	346
Tax on cash flow hedges		(18)	(97)
Currency translation differences		(257)	23
Items that will not be reclassified subsequently to the Income statement:			
Remeasurements of defined benefit plans		(1)	–
Total comprehensizve income for the year		**5,916**	**5,927**
Allocated as follows:			
Parent Company shareholders		5,874	5,897
Non-controlling interests		42	30
		5,916	**5,927**

Consolidated Balance Sheet

at 31 December

(mDKK)	Note	2013	2012
ASSETS			
Non-current assets:			
Development projects		71	37
Software		131	104
Licences, patents and other rights		58	68
Intangible assets	12	**260**	**209**
Land, buildings and installations		1,777	1,688
Plant and machinery		2,114	1,615
Other fixtures and fittings, tools and equipment		846	746
Fixed assets under construction		1,553	517
Property, plant and equipment	13	**6,290**	**4,566**
Deferred tax assets	19	140	131
Investments in associates	14	3	3
Prepayments		146	–
Other non-current assets		**289**	**134**
Total non-current assets		**6,839**	**4,909**
Current assets:			
Inventories	15	1,824	1,705
Trade receivables	16,25	4,870	4,950
Other receivables	25	946	630
Prepayments		74	226
Current tax receivables		65	22
Receivables from related parties	25,29	2,310	3,442
Cash at banks	25,28	1,024	468
Total current assets		**11,113**	**11,443**
TOTAL ASSETS		**17,952**	**16,352**

Consolidated Balance Sheet – continued

at 31 December

(mDKK)	Note	2013	2012
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	20	20
Reserve for hedge accounting		94	39
Reserve for currency translation		(374)	(117)
Retained earnings		11,335	9,888
LEGO A/S' share of equity		**11,075**	**9,830**
Non-controlling interests		–	34
Total equity		**11,075**	**9,864**
LIABILITIES			
Non-current liabilities:			
Borrowings	25	205	210
Deferred tax liabilities	19	126	21
Pension obligations	20	57	54
Provisions	22	88	71
Debt to related parties	25,29	600	–
Other long-term debt	21	68	72
Total non-current liabilities		**1,144**	**428**
Current liabilities:			
Borrowings	25	88	608
Trade payables	25	2,201	2,112
Current tax liabilities		85	96
Provisions	22	110	64
Other short-term debt	21	3,249	3,180
Total current liabilities		**5,733**	**6,060**
Total liabilities		**6,877**	**6,488**
TOTAL EQUITY AND LIABILITIES		**17,952**	**16,352**
Contingent assets, contingent liabilities and other obligations	23		
Financial risks	24		
Derivative financial instruments	26		

Consolidated Statement of Changes in Equity

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

(mDKK)	Share capital	Reserve for hedge-accounting	Reserve for currency translation	Retained earnings	**LEGO A/S' share of equity**	Non-controlling interests	**Total equity**
Balance at 1 January 2012	**20**	**(252)**	**(140)**	**7,321**	**6,949**	**26**	**6,975**
Profit for the year	–	–	–	5,583	5,583	30	5,613
Other comprehensive income/(expenses) for the year	–	291	23	–	**314**	–	**314**
Acquisition of non-controlling interest in subsidiaries	–	–	–	(16)	**(16)**	–	**(16)**
Dividend paid relating to prior year	–	–	–	(3,000)	**(3,000)**	(22)	**(3,022)**
Balance at 31 December 2012	**20**	**39**	**(117)**	**9,888**	**9,830**	**34**	**9,864**

Consolidated Cash Flow Statement

1 January – 31 December

(mDKK)	Note	2013	2012
Cash flows from operating activities:			
Operating profit		8,336	7,606
Interest paid etc		(110)	(103)
Interest received etc		13	19
Income tax paid		(2,090)	(1,836)
Other reversals with no effect on cash flows	27	822	957
Change in inventories		(119)	(164)
Change in trade receivables, other receivables and prepayments		(230)	(896)
Change in trade and other payables		122	637
Net cash generated from operating activities		**6,744**	**6,220**
Cash flows from investing activities:			
Purchases of property, plant and equipment	13	(2,644)	(1,729)
Purchases of intangible assets	12	(103)	(61)
Proceeds from sale of property, plant and equipment		43	17
Net cash generated from investing activities		**(2,704)**	**(1,773)**
Cash flows from financing activities:			
Dividend paid to shareholders		(4,500)	(3,000)
Dividend paid to non-controlling interests		(32)	(22)
Acquisition of non-controlling interest		(141)	(16)
Payment to related parties	29	(23,875)	(32,564)
Repayment from related parties	29	25,607	31,074
Repayments of borrowings		(525)	(7)
Net cash used in financing activities		**(3,466)**	**(4,535)**
Total cash flows		**574**	**(88)**
Cash and cash equivalents at 1 January		468	557
Exchange losses on cash at banks		(18)	(1)
Cash at banks at 31 December	28	**1,024**	**468**

Note 1. Significant accounting policies

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

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

Change in classification in the Income Statement

The LEGO Group seeks to reduce the impact from sudden currency and commodity movements on its operations by entering into financial derivative instruments to provide more predictability of exchange rates and certain commodities in the short term. Previously, the Group has classified realised gains and losses from these financial instruments as cash flow hedges as part of Financial Income or Financial Expenses. To better reflect the underlying operating nature of the transactions, the Group has decided to classify these gains and losses as part of the hedged items in the Income Statement.

In 2012 a loss of DKK 346 million originally classified into financial items has been reclassified to Revenue with DKK 310 million and Production costs with DKK 36 million.

In 2013 an income DKK 185 million has been reclassified to Revenue with DKK 167 million and Production costs with DKK 18 million.

