The LEGO Group

Annual Report 2021

Annual
Report
2021

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Our ambition is to bring the power of LEGO® play to even more children around the world.

Letter from the CEO

As I look back over 2021, I am grateful for what the LEGO Group was able to achieve.

Our passionate and committed team of more than 24,000 employees navigated the ongoing uncertainty of the COVID-19 pandemic and worked tirelessly to meet extraordinary demand for our products. Their efforts led to our strong financial performance and allowed us to reach more children with LEGO® play.

I am also grateful for our fans. During the year, thousands of children contacted us to share their LEGO experiences. It gives such strong purpose to our work when we see first-hand the pride, skill, and excitement, that comes with creating and sharing a LEGO build!

Investing in long-term growth
The progress we made in advancing strategic investments will fuel growth now, and for generations to come. Investments in product innovation, retail experiences, digitalisation, and sustainability will keep our brand relevant and create opportunities for more children to benefit from play.

Our 2021 portfolio was the largest and most diverse ever. We saw strong performances from our homegrown themes such as LEGO NINJAGO which celebrated its 10th anniversary, and licensed themes such as LEGO Super Mario™ and LEGO *Star Wars*™. We also welcomed adults with a range of challenging builds which brought families together and inspired fans of all ages.

Our successful Rebuild the World brand campaign further strengthened love for the brand, and we announced steps to remove harmful gender stereotypes from our marketing and products so that all builders everywhere feel included.

Innovative retail channels
We continued to welcome visitors back to our stores and unveiled a new retail format designed to create immersive, memorable brand experiences. We continue to see value in physical retail stores and opened 165 LEGO branded stores around the world in 2021. Long-term investments in e-commerce continue to pay off, helping to drive double-digit growth in online sales across our own and partner channels.

Expanding global supply chain
Our long-standing network of factories positioned us well to navigate the supply challenges that affected all industries. Our five manufacturing sites on three continents make our supply chain short, flexible, and able to meet shifting demand in our largest markets. We will continue to invest in expanding capacity across our manufacturing network to meet long-term growth and announced plans to build a new operationally carbon neutral factory in Vietnam.

Building a sustainable future brick by brick
Children are increasingly concerned about the future of the planet. We are committed to giving them a voice and taking action to become a more sustainable company. After three years of research and development, we announced a breakthrough with our prototype brick made from recycled PET bottles. For COP26 (UN Climate Change Conference of the Parties), we met with children to hear their ideas and released a set of ten Building Instructions for a Better World.

I am optimistic the planet will be in safe hands with today's builders of tomorrow. They inspire us with their creativity, resilience, and optimism. And we are grateful to be able to inspire and develop them in return.

It is this purpose that drives us to continue to invest in our future – and the future of generations to come.

Niels B. Christiansen
CEO, the LEGO Group

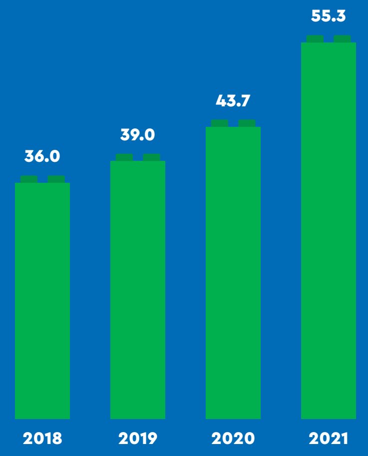
"Our passionate and committed team of more than 24,000 employees navigated the ongoing uncertainty of the COVID-19 pandemic and worked tirelessly to meet extraordinary demand for our products.

2021 Performance Snapshot

We are very pleased with our financial performance in 2021. Revenue, operating profit, and consumer sales all grew double digits. Our performance was driven by strong demand for our portfolio and the benefits of our multi-year investments in e-commerce, product innovation, and a global supply chain network.

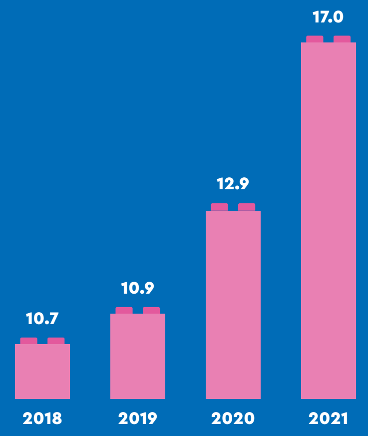
Financial performance

Revenue
55.3 billion DKK



Revenue growth
27%

Operating Profit
17.0 billion DKK



Operating Profit growth
32%

Free Cash Flow
12.9 billion DKK

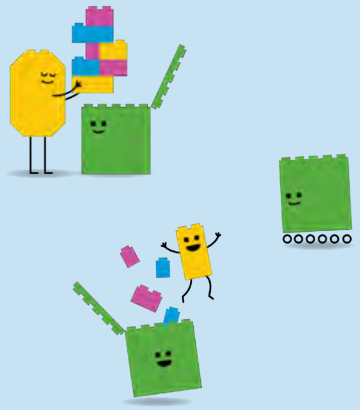
Top themes
LEGO® City
LEGO® Technic
LEGO® Creator Expert
LEGO® Harry Potter™
LEGO® *Star Wars*™

Market share growth in largest markets

Return on Invested Capital
94%

Environmental & social impact

We are making good progress towards our ambition to have a positive impact on future generations by being a more sustainable company and bringing learning through play activities to millions of children, families, and local LEGO® communities.



Positive impact on future generations

25% of the **LEGO Group** is owned by the **LEGO Foundation** which uses profit dividends to **give millions of children the chance to play and learn.**

3.5+ million children reached with **learning through play** activities.

77.5 million parents reached with our **digital citizenship** programme.

Building a sustainable future

1st prototype brick made from **recycled material.**

98% **increase in solar panel capacity** at LEGO factories.

138,411 kg **(305,145 lbs)** of LEGO bricks donated to the **LEGO Replay programme** in 2021.

Strategic investments

Innovating play

2021 portfolio – **largest and most diverse.**

9.6 **million** downloads of **digital Building Instructions.**

7.3 **million** downloads of **LEGO Life app.**

Innovating retail

832 branded stores globally, **165** opened in 2021.

340 branded stores in China, **95** opened in 2021.

70+ branded stores feature **new, immersive store design.**

Digitally-enabled brand

4 **digital hubs** in Billund, Copenhagen, London & Shanghai.

Global supply chain network

5 factories on **3 continents.**
1st operationally carbon neutral factory in Vietnam in 2024.

Strategic Overview

The LEGO® Super Mario™ theme was expanded with the introduction of the character LEGO Luigi™ and a new 2-player experience.

At the LEGO Group, we have a singular vision – to be a global force for learning through play.

This guides the decisions we make and the work we do.

We believe that play, and LEGO® play in particular, has the power to transform a child's life. From the earliest age, play develops cognitive and physical skills critical to help children reach their full potential.

We believe that if we can reach as many children as possible, we can give future generations the best opportunity to tackle increasingly complex challenges with creative solutions.

But play also has short-term benefits. During periods of lockdown over the past two years, families have reported that coming together to build and play helps them feel less stressed and more connected. And this is why we are so passionate about our vision. Play is fun and good for you.

Investing in our future

Over the past three years, we have made strategic investments designed to deliver growth in the long term. We have innovated our portfolio, expanded and evolved our retail experiences, increased capacity within our global supply chain network, transformed our approach to digital, and made our business and products more sustainable.

We saw the benefits of these investments in our 2021 financial performance and believe they will continue to drive sustainable growth in the long term.

Innovating play

The LEGO System in Play is, by its very nature, innovative. It allows you to build, unbuild and rebuild anything you can imagine. Each year our designers are inspired by the endless possibilities of the LEGO brick to create hundreds of new products which inspire and delight builders of all ages and interests. In 2021, around half of the portfolio was made up of new products which keep it relevant to shifting consumer trends. This was also our largest ever portfolio, and existing as well as novelty products carefully balanced to appeal to builders of all ages and passions – from sports and super heroes to animals and the arts.

Seven in ten parents told us they would be happier to let their child play with digital games if they also involved physical play.[1] This is one reason

1 According to the Play Well Study 2020, seven in ten (72%) parents would prefer their child to play mostly with non-digital games.

we have seen strong success with LEGO Super Mario™ which embeds technology into the brick characters. In 2021, we expanded this successful theme, adding LEGO Luigi™ to the universe which for the first time enabled brand new 2-player adventures.

We also expanded our digital LEGO Building Instructions that provide a range of building suggestions based on elements available in a given box. More than 7 million people also downloaded the play app LEGO Life, which encourages young builders to share their creations in a safe digital environment.

Making play more inclusive

We are investing to make our building and brand experiences more inclusive for all. We want children to be able to see themselves represented in what we do and help them learn about the diverse world around them through play.

One step towards this is a more inclusive marketing approach. In 2021, we began working with the Geena Davis Institute on Gender in Media and UNICEF to ensure that LEGO products and marketing are accessible to all and free of gender bias and harmful stereotypes.

This approach also includes our adult fans and in 2021, we launched the LEGO Everyone is Awesome set designed to celebrate the diversity of our global LEGO community.

Creating memorable retail experiences

For the past three years, we have invested to expand, innovate, and transform the experiences we offer our shoppers and our retail partners.

Investments in our e-commerce capabilities helped drive our performance in 2021. Over proportional e-commerce sales in our own and our partner sites compared to consumer sales growth, indicates that the shift to online sales is set to continue. Our technology platforms seamlessly supported over a quarter of a billion visits to LEGO.com during the year. We will accelerate investments in e-commerce and digital marketing to reach even more shoppers & fans and ensure people everywhere have a great digital brand experience.

The LEGO System in Play is by its very nature innovative. It allows you to build, unbuild and rebuild anything you can imagine.

We will also accelerate investments in our brick and mortar stores. In 2021, together with our partners, we opened 165 LEGO branded stores around the world, taking our global total to 832. This global network allows us to reach new builders and to inspire them with great instore brand and building experiences. This is especially important in China, where we now have 340 branded stores and are able to directly connect with the first generation of children to enjoy the benefits of LEGO play.

Part of this investment is our new retail platform. The new concept is designed to make visitors feel they have walked into a magical world of bricks filled with awe-inspiring builds. Launched in a new flagship store in New York City, the concept was introduced to more than 70 branded stores in 2021. In 2022, we expect to open over 150 new branded stores.

Global supply chain network

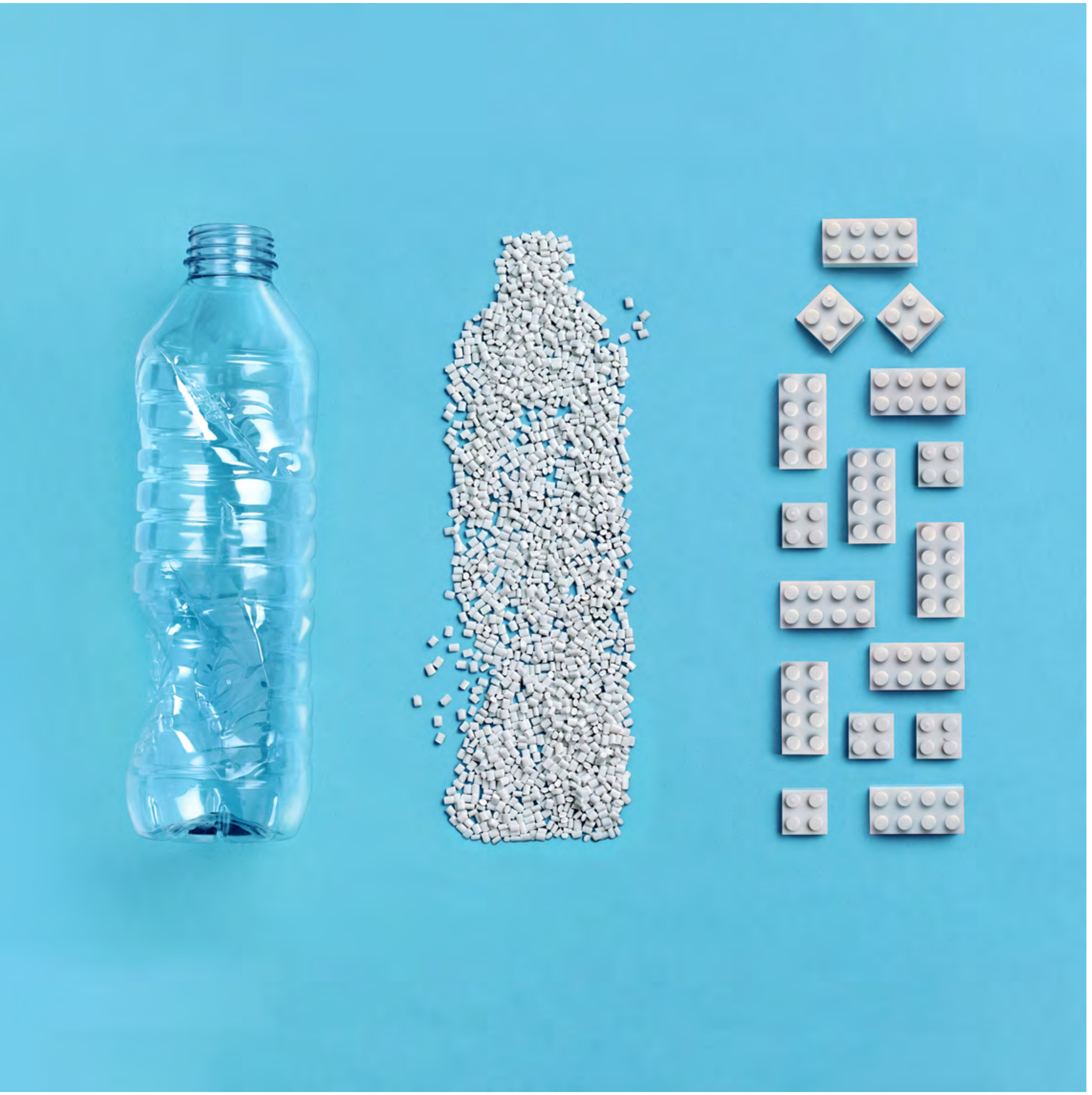
Our global network of five factories in three continents proved its value in 2021. When much of the world's supply was disrupted due to the pressures of the COVID-19 pandemic and a capacity shortage, we continued to meet demand due to our factories being in close proximity to our major markets. This offers the flexibility to respond to local demand, shortens the supply chain, and reduces the time and environmental impact of shipping products long distances.

In 2021, we announced a further expansion of this network with a new factory in Vietnam. Located near Ho Chi Minh City, the site will be our first operationally carbon neutral factory, constructed to support long-term growth in the region. Construction will commence in 2022 with production due to start in 2024.

We are also investing to expand capacity at existing sites to meet immediate and long-term demand in line with growth expectations.

A new retail store format was introduced to create an immersive brand experience for shoppers of all ages.

A prototype brick made from recycled PET bottles is an important step towards using more sustainable materials for our products.



Investing in a digital future

During the past year, we have stepped up significant long-term investments in digital infrastructure, engineering capabilities, and digital product experiences while expanding our digital teams in London (UK), Shanghai (China), and Billund & Copenhagen (Denmark).

We will accelerate this effort across our entire business in 2022 so that children, shoppers, partners, and colleagues have a fantastic digital experience when they engage with the LEGO brand.

Positive impact on the planet & society

Our sustainability efforts are driven by our Planet Promise which is to have a positive impact on the planet and society our children will inherit.

In 2021, we revealed a prototype brick made from recycled plastic bottles, the culmination of three years' work by more than 150 experts who tested over 250 variations of PET materials. We have also worked to expand the range of bio-based LEGO elements made from bio-polyethylene (bio-PE), a soft, durable, and flexible plastic derived from sugarcane. There are currently around 150 elements made from bio-PE and nearly half of our sets are designed to contain at least one of these elements.

During the past year, we completed a successful trial to replace plastic with paper-based bags in our boxes. We will begin phasing in the new packaging in 2022, keeping us on track to make all packaging more sustainable by 2025.

By encouraging the donation and reuse of LEGO bricks through the LEGO Replay programmes in the US and Canada, we extended the creative life of approximately 62 million bricks through 138,411 kg (305,145 lbs) of LEGO bricks donated to more than 67,000 children in North America in 2021. Since its launch in 2019 in the US, and in 2020 in Canada, this brings the total number of bricks donated to the programme to 296,072 kg (652,727 lbs), a milestone exceeding 100,000 children reached in North America.

Reaching children

Despite the continued COVID-19 pandemic, we reached more than 3.5 million children via learning through play initiatives. We also supported children spending more time online and at home, through an expanded suite of activities to help families talk about digital child safety.

Through our Build the Change programme, we challenged children to voice their hopes and dreams for the future which resulted in ten Building Instructions for a Better World handed to leaders at COP26 in Glasgow.

You can read more about our sustainability efforts in our 2021 Sustainability Progress Report or visit: **LEGO.com/AboutUs/Sustainability.**

Motivated and engaged colleagues

We have a team of more than 24,000 employees working across 39 countries. Each year we track levels of engagement to ensure we are providing a great workplace experience. We are pleased to report that despite the continued disruption, levels of motivation and satisfaction were outstanding as our colleagues feel valued and believe they have opportunities to develop.

We continued to introduce Parental Leave globally, which guarantees at least 26 weeks of fully paid leave to the primary caregiver and 8 weeks' paid leave to the secondary caregiver. Our commitment to developing future generations begins with our employees' children, which is why we believe the opportunity to be present during the earliest stages of development is so important.

Finally, in recognition of colleagues' outstanding efforts to bring play to more children around the world, meet the strong demand characterising 2021 and the company's extraordinary strong financial performance, the owner family provided additional days off during the holiday period for colleagues to spend with family and friends at the end of a busy and extraordinary year. In addition, an extra performance bonus will be paid out in April 2022 via the existing Performance Management Plan.

We are extremely grateful for our colleagues who continue to work so incredibly hard to inspire millions of children around the world.

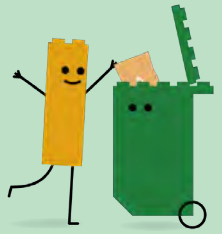
OUR AMBITIONS & PROGRESS

2021 Sustainability Highlights

We have set ourselves ambitious environmental and social targets to create a better world for future generations. We are proud of the progress we made in 2021.

Visit LEGO.com/Sustainability/Reporting, to find out more about our sustainability journey.

Environment



Science-based target

Reduce absolute carbon emissions by 37% by 2032 compared to 2019 baseline.

100% balanced by renewable energy.

98% increase in solar panel capacity at LEGO® factories compared to 2020.

70% reduction of landfilled waste compared to 2020.

Achieved an 'A' leadership status in 2021 CDP climate change rating.

Sustainable materials

Make products from more sustainable sources by 2030.

1st prototype LEGO brick made from recycled material.

Almost 50% of products designed to contain elements of bio-PE.

Sustainable packaging

Make packaging more sustainable by 2025.

Single-use plastic removed from LEGO.com orders in Europe.

Introduced paper-based Pick-a-Brick cups in LEGO Brand Retail stores.

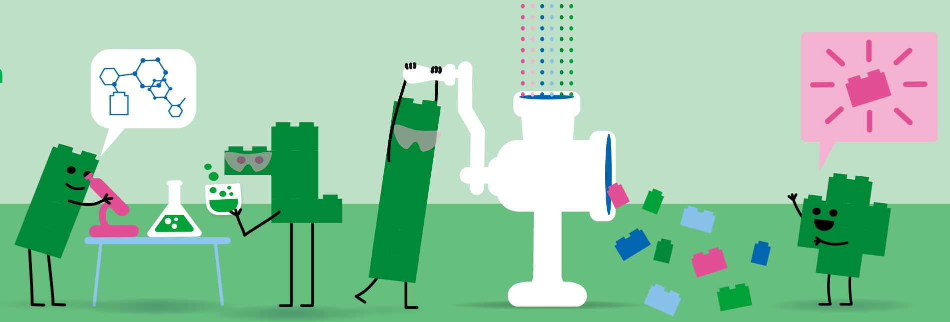
Paper-based bags in LEGO boxes will be phased in from mid-2022.

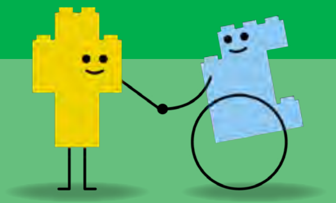
Keep LEGO bricks in play

Give consumers an easy and safe way to pass along LEGO bricks they are not using.

138,411 kg (305,145 lbs) of LEGO bricks donated via the LEGO Replay programme.

67,000+ children in the US and Canada benefited from donations.





Children

Learning through play

Reach 8 million children a year with learning through play programmes & activities by 2022.

3.5+ million children reached in 2021 despite COVID-19 pandemic-related limitations.

1.5 million LEGO sets donated through Build to Give programme.

Partner for play

Give children in rural China an opportunity to learn through play.

Partnerships with the LEGO Foundation and UNICEF announced in 2021 expected to directly benefit 20,000 children aged 0 to 6 years and around 40,000 caregivers through access to family support services and play materials.

Digital safety and wellbeing

Help families build online child safety & wellbeing skills and empower children to become good digital citizens.

77.5 million parents reached with LEGO digital citizenship programme.

Expanded our range of tools and activities for families, such as Build & Talk, to help address online safety and cyberbullying issues.

Play for all

Make products and marketing accessible to all and free of gender bias and harmful stereotypes.

Partnered with the Geena Davies Institute on Gender in Media who audits and consults on select LEGO product and marketing assets.

Worked with UNICEF to launch an internal LEGO D&I Playbook to inform communication and product development going forward.

Amplify children's voices

Help children learn about our planet through play and provide a platform so they can participate in the climate debate.

At COP26, launched ten Building Instructions for a Better World, which reflected input from 6,000 children around the world.

Almost 170,000 children reached through Build the Change activities designed to inspire and educate children on sustainability.

People

Building sustainable businesses together

Working with our suppliers to reduce the carbon footprint in our supply chain.

80 suppliers committed to the CDP carbon disclosure system.

Caring for colleagues

Protect the rights and wellbeing of everyone involved in making LEGO products.

'Top in class' motivation and satisfaction among employees in the LEGO Group People Pulse against external benchmark.[1]

All suppliers must sign our Responsible Business Principles which legally requires them to provide a safe, fair, and healthy workplace for all employees.

1 Ennova Employee Engagement Survey 2021

2021 Financial Review

Summary

Overall, 2021 was a very satisfactory year for the LEGO Group. The company achieved double-digit revenue, consumer sales, and profit growth while making investments in strategic initiatives designed to drive long-term growth.