Effects of new and amended accounting standards

All new and amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2013 have been adopted by the LEGO Group. The application of the new IFRS's has not had a material impact on the Consolidated Financial Statements in 2013 and we do not anticipate any significant impact on future periods from the adoption of these new IFRS's.

The adoption of IAS 19R has only an immaterial impact on each previous financial year, hence, the LEGO Group has fully adopted the amendment in 2013 without restating previous years' comparable amounts and disclosures.

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

- IFRS 9, Financial instruments. IFRS 9 is the new standard on classification and measurement of financial instruments. Among other amendments, it introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities. It includes amendments to the treatment of option premiums and the possibility to hedge net positions. IASB has not yet set an effective date for the new standard.
- Annual Improvements 2010-2012 cycle and Annual Improvement 2011-2013 cycle. This comprises minor adjustments to a number of existing standards. The amendments are effective for annual periods beginning on or after 1 July 2014.

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

Consolidation practice

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

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

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

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

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

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

Foreign currency translation

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

Note 1. Significant accounting policies – continued

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

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

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

Derivative financial instruments

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

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

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

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

Income Statement

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies – continued

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

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

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

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

Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The cost of raw materials, consumables and purchased goods comprises the invoice price plus delivery expenses. The cost of finished goods and work in progress comprises the purchase price of materials and direct labour costs plus indirect production costs. Indirect production costs include indirect materials

Note 1. Significant accounting policies – continued

and wages, maintenance and depreciation of plant and machinery, factory buildings and other equipment as well as expenses for factory administration and management.

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

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

Equity

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

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

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

Liabilities

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

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

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

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

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

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

Past service costs are recognised immediately in profit/loss.

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

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

Further provisions for restructuring expenses are only recognised when the decision is made and announced before the balance sheet date. Provisions are not made for future operating losses. Provisions are measured at the present value of the estimated obligation at the balance sheet date.

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

Cash Flow Statement

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

Note 1. Significant accounting policies – continued

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

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

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

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

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

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

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

Note 2. Significant accounting estimates and judgements

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

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

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

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

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

Note 3. Revenue

Revenue contains sale of goods and licence income. Sale of goods amounts to DKK 25,095 million (DKK 22,845 million in 2012), and licence income amounts to DKK 287 million (DKK 250 million in 2012).

Note 4. Expenses by nature

(mDKK)	Note	2013	2012
Raw materials and consumables used		3,890	4,416
Employee expenses	6	4,310	3,845
Depreciation and amortisation	7	764	654
Licence and royalty expenses		1,602	1,506
Other external expenses		6,480	5,068
Total operating expenses		**17,046**	**15,489**

Note 5. Auditors' fees

(mDKK)	2013	2012
Fee to PwC:		
Statutory audit of the Financial Statements	9	9
Other assurance engagements	4	1
Tax assistance	9	6
Other services	7	4
	29	**20**

Note 6. Employee expenses

(mDKK)	Note	2013	2012
Wages and salaries		3,840	3,467
Termination benefit and restructuring		54	5
Pension costs, defined benefit plans	20	–	2
Pension costs, defined contribution plans	20	251	214
Other expenses and social security expenses		221	193
Total employee costs for the year		**4,366**	**3,881**
Employee costs included in:			
Intangible assets		(24)	(10)
Property, plant and equipment		(32)	(26)
Total employee costs expensed in the income statement		**4,310**	**3,845**
Classified as:			
Production costs		1,485	1,300
Sales and distribution expenses		1,688	1,535
Administrative expenses		913	816
Other operating expenses		224	194
		4,310	**3,845**
Including Key Management Personnel (Management Board):			
Salaries		26	18
Pension		1	1
Short-term incentive plans		12	8
Long-term incentive plans		12	9
		51	**36**
Including fee to Board of Directors:		**3**	**3**

Incentive plans comprise a short-term incentive plan based on yearly performance and a long-term incentive plan related to long-term goals regarding value creation.

Average number of full-time employees	**11,755**	**10,400**
Number of employees (Headcount)	**13,869**	**12,264**

Note 7. Depreciation and amortisation

(mDKK)	2013	2012
Licences, patents and other rights	10	12
Software	40	31
Buildings and installations	81	87
Plant and machinery	496	408
Other fixtures and fittings, tools and equipment	137	116
	764	**654**
Classified as:		
Production costs	636	529
Sales and distribution expenses	113	111
Administrative expenses	14	13
Other operating expenses	1	1
	764	**654**

In 2013 the LEGO Group has not had any impairment write down on property, plant and equipment (2012 DKK 29 million). The total impairment in 2012 of DKK 29 million is expensed as production costs.

Note 8. Research and development costs

(mDKK)	2013	2012
Research and development costs charged during the year	451	352
	451	**352**

Note 9. Financial income

(mDKK)	2013	2012
Interest income from related parties	2	8
Interest income from credit institutions measured at amortised cost	6	7
Other interest income	5	4
	13	**19**

Note 10. Financial expenses

(mDKK)	2013	2012
Interest expenses on mortgage loans measured at amortised cost	2	3
Interest expenses to related parties	11	3
Interest expenses to credit institutions measured at amortised cost	4	7
Other interest expenses	7	7
Exchange loss, net	86	83
	110	**103**

Note 11. Tax on profit for the year

(mDKK)	2013	2012
Current tax on profit for the year	2,143	1,980
Deferred tax on profit for the year	(26)	(43)
Other	12	(4)
Effect of changes in deferred tax asset and liability due to change in tax rate	(3)	1
Adjustment of tax relating to previous years, current tax	(108)	(8)
Adjustment of tax relating to previous years, deferred tax	102	(17)
	2,120	**1,909**
Income tax expenses are specified as follows:		
Calculated 25% tax on profit for the year before income tax	2,060	1,881
Tax effect of:		
Higher/lower tax rate in subsidiaries	41	(13)
Non-taxable income	(82)	(25)
Non-deductible expenses	25	33
Other	76	33
	2,120	**1,909**
Effective tax rate	25,7%	25.4%