The LEGO Group's main activity is the development, production, marketing, and sale of play materials. It operates in the traditional toy market, which grew 9% in 2021.[1] Consumer sales grew 22% which outpaced the industry's growth and was driven by a strong and diverse portfolio, resilient global supply chain network, strong retailer partnerships both online and instore, and a robust e-commerce platform.

Revenue

Revenue for the full year increased by 27% to DKK 55.3 billion compared to DKK 43.7 billion in 2020. Excluding the impact of foreign currency exchange rates, revenue for the full year increased by 28% against 2020. Consumer sales grew double digits in all market groups, ahead of 2021 plans which anticipated single-digit growth. Revenue grew as a result of extraordinarily strong consumer demand for the company's portfolio which appealed to builders of all ages and interests.

Expenses, Tax & Profit

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

Operating profit grew 32% to DKK 17.0 billion in 2021 compared to DKK 12.9 billion in 2020. The operating margin was 30.8% in 2021 against 29.6% in 2020. Net financials created an expense of DKK 39 million compared to DKK 412 million in 2020. This resulted in a profit before income tax of DKK 17.0 billion against DKK 12.5 billion the prior year.

Income tax expense amounted to DKK 3.7 billion compared to DKK 2.6 billion in the prior year and the effective tax rate was 21.9% against 20.7% in 2020 which is in line with expectations.

Net profit was DKK 13.3 billion in 2021 against DKK 9.9 billion in 2020. This was above expectations and driven by the same reasons as mentioned under "Revenue".

Cash flow and equity

The LEGO Group's assets increased to DKK 48.0 billion in 2021 compared to DKK 37.2 billion in 2020. Cash flow from operating activities was DKK 16.0 billion, against DKK 13.4 billion in 2020. After recognition of the profit and distribution of dividends, the LEGO Group's equity was DKK 29.1 billion up from DKK 23.5 billion in 2020. Return on equity for the LEGO Group was 50.4% in 2021 against 43.4% in 2020.

Investments

In 2021, the LEGO Group increased investments in property, plant, and equipment to DKK 3.1 billion up from DKK 1.8 billion prior year. This included increasing processing capacity in factories in Nyíregyháza (Hungary), Monterrey (Mexico), and Jiaxing (China).

1 The NPD Group / Retail Tracking Service / G13 – YTD Dec 2021

Research and development (R&D)
Innovation is critical to the company's success and in 2021, new products make up around 50% of the portfolio. The LEGO Group invests in innovating core play themes as well as exploring new play patterns. Digitalisation is influencing how children play and the LEGO Group has stepped up investments to understand the intersection between digital and physical play and create new products to meet these changing needs. R&D activities include developing new technologies to enable learning through play; trend spotting; anthropological studies; and collaborating with educational institutions to deepen our understanding of children's development.

Intellectual capital resources
The number of employees at the end of 2021 was 24,484 compared to 20,468 at the end of 2020. Employees participate in the LEGO Group's Performance Management Programme. The programme is designed to ensure all colleagues work towards achieving the LEGO Group's short and long-term ambitions. Employees have targets that are aligned to the Group's overall targets and are awarded a bonus based on performance versus target.

Responsible business conduct
The LEGO Group aims to have a positive impact on its stakeholders and its local communities. In 2003, the LEGO Group signed the United Nations Global Compact to demonstrate its support of human rights, labour standards, anti-corruption, and the environment. The LEGO Group's 2021 Sustainability Progress Report (COP report) describes how it is working to adhere to the Compact. Pursuant to sections 99a and 99b of the Danish Financial Statements Act, the 2021 Sustainability Progress Report constitutes the statutory statement of corporate social responsibility. This also includes information about the required quantitative targets for the under-represented gender on the Board of Directors. The 2021 Sustainability Progress Report is available at: LEGO.com/AboutUs/Sustainability/Reporting.

Risks and governance
The LEGO Group has no significant trade receivables risk concentrated in specific countries but has some single significant trade debtors in the Americas. The LEGO Group has fixed procedures for determining the granting of credit. The LEGO Group's risk relating to trade receivables is considered to be moderate. For more information, see note 3.4.

Innovation is critical to the success of the LEGO Group and each year new products make up around 50% of the portfolio.

The majority of the LEGO Group's sales are in foreign currency, and the risks relating to currency are described in note 4.6.

The LEGO Group is committed to complying with all applicable laws and regulations in the countries in which it operates.

The LEGO Group's global Tax Strategy is defined by the Board of Directors and reviewed on an annual basis to ensure it remains compliant. More information about the tax strategy and the total tax contribution can be found in the 2021 Sustainability Progress Report and at LEGO.com/AboutUs.

The LEGO Group is committed to handling data responsibly. In 2021, the company have worked with data ethics around four key principles which are that data must be used within the company in a positive, fair, clear, and responsible way. This has resulted in a written set of data ethic principles. The next steps will be to make these principles operational and applicable to the organisation. A dedicated team will collaborate with relevant internal stakeholders to develop a simple and useful framework that can be applied across projects.

The LEGO Group's principles regarding data ethics can be found at LEGO.com/AboutUs/Policies-and-reporting/Policies.

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

Outlook
The LEGO Group expects single-digit growth in 2022, ahead of the global toy market. This is expected to be achieved through continued focus on product innovation and appeal and growth in established and newer markets. The LEGO Group will continue to invest in areas such as digitalisation, sustainability, retail channels, and innovation which will drive long-term sustainable growth.

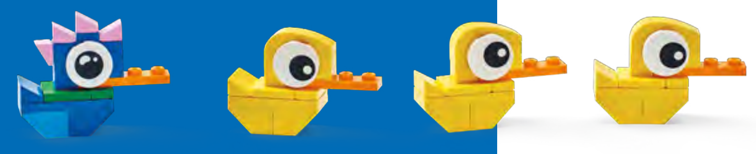
Financial Highlights of the LEGO Group

The Financial Highlights for 2021, 2020 and 2019 are affected by the implementation of IFRS 16 Leases as from 1 January 2019. Comparison figures for 2018 and 2017 have not been restated due to the use of the modified retrospective approach.

The comparison figures for the financial ratio, Return on invested capital (ROIC), have been restated in 2020 and 2019 to reflect a classification change in the balance sheet, see note 1.1, as well as including goodwill in the calculation.

Financial ratios are calculated in accordance with the guidelines from the Danish Society of Financial Analysts. Definitions are disclosed in note 1.1.

Parentheses denote negative figures.



(mDKK)	2021	2020	2019	2018	2017
Income Statement					
Revenue	55,294	43,656	38,544	36,391	34,995
Expenses	(38,250)	(30,744)	(27,707)	(25,617)	(24,636)
Operating profit	17,044	12,912	10,837	10,774	10,359
Financial income and expenses	(39)	(412)	(85)	(264)	(158)
Profit before income tax	17,005	12,500	10,752	10,510	10,201
Net profit for the year	13,285	9,916	8,306	8,076	7,806
Balance Sheet					
Total assets	47,991	37,202	34,946	31,485	29,911
Equity	29,138	23,547	22,183	21,753	20,714
Liabilities	18,853	13,655	12,763	9,732	9,197
Statement of Cash Flow					
Cash flow from operating activities	16,048	13,382	9,557	9,847	10,691
Purchase of property, plant, equipment and intangible assets	(3,159)	(1,891)	(2,173)	(1,502)	(1,529)
Free cash flow	12,892	11,498	7,395	8,355	9,168
Employees					
Average number (full-time)	20,198	17,431	16,112	15,050	16,480
Headcount end of year	24,484	20,468	18,800	17,385	17,534
Other financials (in %)					
Revenue growth in constant currency	28	16	4	7	(7)
Financial ratios (in %)					
Gross margin	69.6	69.7	68.4	67.8	67.1
Operating margin	30.8	29.6	28.1	29.6	29.6
Net profit margin	24.0	22.7	21.5	22.2	22.3
Return on equity (ROE)	50.4	43.4	37.8	38.0	38.3
Return on invested capital (ROIC)	94.0	74.1	68.4	78.9	72.3
Equity ratio	60.7	63.3	63.5	69.1	69.3

Board of Directors and Management

Chairman

Thomas Kirk Kristiansen

Thomas Kirk Kristiansen represents the fourth generation of the owner family and became the Chairman of the Board in February 2020. He was previously Deputy Chairman from May 2016 to February 2020 and joined the Board in 2007. Thomas is also Deputy Chairman of LEGO Brand Group, member of the Board of KIRKBI A/S and one fully owned subsidiary, Chairman of the Board of LEGO Foundation and a member of the Executive Management team of Kirk & Kirk Holding ApS with management roles in four subsidiaries.

Vice Chairman

Søren Thorup Sørensen

Søren Thorup Sørensen has been a member of the Board since 2010 and currently serves as Deputy Chairman and Chairman of the Audit Committee. He is the Chief Executive Officer of KIRKBI A/S. Søren is also a member of the Board of Directors of Merlin Entertainments Limited (where he also is Chairman of the audit committee), Landis + Gyr AG, ISS World Services A/S, Ole Kirk's Fond, Koldingvej 2 Billund A/S, Boston Holding A/S (where he is Chairman of the Board of Directors) and six fully owned subsidiaries of KIRKBI A/S.

Eva Berneke

Eva Berneke has been a member of the Board since 2011 and is currently a member of the Audit Committee. Eva is the Chief Executive Officer of Eutelsat, one of the world's leading satellite operators. She is also a member of the Board of Directors of Vestas and École Polytechnique Paris.

Fiona Dawson

Fiona Dawson has been a member of the Board since August 2020. She worked for family-owned Mars, Incorporated for over thirty years and retired in July 2021 to focus on her Board Portfolio. Fiona joined the Board of Marks and Spencer in May 2021 and Kerry Foods in January 2022 and sits on a number of advisory Boards including as member of the Board of the Trinity Business School in Dublin and The Social Mobility Foundation.

Jørgen Vig Knudstorp

Jørgen Vig Knudstorp has been a member of the Board since 2017 and has previously served as Chairman from May 2017 to February 2020. Jørgen is the Executive Chairman of LEGO Brand Group. He also holds positions as member of the Board of Starbucks and member of the Board of Merlin Entertainments Limited. Jørgen joined the LEGO Group in 2001, where he served as President and CEO from 2004 to 2016.

Jan Thorsgaard Nielsen

Jan Thorsgaard Nielsen has been a member of the Board since 2013 and is currently member of the Audit Committee. He is the Chief Investment Officer of A.P. Møller Holding. Jan also holds positions as Chairman of the Board of KK Wind Solutions A/S and Nissens Cooling Solutions, Deputy Chairman of the Board of Danske Bank A/S and Faerch A/S and member of the Board of APMH Invest A/S.

Anne Sweeney

Anne Sweeney has been a member of the Board since April 2020. She is also a member of the Board of Directors of Netflix, the Board of Trustees of the Mayo Clinic, Board of Trustees of J. Paul Getty Trust, and a Deans Distinguished Fellow at the Harvard University Graduate School of Education. Anne previously served as co-chair of Disney Media, President of the Disney/ABC Television Group, which includes The Walt Disney Company's global entertainment and news television properties, owned television stations group.

Executive Leadership Team

Niels B. Christiansen

President and Chief Executive Officer

Jesper Andersen

Chief Financial Officer

Atul Bhardwaj

Chief Digital & Technology Officer

Colette Burke

Chief Commercial Officer

Julia Goldin

Chief Product & Marketing Officer

Carsten Rasmussen

Chief Operations Officer

Loren I. Shuster

Chief People Officer & Head of Corporate Affairs

Consolidated Financial Statements

Financial Statements
Financial Statements

Income Statement

1 January – 31 December

(mDKK)	Note	2021	2020
Revenue	2.1	55,294	43,656
Production costs	2.2	(16,783)	(13,244)
Gross profit		**38,511**	**30,412**
Sales and distribution expenses	2.2	(16,446)	(13,540)
Administrative and IT expenses	2.2	(4,005)	(3,023)
Other operating expenses	2.2	(1,016)	(937)
Operating profit		**17,044**	**12,912**
Financial income	4.1	108	7
Financial expenses	4.1	(147)	(419)
Profit before income tax		**17,005**	**12,500**
Income tax expense	2.6	(3,720)	(2,584)
Net profit for the year		**13,285**	**9,916**

Statement of Comprehensive Income

1 January – 31 December

(mDKK)	2021	2020
Profit for the year	13,285	9,916
Items to be reclassified to the income statement, when specific conditions are met:		
Change in market value of cash flow hedges	(524)	246
Reclassification of cash flow hedges from equity to be recognised as part of:		
Revenue in the income statement	235	(96)
Production costs in the income statement	(14)	(9)
Tax on cash flow hedges	67	(31)
Currency translation differences	532	(653)
Items not to be reclassified to the income statement:		
Remeasurements of defined benefit plans	14	(11)
Tax on remeasurements of defined benefit plans	(4)	2
Total comprehensive income for the year	**13,591**	**9,364**

Balance Sheet

at 31 December

(mDKK)	Note	2021	2020
Intangible assets	3.1	406	443
Property, plant and equipment	3.2	14,191	12,099
Right-of-use assets	4.4	4,679	3,067
Other receivables	4.5	70	63
Deferred tax assets	2.6	999	789
Total non-current assets		**20,345**	**16,461**
Inventories	3.3	3,509	2,948
Trade receivables	3.4, 4.5	8,409	6,590
Other receivables	4.5	1,345	891
Prepayments		475	299
Income tax receivables		123	373
Loans to related parties	4.5, 5.5	12,748	8,463
Cash at banks	4.5	1,037	1,177
Total current assets		**27,646**	**20,741**
Total assets		**47,991**	**37,202**

(mDKK)	Note	2021	2020
Share capital	4.2	20	20
Reserve for hedge accounting		(161)	75
Reserve for currency translation		(538)	(1,070)
Retained earnings		29,817	24,522
Total equity		**29,138**	**23,547**
Borrowings	4.3, 4.5	127	137
Lease liabilities	4.4, 4.5	4,038	2,519
Deferred tax liabilities	2.6	29	111
Employee benefit obligations	3.5	146	223
Provisions	3.6	153	85
Deferred revenue	3.7	6	23
Other debt	3.8, 4.5	148	86
Total non-current liabilities		**4,647**	**3,184**
Borrowings	4.3, 4.5	10	10
Lease liabilities	4.4, 4.5	714	581
Trade payables	4.5	5,116	2,947
Income tax liabilities		427	541
Provisions	3.6	67	75
Deferred revenue	3.7	501	360
Other debt	3.8, 4.5	7,371	5,957
Total current liabilities		**14,206**	**10,471**
Total liabilities		**18,853**	**13,655**
Total equity and liabilities		**47,991**	**37,202**

Statement of Changes in Equity

1 January – 31 December

2021 (mDKK)	Share capital	Reserve for hedge accounting	Reserve for currency translation	Retained earnings	Total equity
Balance at 1 January	20	75	(1,070)	24,522	**23,547**
Profit for the year	–	–	–	13,285	**13,285**
Comprehensive income/(expenses) for the year	–	(236)	532	10	**306**
Dividend paid relating to prior year	–	–	–	(8,000)	**(8,000)**
Balance at 31 December	**20**	**(161)**	**(538)**	**29,817**	**29,138**

2020 (mDKK)	Share capital	Reserve for hedge accounting	Reserve for currency translation	Retained earnings	Total equity
Balance at 1 January	20	(35)	(417)	22,615	**22,183**
Profit for the year	–	–	–	9,916	**9,916**
Comprehensive income/(expenses) for the year	–	110	(653)	(9)	**(552)**
Dividend paid relating to prior year	–	–	–	(8,000)	**(8,000)**
Balance at 31 December	**20**	**75**	**(1,070)**	**24,522**	**23,547**

§ Accounting policies

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 currency translation 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 currency translation of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Statement of Cash Flow

1 January – 31 December

(mDKK)	Note	2021	2020
Profit before income tax		17,005	12,500
Adjustments for non-cash items	5.4	2,044	2,763
Change in working capital	5.4	927	888
Interest received	4.1	11	7
Interest paid	4.1	(147)	(119)
Income tax paid		(3,792)	(2,657)
Cash flow from operating activities		**16,048**	**13,382**
Purchases of intangible assets	3.1	(45)	(51)
Purchases of property, plant and equipment	3.2	(3,114)	(1,840)
Proceeds from sale of property, plant and equipment		3	7
Cash flow used in investing activities		**(3,156)**	**(1,884)**
Repayments of borrowings		(10)	(10)
Payment of lease liabilities		(697)	(606)
Repayments from related parties	5.5	14,469	12,388
Payments to related parties	5.5	(18,754)	(14,975)
Dividends paid to shareholders	4.2	(8,000)	(8,000)
Cash flow used in financing activities		**(12,992)**	**(11,203)**
Total cash flow		**(100)**	**295**
Cash at banks at 1 January		1,177	858
Cash flow for the year		(100)	295
Effect of exchange (losses)/gains		(40)	24
Cash at banks at 31 December		**1,037**	**1,177**

§ Accounting policies

The statement of cash flow has been prepared using the indirect method, and shows the consolidated cash flow from operating, investing and financing activities for the year and the consolidated cash at banks at the beginning and end of the year. The statement of cash flow cannot be derived directly from the balance sheet and income statement.

Cash flow from operating activities is specified as the profit before income tax for the year adjusted for operating items without cash flow effect, changes in the working capital (such as trade payables, trade receivables, prepaid costs, etc.), payments relating to financial items and income tax paid.

Cash flow used in investing activities includes the purchase and sale of intangible and tangible assets.

Cash flow used in financing activities includes the obtaining and repayment of long-term liabilities, short-term bank loans and the payment of dividends to shareholders. Payment of lease liabilities is included under financing activities and the related interest is included as a financial item under operating activities.

Cash at banks comprises cash that readily can be converted into cash.

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Basis for preparation of the Consolidated Financial Statements

Note 1.1

This section introduces the LEGO Group's accounting policies and significant accounting estimates and judgements. A more detailed description of accounting policies and significant accounting estimates and judgements related to specific reported amounts is disclosed in the respective notes.

General 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 requirements of the Danish Financial Statements Act applying to enterprises of reporting class C (large).

The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional currency of the Parent Company. All amounts are rounded to nearest million DKK, unless otherwise stated.

The Consolidated Financial Statements have been prepared in accordance with the historical cost convention, with the exception of financial assets and financial liabilities, which are measured at fair value as disclosed in Note 4.5 Financial assets and liabilities.

As described in note 1.2, accounting policies are unchanged from last year.

Change in classification in the income statement

Comparative figures in the income statement have been restated to match this year's presentation. The adjustment of comparative figures have no effect on operating profit.

Change in classification in the balance sheet

Comparative figures in the balance sheet have been restated to match this year's presentation. The adjustment of comparative figures have no effect on total assets.

Change in classification in the notes

Comparative figures in the notes have been restated to match this year's restatements in the income statement and balance sheet. Additional off-balance notes have been restated.

The adjustment of comparative figures is not a change in accounting policies.

Consolidation practice

The Consolidated Financial Statements comprise of LEGO A/S (Parent Company) and entities controlled by LEGO A/S. Control is achieved when the LEGO Group is exposed or has the rights to variable returns from its involvement of the investee and can affect those returns through its power over the investee. LEGO A/S and these entities are referred to as the LEGO Group.

Subsidiaries are fully consolidated from the date where control is transferred to the LEGO Group. They are deconsolidated from the date where control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the LEGO Group 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.

Foreign currency translation

Functional 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.

Transactions and balances

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the date 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 entities

The results and financial position of subsidiaries that have a functional currency different from the presentation currency in the LEGO Group, 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 into DKK at the exchange rate at transaction date. An average exchange rate per month is used as equivalent to the extent it does not deviate significantly from the actual exchange rate at transaction date.
- Differences deriving from translation of the foreign subsidiaries' opening equity to the exchange rates prevailing at the balance sheet date, and differences from the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognised in Statement of Comprehensive Income and classified as a separate reserve for exchange rate adjustments under equity.

Financial highlights

Revenue growth in constant currency is calculated as revenue growth adjusted for exchange rate translation effects.

Free cash flow

Cash flow from operating activities – Cash flow used in investing activities

Gross margin

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin

$$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$$

Net profit margin

$$\frac{\text{Net profit for the year x 100}}{\text{Revenue}}$$

Return on equity (ROE)

$$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

Return on invested capital (ROIC)

$$\frac{\text{Operating profit (EBIT) x 100}}{\text{Average invested capital}}$$

Equity ratio

$$\frac{\text{Equity x 100}}{\text{Total liabilities and equity}}$$

Financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts.

Changes in accounting policies

Note 1.2

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2021 have been adopted by the LEGO Group. None of the newly adopted or amended standards impacted the Consolidated Financial Statements.

None of the amendments that are issued, but not yet effective, are likely to impact the Consolidated Financial Statements.

Significant accounting estimates and judgements

Note 1.3

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

The estimates and underlying assumptions are reviewed on an ongoing basis.

The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment. The estimates are expectations of the future, or other sources of estimation uncertainty, based on assumptions. These assumptions are to the extent possible supported by historical trends or reasonable expectations.

Management believes that the estimates are the most likely outcome of future events. Management bases the estimates 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.

Accounting judgements are made when applying accounting policies. Key accounting judgements are the judgements made, that can have significant impact on the amounts recognised in the Financial Statements.

Further information on the areas that involve a high degree of estimation and judgement and are material to the financial statements, can be obtained in the respective notes.

Note	Key accounting estimates and judgements
2.6 Tax	Tax provisions
3.2 Property, plant and equipment	Estimate of residual value and useful life of assets
3.3 Inventories	Estimate in calculation of actual cost and provision
3.4 Trade receivables	Estimate level of expected losses

Revenue

Note 2.1

(mDKK)	2021	2020
Sale of goods	54,844	43,262
Licence income	450	394
Total revenue	**55,294**	**43,656**
Sale of goods per region:		
Americas	22,031	16,345
Europe, Middle East & Africa	22,906	19,060
Asia & Pacific	9,907	7,857
	54,844	**43,262**

§ Accounting policies

Revenue recognition

Revenue is recognised when the LEGO Group fulfils its contractual performance obligations towards the buyer, and the transaction is related to the main activities.

Revenue from sale of goods

Revenue from sale of goods is recognised when control over the goods has been transferred to the buyer. This condition is usually met by the time the products are delivered to the customer and legal title transfers.

Revenue is measured at the transaction price to which the LEGO Group expects to be entitled. Transaction price includes variable amounts (rebates, sales incentives and provisions for returned products etc.), thus the variable amount is recognised as revenue only when it is highly probable that a significant reversal will not occur.

Provisions and accruals for rebates, sales incentives and return of products 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.