Note 12. Intangible assets

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

(mDKK)	Development projects	Software	Licences, patents and other rights	Total
Cost at 1 January 2012	12	382	190	**584**
Exchange rate adjustment to year-end rate	–	2	(1)	**1**
Additions	38	18	5	**61**
Disposals	–	(2)	–	**(2)**
Transfer	(13)	13	–	**–**
Cost at 31 December 2012	**37**	**413**	**194**	**644**
Amortisation and impairment losses at 1 January 2012	–	280	114	**394**
Amortisation for the year	–	31	12	**43**
Disposals	–	(2)	–	**(2)**
Amortisation and impairment losses at 31 December 2012	–	**309**	**126**	**435**
Carrying amount at 31 December 2012	**37**	**104**	**68**	**209**

Note 13. Property, plant and equipment

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

Property, plant and equipment in general
An obligation regarding the purchase of property, plant and equipment of DKK 816 million exists at 31 December 2013 (DKK 388 million at 31 December 2012).

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

Note 13. Property, plant and equipment – continued

(mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	**Total**
Cost at 1 January 2012	1,679	4,028	1,061	514	**7,282**
Exchange adjustment to year-end rate	48	19	10	15	**92**
Additions	104	609	169	847	**1,729**
Disposals	(15)	(262)	(112)	–	**(389)**
Transfers	492	175	192	(859)	**–**
Cost at 31 December 2012	**2,308**	**4,569**	**1,320**	**517**	**8,714**
Depreciation and impairment losses at 1 January 2012	539	2,789	559	–	**3,887**
Exchange adjustment to year-end rate	3	7	4	–	**14**
Depreciation for the year	58	408	116	–	**582**
Impairment losses for the year	29	–	–	–	**29**
Disposals	(9)	(250)	(105)	–	**(364)**
Depreciation and impairment losses at 31 December 2012	**620**	**2,954**	**574**	**–**	**4,148**
Carrying amount at 31 December 2012	**1,688**	**1,615**	**746**	**517**	**4,566**
Including assets under finance leases	**27**	**–**	**–**	**–**	**27**

Note 14. Investments in associates

(mDKK)	2013	2012
Cost at 1 January	4	4
Cost at 31 December	**4**	**4**
Value adjustment at 1 January	(1)	(1)
Share of profit/(loss)	–	–
Value adjustment at 31 December	**(1)**	**(1)**
Carrying amount at 31 December	**3**	**3**

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

Note 15. Inventories

(mDKK)	2013	2012
Raw materials and components	133	136
Work in progress	746	600
Finished goods	945	969
	1,824	**1,705**
Cost of sales recognised in production costs	5,327	4,222
Including:		
Write-down of inventories to net realisable value (profit)/losses	12	(26)

Note 16. Trade receivables

(mDKK)	2013	2012
Trade receivables (gross)	4,918	5,002
Provisions for bad debts:		
Balance at 1 January	(52)	(139)
Change in provisions for the year	(1)	69
Realised losses for the year	5	18
Balance at 31 December	**(48)**	**(52)**
Trade receivables (net)	**4,870**	**4,950**

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

The age distribution of gross trade receivables is as follows:

(mDKK)	2013	2012
Not overdue	4,510	4,353
0 - 60 days overdue	355	601
61 - 120 days overdue	9	7
121 - 180 days overdue	3	9
More than 180 days overdue	41	32
	4,918	**5,002**

76% of total trade receivables are covered by insurance (76% in 2012) and therefore this part of the credit risk is reduced to the risk relating to the insurance companies concerned. DKK 1,161 million (DKK 1,180 million in 2012) corresponding to 24% of trade receivables (24% in 2012) are not covered by insurance.

The LEGO Group has no single significant trade debtor, nor are the trade receivables concentrated in specific countries. The LEGO Group has fixed procedures for determining the LEGO Group's granting of credit. The LEGO Group's risk relating to trade receivables is considered to be moderate. For more information, see note 24.

Note 17. Share capital

	2013	2012
The share capital consists of:		
A-shares of DKK 100,000	9	9
A-shares of DKK 10,000	10	10
B-shares of DKK 500,000	3	3
B-shares of DKK 100,000	67	67
B-shares of DKK 10,000	80	80
C-shares of DKK 500,000	16	16
C-shares of DKK 100,000	20	20
Total shares at 31 December	**205**	**205**

The total number of shares is 205 (205 in 2012). All issued shares are fully paid up.

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

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

Note 18. Dividend per share

Dividend of DKK 3,000 million and extraordinary dividend of DKK 1,500 was paid in May 2013, in total DKK 4,500 million, corresponding to DKK 22.0 million in average per share (DKK 3,000 million in 2012, DKK 14.6 million in average per share).

Proposed dividend for 2013 is DKK 5,000 million, corresponding to DKK 24.4 million in average per share.

Note 19. Deferred tax

(mDKK)	2013	2012
Deferred tax, net at 1 January	110	64
Adjustment of deferred tax relating to previous years	–	84
Change in deferred tax asset and liability due to change in tax rates	3	(1)
Exchange adjustment to year-end rate	(5)	–
Income statement charge	(76)	60
Charged to other comprehensive income	(18)	(97)
	14	**110**
Classified as:		
Deferred tax assets	140	131
Deferred tax liabilities	(126)	(21)
	14	**110**

Note 19. Deferred tax – continued

2013

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

2012

(mDKK)	Deferred tax asset	Provision for deferred tax	**Deferred tax net**
Non-current assets	96	(13)	**83**
Receivables	7	–	**7**
Inventories	164	(141)	**23**
Provisions	74	(2)	**72**
Other liabilities	79	(53)	**26**
Other	11	(114)	**(103)**
Offset	(302)	302	**–**
Tax loss carry-forwards	2	–	**2**
	131	**(21)**	**110**

Tax loss carry-forwards
Tax assets relating to tax loss carry-forwards are capitalised based on an assessment of whether they can be utilised in the future. DKK 18 million of the LEGO Group's capitalised tax losses expires after 5 years (DKK 2 million in 2012 expires after 5 years).

Note 20. Pension obligations

Defined contribution plans
In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (eg a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish companies and some of the foreign companies are all defined contribution plans. In the LEGO Group, DKK 251 million (DKK 214 million in 2012) have been recognised in the income statement as costs relating to defined contribution plans.

Defined benefit plans
In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the Group include employees in Germany and in the UK. In the LEGO Group, a net obligation of DKK 57 million (DKK 48 million in 2012) has been recognised relating to the LEGO Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the LEGO Group, DKK 4 million (DKK 2 million in 2012) have been recognised in the income statement and DKK 1 million (DKK 0 million in 2012) has been recognised in other comprehensive income.

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

(mDKK)	2013	2012
The amounts recognised in the balance sheet are calculated as follows:		
Present value of funded obligations	(124)	(124)
Fair value of plan assets	115	118
	(9)	**(6)**
Present value of unfunded obligations	(48)	(42)
Net liability recognised in the balance sheet	**(57)**	**(48)**
Of which included as part of the liabilities	(57)	(54)
Of which included as part of the assets	–	6
The change in present value of defined benefit obligations over the period is as follows:		
Present value at 1 January	(166)	(151)
Effect of ammended accounting standard	(9)	–
Exchange adjustment to year-end rate	1	(2)
Pension costs relating to current financial year	(1)	(2)
Interest expenses	(7)	(7)
Actuarial gains	5	(10)
Benefits paid	5	6
Present value at 31 December	**(172)**	**(166)**

Note 20. Pension obligations – continued

(mDKK)	2013	2012
The change for the period in fair value of plan assets is as follows:		
Plan assets at 1 January	118	121
Exchange adjustment to year-end rate	(2)	1
Expected return on plan assets	(4)	4
Actuarial gains	5	13
Employer contributions	1	1
Benefits paid	(3)	(3)
Disposals in connection with cancellation of pension scheme	–	(19)
Plan assets at 31 December	**115**	**118**
Movements in the net liability recognised in the balance sheet are as follows:		
Net liability at 1 January	48	30
Effect of ammended accounting standard	9	–
Exchange adjustment to year-end rate	1	–
Total expenses charged to the income statement	3	2
Total income charged to other comprehensive income	(1)	–
Contributions paid	(3)	(3)
Disposals in connection with cancellation of pension scheme	–	19
Net liability at 31 December	**57**	**48**
The actual return on plan assets amounts to	**1**	**17**

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

(mDKK)	2013	2012
Discount rate	3% - 5%	2% - 5%
Expected return on plan assets	3% - 5%	3% - 5%
Future salary increases	2% - 4%	2% - 4%
Future pension increases	2% - 4%	2% - 3%

Note 21. Other debt

(mDKK)	2013	2012
Wage-related payables and other charges	1,084	1,074
Debt to related parties	315	317
Finance lease obligations	31	32
VAT and other indirect taxes	266	262
Amortised debt	148	168
Discounts	676	621
Other current liabilities	797	778
	3,317	**3,252**
Specified as follows:		
Non-current	68	72
Current	3,249	3,180
	3,317	**3,252**

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

(mDKK)	2013	2012
Obligations regarding finance leases are as follows:		
0-1 year	6	7
1-5 years	24	26
> 5 years	10	16
	40	**49**
Reconciliation of carrying amount and gross liability:		
Carrying amount of the liability	28	32
Interest expenses not yet accrued	12	17
Gross liability	**40**	**49**

No contingent leases have been recognised in expenses in 2013 or 2012.
None of the assets under finance leases have been subleased.

Note 22. Provisions

2013

(mDKK)	Restructuring	Other	**Total**
Provisions at 1 January	7	128	**135**
Additions	71	109	**180**
Used	(14)	(60)	**(74)**
Reversed	(9)	(34)	**(43)**
Provisions at 31 December	**55**	**143**	**198**

Specified as follows:	
Non-current	88
Current	110
	198

2012

(mDKK)	Restructuring	Other	**Total**
Provisions at 1 January	37	138	**175**
Additions	9	96	**105**
Used	(32)	(63)	**(95)**
Reversed	(7)	(43)	**(50)**
Provisions at 31 December	**7**	**128**	**135**

Specified as follows:	
Non-current	71
Current	64
	135

Provisions for restructuring obligations relate primarily to close-down and reduction of production facilities, close-down of activities, and redundancy programmes. The majority of these obligations is expected to result in cash outflows in the period 2014-2015.

Other provisions consist of various types of provisions, including provisions for legal disputes and loyalty programmes. The majority of other provisions is expected to be used within the next 2 years.

Note 23. Contingent assets, contingent liabilities and other obligations

(mDKK)	2013	2012
Guarantees	320	66
Operating lease obligations	2,243	2,004
Other obligations	219	450
	2,782	**2,520**

The LEGO Group leases various offices, LEGO retail stores, warehouses and plant and machinery under non-cancellable operating leases. The leases have varying terms, clauses and rights.

The LEGO Group also leases plant and machinery under cancellable operating leases.
The LEGO Group is required to give various notices of termination of these agreements.

(mDKK)	2013	2012
Lease expenses for the year charged to the income statement amount to:	421	392

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

(mDKK)	2013	2012
Related parties:		
0-1 year	45	42
1-5 years	75	68
> 5 years	176	187
	296	**297**
Other:		
0-1 year	392	330
1-5 years	985	870
> 5 years	570	507
	1,947	**1,707**

Security has been given in land, buildings and installations with a net carrying amount of DKK 233 million (DKK 178 million in 2012) for the LEGO Group's mortgage loans.