Sale of goods that results in award credits under the LEGO Group's consumer loyalty programme is accounted for by allocating the transaction price between the goods supplied and the award credits granted based on a relative stand-alone selling price. The loyalty programme is a separate performance obligation, as the loyalty programme points are considered a material right derived from the contract entered at the time of purchase. Revenue from the award credits is recognised when the points are redeemed or when they expire.

Revenue from royalty and licence agreements

Licence fees are recognised as revenue when the performance obligations in the relevant agreements have been satisfied.

Revenue is measured at the transaction price to which the LEGO Group expects to be entitled. Revenue from licence agreements comprises both agreements where performance obligations are satisfied over time such as sales-based agreements which most of the LEGO Group's licence revenue is related to, and agreements where performance obligations are satisfied at a point in time, which would normally be upon delivery.

Licence revenue is recognised based on a classification of either a "right to access" or "right to use" as described below.

Right to access

Revenue derived from the LEGO® trademark is generally considered a "right to access" and performance obligations related to licence income of this nature are satisfied over time. Licences with a "right to access" comprise income from console games, movies, mobile and tablet platforms, and outbound licensing business generating sales-based royalty fees for intellectual properties related to content like stories, style guides and prints.

Revenue based on a "right to access" is recognised based on the licensee's actual sales or forecasts, which in all material aspects corresponds with the value-add to the licence partner. The process is therefore assessed to give a faithful depiction of the transfer of licence income.

Right to use

All other licence revenues are per definition performance obligations satisfied at a point in time ("right to use"). Revenue is recognised at a point in time, where the customer directly uses and obtains substantially all the benefits from the licence, at the point when control is transferred to the licensee. Revenue recognised at a point in time will primarily be related to media content produced by the LEGO Group. Media content has significant standalone functionality and the LEGO Group does not affect the intellectual properties after the right to use occurs. Revenue is recognised when the control of the content has been transferred to the customer.

Expenses by nature

Note 2.2

(mDKK)	Note	2021	2020
Raw materials and consumables used		7,567	5,775
Employee costs	2.3	10,198	8,470
Depreciation, amortisation and impairment	2.4	2,298	2,114
Licence and royalty expenses		4,481	3,308
Other external expenses		13,706	11,077
Total expenses		**38,250**	**30,744**
Included in the income statement under the following headings:			
Production costs		16,783	13,244
Sales and distribution expenses		16,446	13,540
Administrative and IT expenses		4,005	3,023
Other operating expenses		1,016	937
		38,250	**30,744**

§ Accounting policies

Expenses by nature discloses information about expenses arising from the main inputs that are consumed in order to accomplish the LEGO Group's activities, such as expenses related to materials and consumables, employees, depreciation and amortisation, licence and royalty. Information about how costs are allocated to functions within the LEGO Group's business is disclosed in the income statement.

Expenses by function allocates and combines expenses according to the activity from which the cost arises, as follows:

Production costs
Production costs include direct and indirect costs related to production including movements in volumes on inventory and related inventory re-evaluation. Direct costs comprise raw materials, consumables, trademark royalty and direct labour costs. Indirect costs comprise other costs related to production of goods including depreciation, amortisation and impairment on production related material and other supply chain related costs.

Sales and distribution expenses
Sales and distribution expenses comprise expenses related to sales and distribution staff, advertising and marketing expenses, write-down of receivables as well as depreciation, amortisation and impairment, and government grants. Grants are recognised when there is reasonable certainty that they will be received.

Administrative and IT expenses
Administrative and IT expenses comprise expenses for IT, Facility, Human Resources, Finance, Legal and Management, including depreciation, amortisation and impairment.

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

For more information, see note 2.5 Research and development expenses.

Employee costs

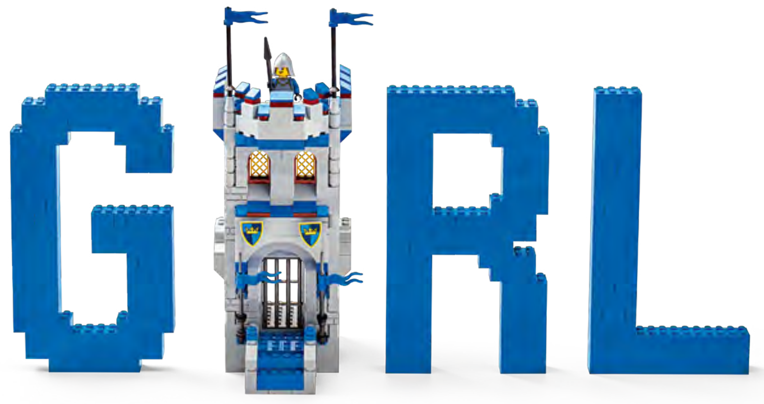
Note 2.3

(mDKK)	Note	2021	2020
Wages and salaries		9,194	7,657
Restructuring costs		48	19
Pension costs	3.5	301	257
Social security and other costs		721	598
Employee costs before capitalised to assets		**10,264**	**8,531**
Capitalised to assets		(66)	(61)
Total employee costs		**10,198**	**8,470**
Included in the income statement under the following headings:			
Production costs		2,909	2,326
Sales and distribution expenses		4,260	3,516
Administrative and IT expenses		2,335	1,924
Other operating expenses		694	704
		10,198	**8,470**
Average number of full-time employees		20,198	17,431
Headcount end of year		24,484	20,468

§ Accounting policies

Wages and salaries, social security costs, leave and sick leave, bonuses and non-monetary employee benefits are recognised in the financial year in which the services are rendered. Restructuring costs comprise termination indemnities to employees and are recognised in the financial year where the decision is made, and a detailed plan created raising a valid expectation for those affected was announced. Whenever the LEGO Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

Benefit costs and obligations towards employees are specified in note 3.5 Employee benefit obligations.



Depreciation, amortisation and impairment

Note 2.4

(mDKK)	Note	2021	2020
Intangible assets, amortisation	3.1	77	96
Property, plant and equipment, depreciation	3.2	1,436	1,344
Property, plant and equipment, impairment	3.2	46	–
Right-of-use assets, depreciation	4.4	739	674
Total depreciation, amortisation and impairment		**2,298**	**2,114**
Included in the income statement under the following headings:			
Production costs		1,389	1,276
Sales and distribution expenses		604	582
Administrative and IT expenses		282	236
Other operating expenses		23	20
		2,298	**2,114**

§ Accounting policies

Depreciation and amortisation

Depreciation and amortisation are recognised in the income statement within production costs, sales and distribution, administrative and IT expenses and other operating expenses.

Impairment

Any impairment losses are expensed in the income statement together with depreciation and amortisation.

For more information, see note 3.1 Intangible assets, 3.2 Property, plant and equipment and 4.4 Leases.

Research and development expenses

Note 2.5

(mDKK)	2021	2020
Research and development expenses	1,016	937
Total research and development expenses	**1,016**	**937**

§ Accounting policies

Research and development expenses are expenses that do not meet the criteria for asset recognition. These are expensed as incurred and include costs like wages, salaries and consumables.

Research and development expenses are presented under other operating expenses in note 2.2 Expense by nature.

For more information, see note 3.1 Intangible assets.

Tax

Note 2.6

(mDKK)	2021	2020
Income tax charge for the year	3,756	2,702
Other tax for the year	69	37
Deferred tax change for the year	(192)	(153)
Deferred tax impact of change in tax rates	3	(5)
Adjustment to income tax for prior years	98	16
Adjustment to deferred tax for prior years	(14)	(13)
Total income tax expense	**3,720**	**2,584**
Reconciliation of tax		
Profit before tax	17,005	12,500
Corporate tax rate in Denmark	22.0%	22.0%
Higher/lower tax rate in subsidiaries	(1.3%)	(2.1%)
Permanent differences	(0.3%)	(0.3%)
Adjustment to deferred tax	0.1%	0.0%
Adjustment to tax for prior years	0.5%	0.0%
Corporate withholding taxes	0.3%	0.1%
Other corporate taxes	0.1%	0.2%
Other	0.5%	0.8%
Effective tax rate	**21.9%**	**20.7%**

(mDKK)	2021	2020
Deferred tax, net at 1 January	678	570
Charged to the income statement	206	166
Charged to comprehensive income	63	(29)
Change in tax rates recognised in the income statement	(3)	5
Exchange rate adjustments	26	(34)
Deferred tax, net at 31 December	**970**	**678**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	999	789
Deferred tax liabilities	(29)	(111)
	970	**678**
Deferred tax relates to the following:		
Non-current assets	(137)	(140)
Inventories	394	233
Receivables	161	109
Provisions	149	257
Other liabilities	403	219
	970	**678**

Tax

Note 2.6 (continued)

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

Significant accounting estimates

Significant judgement and estimates are used when determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provisions for uncertain tax positions.

In order to identify uncertain tax treatments impacting the LEGO Group on a continuous basis, known and appropriate risks that potentially could have a financial impact on the LEGO Group are assessed. The identified risks are reviewed and updated on a continuous basis. The LEGO Group updates and refines the estimated exposure based on new legislation, guidance or status of an audit.

The possible outcome of uncertain tax positions are measured based on management's estimate of the amount required to settle the obligation and recognised in deferred tax or income tax, depending on the tax position.

§ Accounting policies

Tax for the year

The tax expenses for the year comprise income tax and deferred tax for the year, including changes as a result of a change in the tax rate. Companies belonging to the LEGO Group are liable to pay tax in the country they are located in. Income tax includes both Danish and foreign income tax.

The income and deferred taxes are recognised in the income statement, except to the extent that they relate to items recognised in comprehensive income. In this case, the tax is recognised in comprehensive income.

All Danish subsidiaries are taxed jointly. The current Danish corporation tax is distributed among the jointly taxed companies in relation to their taxable income (full distribution with refunds regarding tax-related deficits).

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

Other tax comprises corporate withholding tax and other corporate taxes.

Deferred tax

Deferred tax liabilities and deferred tax assets are measured according to balance sheet liabilities method, which means that all temporary differences between the carrying amount and the tax base of assets and liabilities are recognised in the balance sheet as deferred tax liabilities and deferred tax assets.

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.

Deferred tax is measured according to income tax rules and the tax rates expected to be in force on elimination of temporary differences. The change in deferred tax as a result of changes in tax rates is recognised in the income statement. Changes to deferred tax on items in comprehensive income are recognised in comprehensive income.

Intangible assets

Note 3.1

2021 (mDKK)	Development projects in progress	Software	Licences, patents and other rights	Goodwill	Total
Cost at 1 January	35	641	224	284	**1,184**
Additions	32	13	–	–	**45**
Disposals	–	(73)	(209)	–	**(282)**
Transfers	(16)	16	–	–	**–**
Exchange rate adjustments	–	3	15	–	**18**
Cost at 31 December	**51**	**600**	**30**	**284**	**965**
Amortisation and impairment losses at 1 January	–	522	219	–	**741**
Amortisation for the year	–	76	1	–	**77**
Disposals	–	(66)	(209)	–	**(275)**
Exchange rate adjustments	–	1	15	–	**16**
Amortisation and impairment losses at 31 December	**–**	**533**	**26**	**–**	**559**
Carrying amount at 31 December	**51**	**67**	**4**	**284**	**406**

2020 (mDKK)	Development projects in progress	Software	Licences, patents and other rights	Goodwill	Total
Cost at 1 January	13	616	243	284	**1,156**
Additions	26	24	1	–	**51**
Disposals	–	(1)	(1)	–	**(2)**
Transfers	(4)	4	–	–	**–**
Exchange rate adjustments	–	(2)	(19)	–	**(21)**
Cost at 31 December	**35**	**641**	**224**	**284**	**1,184**
Amortisation and impairment losses at 1 January	–	431	237	–	**668**
Amortisation for the year	–	95	1	–	**96**
Disposals	–	(1)	(1)	–	**(2)**
Exchange rate adjustments	–	(3)	(18)	–	**(21)**
Amortisation and impairment losses at 31 December	**–**	**522**	**219**	**–**	**741**
Carrying amount at 31 December	**35**	**119**	**5**	**284**	**443**

Intangible assets

Note 3.1 (continued)

§ Accounting policies

Development projects in progress
Development projects in progress are currently running projects, primarily within software development. Development projects in progress cover non-finalised projects at the balance sheet date.