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

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

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

Note 24. Financial risks

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

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

Credit risk

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

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

Credit risk regarding trade receivables is disclosed in note 16.

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

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

Foreign exchange risk

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

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

The isolated effects of the financial instruments on profit and equity after tax of a currency strengthening of 10% against DKK at 31 December 2013 are specified as follows:

(mDKK)	%-change	2013	2012
EUR:			
Equity	10%	6	(47)
Net profit for the year	10%	21	(6)
USD:			
Equity	10%	(160)	(158)
Net profit for the year	10%	(29)	(8)
GBP:			
Equity	10%	(56)	(30)
Net profit for the year	10%	(2)	8
CZK:			
Equity	10%	44	60
Net profit for the year	10%	32	22
MXN:			
Equity	10%	53	42
Net profit for the year	10%	31	10
HUF:			
Equity	10%	40	9
Net profit for the year	10%	38	5

A positive amount in the foreign exchange sensitivity analysis is an increase in the LEGO Group Equity/Net profit for the year.

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

Note 24. Financial risks – continued

Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The LEGO Group's interest-bearing assets consist mainly of liquid funds. Liquid funds yield interest on the short-term money market. An increase in the interest level of 1.0% for 2013 would have had a positive impact on the LEGO Group's profit before tax of approx. DKK 15.4 million 2013 (DKK 11.9 million in 2012). The LEGO Group's interest rate risk is considered immaterial and is not expected to have a significant impact on the LEGO Group's results.

Other market risk

Electricity derivatives

The LEGO Group has entered into electricity derivatives in order to hedge part of the LEGO Group's electricity consumption for 2014 to 2015. The LEGO Group does not use hedge accounting on electricity derivatives. As a consequence the profit before tax has been affected negatively with DKK 1.0 million (negatively DKK 2.3 million in 2012). An increase/decrease in the electricity price of DKK 0.05 per kWh would have increased/ reduced the net income with DKK 4.3 million (DKK 1.5 million in 2012) based on the net present value of the derivatives.

Liquidity risk

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

Capital risk management

Dividend of DKK 4,500 million has been paid in 2013 (DKK 3,000 million in 2012). It is expected that the dividend for 2013, to be paid in 2014 will amount to DKK 5,000 million. The dividend payment reflects the strategy behind the capital structure where the LEGO Group is the operational company and any surplus liquidity is distributed to the Parent Company KIRKBI A/S.

Note 25. Financial assets and liabilities

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

At 31 December 2013 forward contracts have been applied for hedging of cash flows covering future financial periods.

The hedging mainly relates to the LEGO Group's sales of goods and services in USD, EUR, GBP, AUD and CAD as well as purchases of goods in CZK, MXN and HUF. All contracts are expected to expire - and thus affect results - in the financial years 2014 to 2015.

The following table shows the timing of cash flows related to financial liabilities and hedging instruments.

31 December 2013

(mDKK)	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	**Total cash flows**
Measured at amortised cost (Liabilities):						
Debt to credit institutions	293	293	89	42	179	310
Debt to related parties	600	600	19	676	–	**695**
Trade payables	2,201	2,201	2,201	–	–	**2,201**
Other debt[1]	1,909	1,909	1,884	24	10	**1,918**
	5,003	**5,003**	**4,193**	**742**	**189**	**5,124**
Derivative financial instruments:						
Measured at fair value through the income statement	19	19	19	–	–	**19**
Measured at fair value through other comprehensive income (Cash Flow Hedging)	30	30	21	9	–	**30**
	49	**49**	**40**	**9**	**–**	**49**
Total financial liabilities	**5,052**	**5,052**	**4,233**	**751**	**189**	**5,173**
Measured at amortised cost (Assets):						
Trade receivables	4,870	4,870	4,870	–	–	**4870**
Other receivables[1]	403	403	403	–	–	**403**
Receivables from related parties	2,310	2,310	2,310	–	–	**2,310**
Cash at bank and in hand	1,024	1,024	1,024	–	–	**1,024**
	8,607	**8,607**	**8,607**	**–**	**–**	**8,607**
Derivative financial instruments:						
Measured at fair value through the income statement	108	108	108	–	–	108
Measured at fair value through other comprehensive income (Cash Flow Hedging)	155	155	155	–	–	155
	263	**263**	**263**	**–**	**–**	**263**
Total financial assets	**8,870**	**8,870**	**8,870**	**–**	**–**	**8,870**

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

Note 25. Financial assets and liabilities – continued

31 December 2012

(mDKK)	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	Total cash flows
Measured at amortised cost (Liabilities):						
Debt to credit institutions	818	818	613	39	195	**847**
Trade payables	2,112	2,112	2,112	–	–	**2,112**
Other debt[1]	1,929	1,929	1,904	26	16	**1,946**
	4,859	**4,859**	**4,629**	**65**	**211**	**4,905**
Derivative financial instruments:						
Measured at fair value through the income statement	17	17	17	–	–	**17**
Measured at fair value through other comprehensive income (Cash Flow Hedging)	24	24	24	–	–	**24**
	41	**41**	**41**	**–**	**–**	**41**
Total financial liabilities	**4,900**	**4,900**	**4,670**	**65**	**211**	**4,946**
Measured at amortised cost (Assets):						
Trade receivables	4,950	4,950	4,950	–	–	**4,950**
Other receivables[1]	283	283	283	–	–	**283**
Receivables from related parties	3,442	3,442	3,442	–	–	**3,442**
Cash at bank and in hand	468	468	468	–	–	**468**
	9,143	**9,143**	**9,143**	**–**	**–**	**9,143**
Derivative financial instruments:						
Measured at fair value through the income statement	23	23	23	–	–	**23**
Measured at fair value through other comprehensive income (Cash Flow Hedging)	76	76	66	10	–	**76**
	99	**99**	**89**	**10**	**–**	**99**
Total financial assets	**9,242**	**9,242**	**9,232**	**10**	**–**	**9,242**

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

Note 25. Financial assets and liabilities – continued

The following table presents the LEGO Group's assets and liabilities measured at fair value at 31 December 2013:

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

31 December 2013

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

Note 25. Financial assets and liabilities – continued

31 December 2012

(mDKK)	Level 1	Level 2	Level 3	**Total**
ASSETS				
Financial assets at fair value through income statement:				
Derivative financial instruments	–	23	–	**23**
Financial assets at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	76	–	**76**
Total assets	**–**	**99**	**–**	**99**
LIABILITIES				
Financial liabilities at fair value through income statement:				
Derivative financial instruments	–	17	–	**17**
Financial liabilities at fair value through other comprehensive income:				
Derivative financial instruments (Cash Flow Hedging)	–	24	–	**24**
Total liabilities	**–**	**41**	**–**	**41**

Note 26. Derivative financial instruments

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

The changes in fair value of the financial instruments qualifying for hedge accounting are recognised directly under other comprehensive income until the hedged items affect the income statement.

The changes in fair value of the financial instruments not qualifying for hedge accounting are recognised directly in the income statement. This includes time value of options. All changes in fair value of hedging of assets and liabilities (Fair value hedging) are recognised directly in the income statement.

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

Note 26. Derivative financial instruments – continued

31 December 2013

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

Note 26. Derivative financial instruments – continued

31 December 2012

(mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
Hedging of forecast transactions qualifying for hedge accounting:				
USD (Sale of currency)	2,002	36	12	18 months
JPY (Sale of currency)	136	14	–	11 months
GBP (Sale of currency)	503	–	8	11 months
CZK (Purchase of currency)	504	1	–	11 months
Other (Purchase of currency)	477	12	–	18 months
Other (Sale of currency)	779	13	4	12 months
Total forward contracts	**4,401**	**76**	**24**	
USD (Sale of currency)	506	–	–	3 months
Total currency options	**506**	**–**	**–**	
Hedging of balance sheet items qualifying for hedge accounting:				
USD (Sale of currency)	763	10	5	2 months
JPY (Sale of currency)	53	5	–	2 months
GBP (Sale of currency)	229	–	6	2 months
CZK (Purchase of currency)	148	–	–	2 months
Other (Purchase of currency)	51	–	1	2 months
Other (Sale of currency)	310	3	3	2 months
Total Forward contacts	**1,554**	**18**	**15**	
Total for which hedge accounting applies	**6,461**	**94**	**39**	
Other forecast transaction hedges for which hedge accounting is not applied:				
Electricity	10	–	2	24 months
Energy contracts	**10**	**–**	**2**	
USD (Time value)	–	5	–	3 months
Total currency options	**–**	**5**	**–**	
Total for which hedge accounting is not applied	**10**	**5**	**2**	
Total of forecast transactions	**6,471**	**99**	**41**	

Note 27. Other reversals with no effect on cash flows

(mDKK)	2013	2012
Depreciation, amortisation and impairment	764	654
Loss on sale of property, plant and equipment	10	8
Net movements in provisions	63	(40)
Other adjustments	(15)	335
	822	**957**

Note 28. Cash at banks

(mDKK)	2013	2012
Cash at banks	1,024	468
	1,024	**468**

Note 29. Related party transactions

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

The following transactions were carried through with related parties:

(mDKK)	2013	2012
Transactions with KIRKBI A/S:		
Sale of assets to	–	2
Interest charged	–	(3)
Rent charged	(43)	(28)
Service fee charged	(3)	–
Total transactions with KIRKBI A/S	**(46)**	**(29)**
Transactions with Koldingvej 2, Billund A/S:		
Interest received	–	1
Total transactions with Koldingvej 2, Billund A/S	**–**	1
Transactions with associates:		
Purchase of products	9	(6)
Trademark fee received	(9)	7
Total transactions with associates	**–**	**1**
Transactions with KIRKBI Invest A/S Group:		
Interest received	2	7
Service fee charged	(37)	(37)
Rent charged	(3)	(1)
Interest charged	(10)	–
Trademark fee charged	(920)	(853)
Total transactions with KIRKBI Invest A/S Group	**(968)**	**(884)**
Transactions with Merlin Entertainments Group:		
Sale of products	322	330
Trademark fee received	16	13
Service fee charged	(9)	(7)
Total transactions with Merlin Entertainments Group	**329**	**336**

Note 29. Related party transactions – continued

(mDKK)	2013	2012
Transactions with other related parties:		
Sale of products	1	1
Donations received	9	6
Rent charged	(1)	(1)
Service fee charged	(1)	(1)
Total transactions with other related parties	**8**	**5**

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

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

(mDKK)	2013	2012
Balances with KIRKBI A/S:		
Payables	–	(2)
	–	**(2)**
Balances with associates:		
Receivables	–	–
Payables	–	(1)
	–	**(1)**
Balances with KIRKBI Invest A/S Group:		
Receivables	–	5
Payables	(314)	(314)
	(314)	**(309)**
Balances with Merlin Entertainments Group:		
Receivables	22	26
Payables	(2)	(3)
	20	**23**
Balances with other related parties:		
Receivables	1	1
Payables	–	(2)
	1	**(1)**

Note 29. Related party transactions – continued

Year-End balances regarding loans:

(mDKK)	Koldingvej 2, Billund A/S	KIRKBI Invest A/S
Balance at 1 January 2013 - Loan investment	–	3,442
Loans advanced during the year[1]	3,500	20,375
Repayments - loan investment[1]	(3,500)	(21,507)
Balance at 31 December 2013	**–**	2,310
Specified as follows:		
Current	–	2,310
Non-current	–	–
	–	**2,310**
Balance at 1 January 2013 - Loan borrowing	–	–
Loans raised during the year[1]	–	(600)
Balance at 31 December 2013	**–**	**(600)**
Specified as follows:		
Current	–	–
Non-current	–	(600)
	–	**(600)**

(mDKK)	Koldingvej 2, Billund A/S	KIRKBI Invest A/S
Balance at 1 January 2012 - Loan investment	–	1,950
Loans advanced during the year[2]	2,802	26,601
Repayments - loan investment[2]	(2,802)	(25,111)
Interest received	–	2
Balance at 31 December 2012	**–**	**3,442**
Specified as follows:		
Current	–	3,442
Non-current	–	–
	–	**3,442**
Balance at 1 January 2012 - Loan borrowing	–	–
Loans raised during the year[2]	–	(3,161)
Repayments - loan borrowing[2]	–	3,161
Balance at 31 December 2012	**–**	**–**

[1] Payments to related parties amounting to DKK (23,875) million and payments from related parties amounting to DKK 25,607 million
[2] Payments to related parties amounting to DKK (32,564) million and payments from related parties amounting to DKK 31,074 million

for your

Parent Company

Income Statement

1 January – 31 December

(mDKK)	Note	2013	2012
Revenue		85	77
Gross profit		**85**	**77**
Other operating expenses	2	(67)	(61)
Operating profit		**18**	**16**
Net profit for the year from subsidiaries		6,089	5,577
Financial income	3	–	1
Financial expenses	4	(28)	(28)
Profit before income tax		**6,079**	**5,566**
Tax on profit for the year	5	(3)	1
Net profit for the year		**6,076**	**5,567**
Proposed distribution of profit:			
Dividend		5,000	3,000
Reserve from the use of the equity method		(4,524)	2,528
Retained earnings		5,600	39
		6,076	**5,567**

Balance Sheet

at 31 December

(mDKK)	Note	2013	2012
ASSETS			
Non-current assets:			
Patents		–	–
Intangible assets	6	**–**	–
Land, buildings and installations		6	6
Property, plant and equipment	7	**6**	**6**
Investments in subsidiaries		14,197	13,096
Investments in associates		3	3
Other non-current assets	8	**14,200**	**13,099**
Total non-current assets		**14,206**	**13,105**
Current assets			
Receivables from subsidiaries		2	10
Tax receivables		–	1
Other receivables		2	2
Total current assets		**4**	**13**
TOTAL ASSETS		**14,210**	**13,118**

Balance Sheet – continued

at 31 December

(mDKK)	Note	2013	2012
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	20	20
Reserve from the use of the equity method		2,029	6,755
Retained earnings		4,155	55
Proposed dividend		5,000	3,000
Total equity		**11,204**	**9,830**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	3	6
Debt to related parties	13	600	–
Total non-current liabilities		**603**	**6**
Current liabilities			
Borrowings	10	–	600
Debt to subsidiaries		2,309	2,614
Trade payables		1	2
Current tax liabilities		3	1
Other short-term debt		90	65
Total current liabilities		**2,403**	**3,282**
Total liabilities		**3,006**	**3,288**
TOTAL EQUITY AND LIABILITIES		**14,210**	**13,118**
Contingent liabilities and other obligations	12		
Related party transactions	13		

Statement of Changes in Equity

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

(mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	**Total**
Equity at 1 January 2012	**20**	–	**16**	**3,000**	**3,036**
Adjustment due to change in accounting policy	–	3,913	–	–	3,913
Adjusted equity as of 1 January 2012	**20**	**3,913**	**16**	**3,000**	**6,949**
Dividend paid relating to prior year	–	–	–	(3,000)	**(3,000)**
Net profit for the year	–	2,528	39	–	**2,567**
Currency translation adjustments	–	23	–	–	**23**
Entries recognised directly on equity in subsidiaries	–	291	–	–	**291**
Proposed dividend	–	–	–	3,000	**3,000**
Equity at 31 December 2012	**20**	**6,755**	**55**	**3,000**	**9,830**

NOTE 1. Significant accounting policies

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

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

The accounting policies for the Financial statements of the Parent company are unchanged from the last financial year with the exception of the below mentioned change.

Change in accounting policy

The accounting policy for Investments in subsidiaries and associates are changed in 2013. Earlier investments in subsidiaries and associates were recognised at cost less accumulated impairment losses.

As a result of the changed accounting policy, Investments in subsidiaries and associates are now recognised using the equity method. For further details see the accounting policy regarding Investments in subsidiaries and associates below.

The change in accounting policy applies with retrospective effect from 1 January 2012.

The impact of the change in the accounting policies are highlighted in the below table:

(mDKK)	Income statement	Investments in subsidiaries	Equity
Amounts according to Annual Report 2012	3,039	6,341	3,075
Adjustments due to change in accounting policy	2,528	6,755	6,755
Adjusted totals	**5,567**	**13,096**	**9,830**

Supplementary accounting policies for the Parent company

Taxes

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

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

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

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

Investments in subsidiaries and associates

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

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

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

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

Equity

Dividend distribution

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

NOTE 2. Employee expense

(mDKK)	2013	2012
Management Board[1]:		
Salaries	26	18
Pension	1	1
Short-term incentive plans	12	8
Long-term incentive plans	12	9
	51	**36**
	3	**3**
Including fee to Board of Directors:		
No. of employees	**4**	**4**

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

NOTE 3. Financial income

(mDKK)	2013	2012
Interest income from subsidiaries	–	1
	–	**1**

NOTE 4. Financial expenses

(mDKK)	2013	2012
Interest expenses on mortgage loans	2	5
Interest expenses to related parties	11	3
Interest expenses to subsidaries	15	20
	28	**28**