Development projects in progress that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or utilisation opportunity within the company is demonstrated, and where the company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover cost of sales, selling and distribution costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less impairment. Cost includes direct and indirect expenses directly attributable to the asset until the asset is ready for use as intended.

Development projects in progress are annually tested for impairment. Development projects in progress are written down to the lower of recoverable amount and carrying amount.

Software
Software comprises mainly internally developed software for the purpose of supporting business operations.

Software is capitalised based on the costs incurred.

Software is amortised on a straight-line basis over the expected useful life, which is estimated at 3–5 years. Residual value is set at DKK 0. Useful lives are reviewed and adjusted at each balance sheet date, if appropriate.

Software is tested for impairment in case of indications hereof and written down to the lower of recoverable amount and carrying amount.

Licences, patents and other rights
Licences comprise external purchases.

Licences, patents and other rights are capitalised based on the costs incurred.

Licences, patents and other rights are amortised over the shorter of their estimated useful lives and the contractual duration, which is usually 5–10 years. Residual value is set at DKK 0. Useful lives are reviewed and adjusted at each balance sheet date, if appropriate.

Goodwill
Goodwill acquired in business combinations is recognised and measured as the difference between the total of the fair value of the consideration transferred and the fair value of the identifiable net assets of the date of acquisition.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the lowest possible cash-generating unit expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Property, plant and equipment

Note 3.2

2021 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	7,840	9,746	3,135	1,271	**21,992**
Additions	79	1,197	166	1,672	**3,114**
Disposals	(10)	(351)	(49)	–	**(410)**
Transfers	233	369	31	(633)	**-**
Exchange rate adjustments	339	157	167	52	**715**
Cost at 31 December	**8,481**	**11,118**	**3,450**	**2,362**	**25,411**
Depreciation and impairment losses at 1 January	1,678	6,724	1,491	–	**9,893**
Depreciation for the year	227	986	223	–	**1,436**
Impairment losses for the year	37	9	–	–	**46**
Disposals	(2)	(341)	(48)	–	**(391)**
Exchange rate adjustments	59	93	84	–	**236**
Depreciation and impairment losses at 31 December	**1,999**	**7,471**	**1,750**	**-**	**11,220**
Carrying amount at 31 December	**6,482**	**3,647**	**1,700**	**2,362**	**14,191**

2020 (mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	7,734	9,156	3,183	1,352	**21,425**
Additions	166	641	174	859	**1,840**
Disposals	(7)	(168)	(98)	(1)	**(274)**
Transfers	472	275	99	(846)	**–**
Exchange rate adjustments	(525)	(158)	(223)	(93)	**(999)**
Cost at 31 December	**7,840**	**9,746**	**3,135**	**1,271**	**21,992**
Depreciation and impairment losses at 1 January	1,552	6,058	1,459	–	**9,069**
Depreciation for the year	209	916	219	–	**1,344**
Disposals	(5)	(161)	(95)	–	**(261)**
Transfers	–	(3)	3	–	**-**
Exchange rate adjustments	(78)	(86)	(95)	–	**(259)**
Depreciation and impairment losses at 31 December	**1,678**	**6,724**	**1,491**	**-**	**9,893**
Carrying amount at 31 December	**6,162**	**3,022**	**1,644**	**1,271**	**12,099**

Property, plant and equipment

Note 3.2 (continued)

A commitment regarding the purchase of property, plant and equipment of DKK 3,437 million exists at 31 December 2021 (DKK 1,189 million at 31 December 2020). The obligation has a maturity of maximum 5 years.

Significant accounting estimates

Assessment of residual value and useful life of property, plant and equipment requires estimates. When performing estimates for residual value and useful life Management uses historical experience and other relevant factors, such as expectation of future use of the tangible assets. It is Management's assessment that the estimates are reasonable.

§ Accounting policies

Land and buildings comprise mainly factories, warehouses and offices. Plant and machinery are mainly moulds, moulding machines, processing and packing equipment. Whilst other fixtures, fittings, tools and equipment mainly comprise high bay warehouse equipment, lease hold improvements, measuring and testing equipment, furniture and IT hardware.

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

Cost

Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use as intended.

The cost of self-constructed assets comprises direct expenses such as wage consumption, materials and indirect expenses to the extent, that it directly supports the asset construction.

Subsequent expenditure for improvements and maintenance is allocated to the asset cost price if future economic benefits are likely. General repair and maintenance is expensed in the income statement as incurred.

Government grants for investments are offset against the cost of the assets to which the grants relate.

Depreciation and impairment

Depreciation is calculated on a straight-line basis to allocate the cost of each asset to its residual value. Property, plant and equipment is tested for impairment when impairment indicators exist. Management performs an annual assessment of the assets' future use eg. in relation to changes in building, product and production setup or restructuring.

Depreciation is calculated based on the following estimated useful lives:

Buildings	40 years
High bay warehouses	40 years
Installations	5–20 years
Plant and machinery	5–15 years
Moulds	2 years
Furniture, fittings and equipment	3–10 years

Land is not depreciated.

Depreciation commences when the asset is acquired or when the asset is ready for use as intended.

Useful life of the asset and residual values are reviewed and adjusted at each balance sheet date, if appropriate.

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

Inventories

Note 3.3

(mDKK)	2021	2020
Raw materials	346	194
Work in progress	1,493	1,124
Finished goods	1,670	1,630
Total inventories	**3,509**	**2,948**

Inventories recognised as an expense during the year ending 31 December 2021 amounted to DKK 10,978 million (DKK 8,690 million in 2020). These were included in production costs in the income statement.

Write-down of inventories is recognised in production costs as a cost of DKK 75 million (DKK 32 million in 2020 as an income).

Significant accounting estimates

The carrying amount of inventories is based on a number of assumptions including assumptions on future events. Inventories are adjusted to reflect the net realisable value, comprising actual cost less provisions for obsolescence.

Actual cost

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

- Adjustments for Indirect Production Costs (IPC), covering productions costs other than direct materials and based on assumptions on cost elements and activity level compared to actual cost and activity level.
- Adjustments for Purchase Price Variance (PPV) and Production Variance (PV) for variances arising from difference in purchase prices and production variance (measured in efficiency) mainly related to direct materials.

The cost adjustments are reviewed regularly to ensure that relevant assumptions are incorporated correctly.

Write down

When the net realisable value is lower than cost, inventory items are impaired and measured at net realisable value. The calculation of write down is based on the LEGO Group's internal impairment policy, which in turn is evaluated based on a combination of assumptions on demand planning and Product Life Cycle stages.

§ Accounting policies

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

Trade receivables

Note 3.4

(mDKK)	2021	2020
Trade receivables, gross	**9,237**	**7,646**
Loss allowance for bad debts at 1 January	(1,056)	(840)
Change in loss allowance for the year	108	(293)
Realised losses for the year	156	23
Exchange rate adjustments	(36)	54
Loss allowance for bad debts at 31 December	**(828)**	**(1,056)**
Trade receivables, net	**8,409**	**6,590**

All trade receivables fall due within one year. Due to the short-term nature of the trade receivables, their carrying amount is considered to be approximately the same as their fair value.

The age distribution of trade receivables is as follows:

2021 (mDKK)	Gross carrying amount	Loss allowance for bad debts	Net carrying amount
Not overdue	8,194	(418)	**7,776**
0–60 days overdue	546	(15)	**531**
61–120 days overdue	40	(6)	**34**
121–180 days overdue	28	(7)	**21**
More than 180 days overdue	429	(382)	**47**
	9,237	**(828)**	**8,409**

2020 (mDKK)	Gross carrying amount	Loss allowance for bad debts	Net carrying amount
Not overdue	6,626	(569)	**6,057**
0–60 days overdue	523	(20)	**503**
61–120 days overdue	22	(8)	**14**
121–180 days overdue	12	(11)	**1**
More than 180 days overdue	463	(448)	**15**
	7,646	**(1,056)**	**6,590**

Trade receivables

Note 3.4 (continued)

The LEGO Group has no significant trade receivables concentrated in specific countries, but has some single significant trade debtors in Americas. 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 4.6 Financial risks.

Significant accounting estimates

The loss allowance for bad debts represents the Management's estimate of the probable credit loss in trade receivables resulting from the deterioration of the financial position of a customer, causing it to be unable to make required payments.

The loss allowance model for lifetime expected credit losses is a probability-based measurement based on historical credit loss experience combined with macroeconomic factors, such as country risk, affecting the credit risk and is based on a combination of credit risk characteristics for the customers within geography, creditworthiness, and payment history.

When assessing the adequacy of loss allowance for bad debts, Management also takes into account changes in payments terms, patterns and expected changes in risk, in particular related to changes observed in the retail landscape, not least during COVID-19 pandemic, where the LEGO Group experienced weakened financial strength in some groups of customers which increased the risk and uncertainty of receivables.

§ Accounting policies

Trade receivables are initially recognised at fair value equal to the transaction price, and subsequently measured at amortised cost less allowance for lifetime expected credit losses.

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

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

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

Employee benefit obligations

Note 3.5

Defined contribution plans

The LEGO Group operates a number of defined contribution plans throughout the world. Defined contribution plans are fixed contributions paid to external pension funds after which the LEGO Group has no further legal nor constructive obligation towards current or past employees. DKK 291 million (DKK 240 million in 2020) have been recognised in the income statement as pension costs relating to defined contribution plans.

Defined benefit plans

In a few countries, the LEGO Group operates defined benefit plans. The majority of the defined benefit plans in the LEGO Group includes employees in Germany and Mexico. Defined benefit plans are obligations to pay a specific benefit upon retirement or in health related situations etc. The LEGO Group bears the risk and uncertainty as regards sufficient funds being available in the future. The LEGO Group does not enter into new defined benefit pension plans unless it is a legal requirement. In the LEGO Group a net obligation of DKK 146 million (DKK 223 million in 2020) 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. DKK 60 million (DKK 22 million in 2020 as a cost) have been recognised in the income statement as income and DKK 14 million (DKK 11 million in 2020 as a cost) have been recognised in comprehensive income as income.

(mDKK)	2021	2020
The amounts recognised in the balance sheet are calculated as follows:		
Present value of funded obligations	(170)	(178)
Fair value of plan assets	164	170
	(6)	(8)
Present value of unfunded obligations	(140)	(215)
Net liability recognised in the balance sheet	**(146)**	**(223)**
Of which included as part of the liabilities	(146)	(223)
The change in present value of defined benefit obligations for the year is as follows:		
Present value at 1 January	(393)	(374)
Benefit costs relating to current year	(9)	(17)
Benefit costs relating to prior year	75	–
Interest expenses	(8)	(8)
Remeasurement gains/(losses)	26	(26)
Benefits paid	14	13
Exchange rate adjustments	(15)	19
Present value at 31 December	**(310)**	**(393)**
The change in fair value of plan assets for the year is as follows:		
Plan assets at 1 January	170	165
Interest income	2	3
Remeasurement gains/(losses)	(12)	15
Employer contributions	3	2
Benefits paid	(8)	(8)
Exchange rate adjustments	9	(7)
Plan assets at 31 December	**164**	**170**
Movements in the net liability recognised in the balance sheet are as follows:		
Net liability at 1 January	(223)	(209)
Total income/(expenses) charged to the income statement	60	(22)
Total income/(expenses) charged to comprehensive income	14	(11)
Contributions paid	9	7
Exchange rate adjustments	(6)	12
Net liability at 31 December	**(146)**	**(223)**
The actual return on plan assets amounts to	(10)	18

Employee benefit obligations

Note 3.5 (continued)

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

	2021	2020
Discount rate	1% – 8%	1% – 7%
Future salary increases	3% – 5%	1% – 5%
Future pension increases	2% – 3%	0% – 3%

§ Accounting policies

Defined contribution plans
Contributions/costs are recognised in the income statement in the year the related employee services are rendered.

Defined benefit plans
Net obligations in respect of defined benefit 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 net present value. 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 employee benefit obligations. The calculations are performed annually 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 service 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 actuarial assumptions are charged or credited to comprehensive income in the year they occur.

Past service costs are recognised immediately in the income statement.

Net plan 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

Note 3.6

2021 (mDKK)	Restructuring	Other	Total
Provisions at 1 January	19	141	**160**
Additions	21	83	**104**
Used	(17)	(1)	**(18)**
Reversed	(2)	(28)	**(30)**
Exchange rate adjustments	–	4	**4**
Provisions at 31 December	**21**	**199**	**220**
Provisions are recognised in the balance sheet as follows:			
Non-current			**153**
Current			**67**
			220

Provisions for restructuring obligations relate primarily to close-down and movement of activities.

Other provisions consist of various types of provisions, primarily provisions for retirement obligations regarding leased premises and one offs. Rental of premises normally has a lease period of 3–10 years.

§ Accounting policies

Provisions are recognised when the LEGO Group identifies legal or constructive obligation 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.

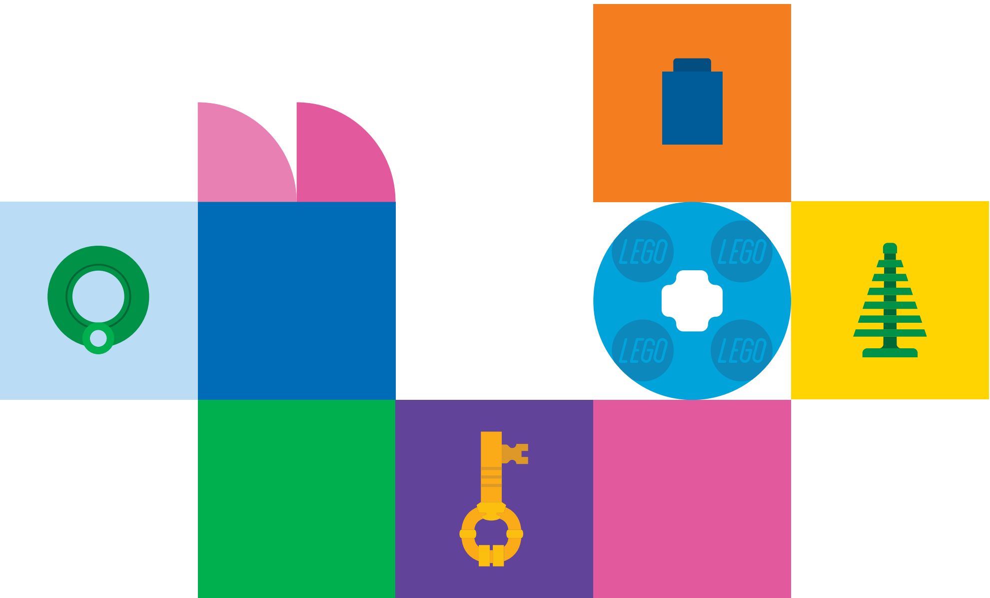
Provisions for restructuring expenses are only recognised when the decision is announced before the balance sheet date and a detailed plan is created raising a valid expectation for those affected. Provisions are not made for future operating losses.

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

Deferred revenue

Note 3.7

(mDKK)	2021	2020
Consumer loyalty programme	378	270
Other	129	113
Total deferred revenue	**507**	**383**
Deferred revenue is recognised in the balance sheet as follows:		
Non-current	6	23
Current	501	360
	507	**383**



Deferred revenue consist of obligations regarding the LEGO Group VIP loyalty program, other obligations towards customers consisting of issued gift cards, prepayments related to licence income, and sale of goods.

Revenue recognised in 2021 included in deferred revenue at the beginning of 2021 amounts to DKK 339 million (DKK 259 million in 2020).

Significant accounting estimates

The LEGO Group VIP loyalty programme is a separate performance obligation related to the non-performed proportion of revenue relating to the allocation of loyalty points. The performance obligation is recognised at the date of recognition of the sale from which the loyalty points are derived.

The fair value of non-distributed loyalty points is calculated based on a model combining the value for the buyer and the expected future redemption and likelihood of redemption, applied as a breakage based on historical redemption and historical aging rates and is therefore inherently subject to uncertainty.

$ Accounting policies

Revenue attributable to loyalty programme granted, gift cards and licence fee is deferred and recognised as revenue when the LEGO Group's performance obligations towards the buyer have been fulfilled.

Revenue attributable to the sale of goods is deferred and recognised as revenue when transfer of control has occurred.

For more information regarding the timing of revenue recognition, see note 2.1 Revenue.

Other debt

Note 3.8

(mDKK)	2021	2020
Wage-related payables and other charges	3,339	2,632
VAT and other indirect taxes	498	432
Sales incentives	1,573	1,144
Other liabilities to related parties	203	551
Other current liabilities	1,906	1,284
Total other debt	**7,519**	**6,043**
Other debt is recognised in the balance sheet as follows:		
Non-current	148	86
Current	7,371	5,957
	7,519	**6,043**

§ Accounting policies

Other debt comprise wage related debt and other debts to authorities, sales incentives and royalty debt. Other debt is measured at amortised cost.

Financial income and expenses

Note 4.1

(mDKK)	2021	2020
Interest income from financial assets measured at amortised cost	4	3
Exchange gains, net	97	–
Other interest income	7	4
Financial income	**108**	**7**

(mDKK)	2021	2020
Interest expenses related to lease liabilities	113	99
Interest expenses to related parties	21	14
Interest expenses to credit institutions	3	1
Total interest expenses measured at amortised cost	137	114
Exchange losses, net	–	300
Other interest expenses	10	5
Financial expenses	**147**	**419**

§ Accounting policies

Financial income and expenses are recognised in the income statement with the amounts related to the financial year.

Financial income and expenses comprise interest income and expenses, realised and unrealised gains and losses on payables/receivables and transactions in foreign currencies.

For all financial instruments measured at amortised cost, interest income or expenses are recognised using the effective interest rate. The rate is used to discount the estimated future cash payments or receipts to the net carrying amount of the financial asset or liability over the expected life of the financial instrument or a shorter period, where appropriate.

Share capital

Note 4.2

(mDKK)	2021	2020
A-shares	1	1
B-shares	9	9
C-shares	10	10
Total share capital	**20**	**20**

The share capital is divided into shares of DKK 1,000 or multiples hereof. The share capital is fully paid.

A-shares carry 10 votes per DKK 1,000 share.
B-shares carry 1 vote per DKK 1,000 share.
C-shares carry 1 vote per DKK 1,000 share.

Dividend of DKK 8,000 million was paid in May 2021 (DKK 8,000 million in April 2020), corresponding to DKK 0.4 million per DKK 1,000 of share capital.

Proposed dividend for 2021 is DKK 10,000 million, corresponding to DKK 0.5 million per DKK 1,000 of share capital.

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

§ Accounting policies

Dividends are recognised as a liability in the period they are adopted at the Annual General Meeting (declaration date).

Borrowings

Note 4.3

(mDKK)	2021	2020
Debt to credit institutions	137	147
Total borrowings	**137**	**147**
Borrowings are recognised in the balance sheet as follows:		
Non-current liabilities	127	137
Current liabilities	10	10
	137	**147**

Debt to credit institutions consists of variable interest mortgage with a remaining maturity of 12–16 years.

§ Accounting policies

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.

Leases

Note 4.4

Right-of-use assets

2021 (mDKK)	Rental of premises	Other assets	Total
Cost at 1 January	3,833	362	**4,195**
Additions	1,480	150	**1,630**
Remeasurements	608	(9)	**599**
Disposals	(72)	(90)	**(162)**
Exchange rate adjustments	203	5	**208**
Cost at 31 December	**6,052**	**418**	**6,470**
Depreciation at 1 January	969	159	**1,128**
Depreciation for the year	633	106	**739**
Disposals	(66)	(75)	**(141)**
Exchange rate adjustments	64	1	**65**
Depreciation at 31 December	**1,600**	**191**	**1,791**
Carrying amount at 31 December	**4,452**	**227**	**4,679**

Right-of-use assets

2020 (mDKK)	Rental of premises	Other assets	Total
Cost at 1 January	3,377	300	**3,677**
Additions	494	122	**616**
Remeasurements	146	3	**149**
Disposals	(40)	(56)	**(96)**
Exchange rate adjustments	(144)	(7)	**(151)**
Cost at 31 December	**3,833**	**362**	**4,195**
Depreciation at 1 January	464	90	**554**
Depreciation for the year	561	113	**674**
Disposals	(21)	(39)	**(60)**
Exchange rate adjustments	(35)	(5)	**(40)**
Depreciation at 31 December	**969**	**159**	**1,128**
Carrying amount at 31 December	**2,864**	**203**	**3,067**

Lease liabilities

(mDKK)	2021	2020
Lease liabilities are recognised in the balance sheet as follows:		
Non-current liabilities	4,038	2,519
Current liabilities	714	581
Total lease liabilities	**4,752**	**3,100**

Leases

Note 4.4 (continued)

Amounts recognised in the income statement

(mDKK)	2021	2020
Expenses relating to short-term leases	135	130
Expenses relating to leases of low-value assets that are not short-term leases	9	8
Expenses relating to variable lease payments not included in lease liability	114	63
	258	201

The LEGO Group leases various assets such as office buildings, store buildings, warehouses, company cars, forklifts etc. The leases have varying terms, clauses and rights under normal industry practice. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise termination option, are considered. Extension options (or periods after termination options) are only included in the lease term, if the lease is reasonably certain to be extended (or terminated).

The incremental borrowing rate is determined per country and per class of underlying assets.

The total cash outflow for leases in the year was DKK 1,068 million (DKK 906 million in 2020).

The LEGO Group does not have significant sub-leasing contracts.

The maturity analysis of lease liabilities is disclosed in note 4.5 Financial assets and liabilities.

The portfolio of lease commitments for short-term leases at the end of the year, is similar to the portfolio of short-term leases that have been expensed during the year.

The LEGO Group has not entered any significant leases, not yet commenced, to which the LEGO Group is committed (DKK 1,164 million in 2020).