NOTE 5. Tax on profit for the year

(mDKK)	2013	2012
Current tax on profit for the year	3	(1)
Deferred tax on profit for the year	(3)	(1)
Adjustment of tax relating to previous years, current tax	3	1
	3	**(1)**

NOTE 6. Intangible assets

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

(mDKK)	Patents
Cost at 1 January 2012	4
Cost at 31 December 2012	**4**
Depreciation and impairment losses at 1 January 2012	4
Depreciation and impairment losses at 31 December 2012	**4**
Carrying amount at 31 December 2012	**–**

NOTE 7. Property, plant and equipment

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

(mDKK)	Land, buildings & installations	Other fixtures & fitting, tools and equipment	Total
Cost at 1 January 2012	6	7	**13**
Disposals	–	(6)	**(6)**
Cost at 31 December 2012	**6**	**1**	**7**
Depreciation and impairment losses at 1 January 2012	–	7	**7**
Disposals	–	(6)	**(6)**
Depreciation and impairment losses at 31 December 2012	**–**	**1**	**1**
Carrying amount at 31 December 2012	**6**	**–**	**6**

Assets under finance leases
No assets have been recognised under finance leases.

NOTE 8. Other non-current assets

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

(mDKK)	Investments in associates	Investments in subsidiaries
Cost at 1 January 2012	4	5,853
Additions	–	490
Disposals	–	(2)
Cost at 31 December 2012	**4**	**6,341**
Value adjustment at 1 January 2012	(1)	–
Adjustment due to change in accounting policy	–	3,913
Adjusted value adjustment at 1 January 2012	**(1)**	**3,913**
Currency translation adjustments	–	23
Share of net profit for the year	–	5,577
Dividend	–	(3,049)
Entries recognised directly on equity in subsidiaries	–	291
Value adjustment at 31 December 2012	**(1)**	**6.755**
Carrying amount at 31 December 2012	**3**	**13,096**

NOTE 9. Share capital

(mDKK)	2013	2012
The Company's share capital consists of:		
A-shares of DKK 1,000 or multiples hereof	1	1
B-shares of DKK 1,000 or multiples hereof	9	9
C-shares of DKK 1,000 or multiples hereof	10	10
Total shares at 31 December	**20**	**20**

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

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

NOTE 10. Borrowings

2012

(mDKK)	Total debt	Due within 1 year	Due between 2 and 5 years
Banks and other credit institutions	600	600	–
	600	**600**	**–**

NOTE 11. Deferred tax

(mDKK)	2013	2012
Deferred tax, net at 1 January	(6)	(7)
Change in deferred tax	3	1
Deferred tax, net at 31 December	**(3)**	**(6)**
Classified as:		
Deferred tax liabilities	(3)	(6)
	(3)	**(6)**

NOTE 12. Contingent liabilities and other obligations

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

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

NOTE 13. Related party transactions

(mDKK)	2013	2012
Transactions with associates:		
Trademark fee received	8	7
Total transactions with associates	**8**	**7**
Balances with KIRKBI Invest A/S:		
Loan	600	–
	600	**–**

Group Structure

LEGO A/S

Americas

- LEGO do Brazil Ltda.
- LEGO do Brasil Comércio e Distribuicão de Brinque-dos Ltda
- LEGO Canada Inc.
- LEGO Mexico S.A. de C.V
- Administratión de Servicios LEGO, S. de R.L. de C.V. (Mexico)
- LEGO Operaciones de Mexico S.A. de C.V. (Mexico)
- LEGO Real Estate, S.A. de C.V. (Mexico)
- LEGO System Inc. (US)
  - LEGO Dacta Inc. (US)
    - Dacta and Pitsco LLC, (US)
- LEGO Brand Retail Inc. (US)

Denmark[1]

- LEGO System A/S

Europe (other)

- LEGO Park Holding UK Ltd.
  - LEGO Lifestyle International Ltd. (UK)
- LEGO Company Limited (UK)
- LEGO Education Europe Ltd. (UK)
- LEGO Belgium n.v.
- LEGO Netherland B.V.
- LEGO Sverige AB
- LEGO Norge A/S
- Oy Suomen LEGO Ab (Finland)
- LEGO GmbH (Germany)
- LEGO Handelsgesells. GmbH (Austria)
- LEGO S.A.S. (France)
- LEGO Brand Retail S.A.S. (France)
- LEGO S.p.A. (Italy)
- LEGO S.A. (Spain)
- LEGO Lda. (Portugal)
- LEGO Production s.r.o. (Czech Republic)
- LEGO Trading s.r.o. (Czech Republic)
- LEGO Schweiz AG
- LEGO Hungária Kft.
- LEGO Manufacturing Kft. (Hungary)
- LEGO Polska Sp. z.o.o.
- LEGO Romania S.R.L.
- LEGO Ukraine LLC
- OOO LEGO (Russia)
- LLD Share verwaltungs GmbH (Germany)
  - LLD Share Gmbh & Co. KG (Germany)
- LEGO Turkey Oyuncak Tieraret Anonim Sirketi

Asia/Africa/Australia

- LEGO Hong Kong Limited
- LEGO Australia Pty. Ltd.
- LEGO New Zealand Ltd.
- LEGO Korea Co. Ltd.
- LEGO South Africa (Pty.) Ltd.
- LEGO Japan Ltd.
- LEGO Company Ltd. (Hong Kong)
- LEGO Singapore Pte. Ltd.
- LEGO Trading (Beijing) Co, Ltd.
- LEGO India Private Limited
- LEGO Trading (Malaysia) Sdn. Bhd.
- LEGO Toy Manufacturing (Jiaxing) Co., Ltd.

Ownership is 100% unless stated otherwise.

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

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

In our Responsibility Report you will find detailed information on the LEGO Group's non-financial results for 2013.

www.LEGO.com/responsibility

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