§ Accounting policies

The right-of-use asset and corresponding lease liability are recognised at the commencement date, i.e. the date the underlying asset is available for use. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

The LEGO Group applies the short-term lease recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less for all classes of underlying assets, and the exemption for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The lease liabilities are initially measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the incremental borrowing rate. The lease payments include fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. If the contract holds an option to purchase, extend or terminate a lease and it is reasonably certain to be exercised by the LEGO Group, the lease payments will include those.

The LEGO Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercising an option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in index or rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease incentives received and initial direct costs. Depreciation is calculated using the straight-line method over the lease term or the useful life of the right-of-use assets, whichever is shortest.

The variable lease payments that do not depend on index or a rate are recognised as expense in the year the event or condition that triggers the payment occurs.

For all classes of assets, non-lease components will be separated from the lease components and thereby not form part of the right-of-use asset and financial lease liability recognised in the balance sheet.

Right-of-use assets classified as rental of premises and other assets have the following lease terms:

Rental of premises	3–50 years
Other assets	2–8 years

Financial assets and liabilities

Note 4.5

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.

At 31 December 2021 forward contracts and options have been applied for hedging of cash flow covering future financial periods. The hedging mainly relates to the LEGO Group's sale of goods and services in USD, EUR, GBP, JPY, AUD, CNY and CAD as well as purchases of goods in CZK, MXN and HUF. All contracts are expected to expire – and thus affect result – in the financial year 2022. Derivatives are disclosed in note 4.7.

The following table shows the timing of cash flow related to financial liabilities and hedging instruments:

2021 (mDKK)	Carrying amount	Fair value	0–1 year	1–5 years	> 5 years	Total cash flow
Borrowings	137	137	11	41	86	**138**
Lease liabilities	4,752	4,752	858	2,180	2,471	**5,509**
Trade payables	5,116	5,116	5,116	–	–	**5,116**
Other debt	3,319	3,319	3,319	–	–	**3,319**
Measured at amortised cost (liabilities)	**13,324**	**13,324**	**9,304**	**2,221**	**2,557**	**14,082**
Measured at fair value through the income statement (fair value hedging)	128	128	128	–	–	**128**
Measured at fair value through comprehensive income (cash flow hedging)	214	214	214	–	–	**214**
Derivative financial instruments	**342**	**342**	**342**	**–**	**–**	**342**
Total financial liabilities	**13,666**	**13,666**	**9,646**	**2,221**	**2,557**	**14,424**
Trade receivables	8,409	8,409	8,409	–	–	**8,409**
Other receivables	533	533	463	70	–	**533**
Loans to related parties	12,748	12,748	12,748	–	–	**12,748**
Cash at banks	1,037	1,037	1,037	–	–	**1,037**
Measured at amortised cost (assets)	**22,727**	**22,727**	**22,657**	**70**	**–**	**22,727**
Measured at fair value through the income statement (fair value hedging)	11	11	11	–	–	**11**
Measured at fair value through comprehensive income (cash flow hedging)	7	7	7	–	–	**7**
Derivative financial instruments	**18**	**18**	**18**	**–**	**–**	**18**
Total financial assets	**22,745**	**22,745**	**22,675**	**70**	**–**	**22,745**

Financial assets and liabilities

Note 4.5 (continued)

Non-contractual items such as taxes, duties payable and wage related payables are excluded from other receivables and other debt balances as this analysis is only required for financial instruments.

Due to the short term nature and/or the materiality of trade receivables, trade payables, other receivables, other debt, loans to related parties and borrowings their carrying amount is considered to be approximately the same as their fair value.

Financial assets and liabilities measured at fair value comprise derivative financial instruments. The calculation of fair value of the LEGO Group's derivative financial instruments is based on observable inputs like interest rates etc. (level 2) as per the IFRS Fair Value Hierarchy listed below:

- 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 (that 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).

2020 (mDKK)	Carrying amount	Fair value	0–1 year	1–5 years	> 5 years	Total cash flow
Borrowings	147	147	10	42	97	**149**
Lease liabilities	3,100	3,100	668	1,481	1,435	**3,584**
Trade payables	2,947	2,947	2,947	–	–	**2,947**
Other debt	2,910	2,910	2,910	–	–	**2,910**
Measured at amortised cost (liabilities)	**9,104**	**9,104**	**6,535**	**1,523**	**1,532**	**9,590**
Measured at fair value through the income statement (fair value hedging)	8	8	8	–	–	**8**
Measured at fair value through comprehensive income (cash flow hedging)	38	38	38	–	–	**38**
Derivative financial instruments	**46**	**46**	**46**	**–**	**–**	**46**
Total financial liabilities	**9,150**	**9,150**	**6,581**	**1,523**	**1,532**	**9,636**
Trade receivables	6,590	6,590	6,590	–	–	**6,590**
Other receivables	363	363	300	63	–	**363**
Loans to related parties	8,463	8,463	8,463	–	–	**8,463**
Cash at banks	1,177	1,177	1,177	–	–	**1,177**
Measured at amortised cost (assets)	**16,593**	**16,593**	**16,530**	**63**	**–**	**16,593**
Measured at fair value through the income statement (fair value hedging)	81	81	81	–	–	**81**
Measured at fair value through comprehensive income (cash flow hedging)	134	134	134	–	–	**134**
Derivative financial instruments	**215**	**215**	**215**	**–**	**–**	**215**
Total financial assets	**16,808**	**16,808**	**16,745**	**63**	**–**	**16,808**

Financial risks

Note 4.6

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

Type	Financial risk
Credit risk	Low
Foreign exchange risk	High
Interest rate risk	Low
Liquidity risk	Low

Credit risk

The LEGO Group is exposed to credit risk from trading partners and customers.

Derivative financial instruments are entered with counterparties with investment grade level ratings.

Similarly, the LEGO Group only uses insurance companies with investment grade level ratings.

For trade receivables the exposures are managed globally through fixed procedures, and credit limits are set as deemed appropriate for the customer, taking into account current local market conditions. The LEGO Group has no significant trade receivables risk concentrated in specific countries, but has some single significant trade debtors. Credit risk relating to trade receivables is disclosed in note 3.4.

For banks and financial institutions, only independently rated parties with investment grade level ratings are accepted as main banks.

The LEGO Group uses the related company KIRKBI Invest A/S for deposits. No independent rating exists but no significant risks are recognised. The maximum credit risk, that corresponds to the carrying amount of receivables and loans granted is disclosed in note 4.5.

The overall credit risk of the LEGO Group is considered to be low.

Foreign exchange risk

The LEGO Group's presentation currency is DKK, but the majority of the LEGO Group's activities and investments is denominated in other currencies. Consequently, there is a substantial risk of exchange rate fluctuations having an impact on the LEGO Group's reported cash flow, profit/(loss) and/or financial position in DKK.

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

Financial risks

Note 4.6 (continued)

The LEGO Group's exposure to foreign currency risk on financial instruments denominated in main foreign currencies:

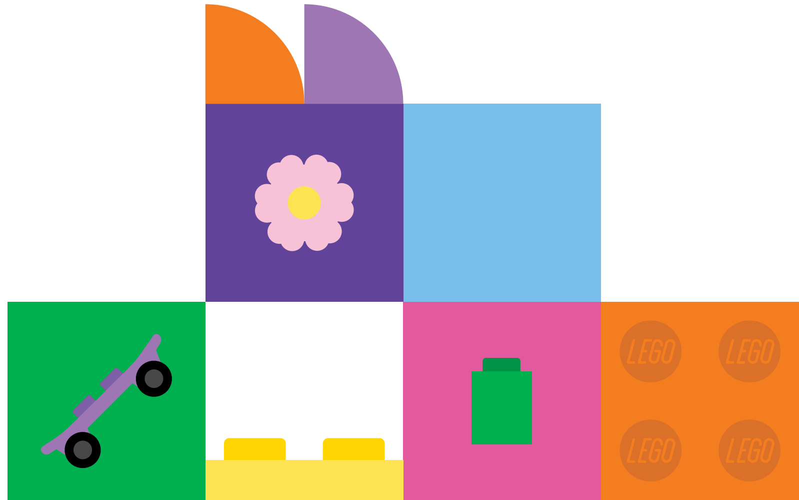
2021 (mDKK)	EUR	USD	GBP	CZK	MXN	HUF	CNY	SGD	CAD	JPY
Cash at banks	27	22	91	9	7	3	39	13	10	9
Trade receivables	1,020	2,507	268	167	46	42	362	5	120	217
Trade payables	(2,569)	(37)	(551)	(22)	(1)	(60)	(1)	717	(5)	(463)
Current receivables/(debt), related parties	(1,036)	(1,343)	(419)	166	332	52	(47)	(2,326)	(202)	(138)
Non-current receivables, related parties	–	–	–	373	1,042	855	1,034	–	–	–
Foreign currency forwards	(35)	(996)	(176)	6	50	–	(125)	–	(147)	(105)
Financial instruments impacting net profit	**(2,593)**	**153**	**(787)**	**699**	**1,476**	**892**	**1,262**	**(1,591)**	**(224)**	**(480)**
Foreign currency forwards	–	(2,982)	(732)	–	155	–	(605)	–	(723)	(208)
Foreign currency options	–	327	–	–	–	–	–	–	–	–
Financial instruments not impacting net profit	**–**	**(2,655)**	**(732)**	**–**	**155**	**–**	**(605)**	**–**	**(723)**	**(208)**
Total financial instruments impacting equity	**(2,593)**	**(2,502)**	**(1,519)**	**699**	**1,631**	**892**	**657**	**(1,591)**	**(947)**	**(688)**

Financial risks

Note 4.6 (continued)

The LEGO Group's exposure to foreign currency risk on financial instruments denominated in main foreign currencies:

2020 (mDKK)	EUR	USD	GBP	CZK	MXN	HUF	CNY	SGD	CAD	JPY
Cash at banks	11	94	108	(1)	6	3	4	11	19	17
Trade receivables	1,583	1,352	444	303	70	36	127	1,022	118	208
Trade payables	(106)	(101)	(32)	(351)	(82)	(248)	(184)	600	(6)	(8)
Current receivables/(debt), related parties	(1,575)	(1,790)	(449)	(202)	1,582	307	103	(2,829)	(165)	(168)
Non-current receivables, related parties	–	–	–	487	–	777	928	–	–	–
Foreign currency forwards	(37)	(565)	(145)	22	10	16	(94)	–	(108)	(89)
Financial instruments impacting net profit	**(124)**	**(1,010)**	**(74)**	**258**	**1,586**	**891**	**884**	**(1,196)**	**(142)**	**(40)**
Foreign currency forwards	(226)	(1,880)	(500)	164	55	66	(405)	–	(442)	(185)
Financial instruments not impacting net profit	**(226)**	**(1,880)**	**(500)**	**164**	**55**	**66**	**(405)**	**–**	**(442)**	**(185)**
Total financial instruments impacting equity	**(350)**	**(2,890)**	**(574)**	**422**	**1,641**	**957**	**479**	**(1,196)**	**(584)**	**(225)**



Financial risks

Note 4.6 (continued)

The isolated effects of the financial instruments on profit and equity after tax of a currency strengthening of 10% against DKK at 31 December 2021 are specified below for the most important currencies in the LEGO Group. The sensitivities are based only on the impact of the financial instruments that are outstanding at the balance sheet date, and are thus not an expression of the LEGO Group's total currency risk. The financial instruments included in the sensitivity analysis are the LEGO Group's: Cash at banks, trade receivables, trade payables, borrowings, foreign exchange forwards and foreign exchange options.

Sensitivity analysis based only on outstanding financial instruments:

Balances at 31 December		2021		2020	
(mDKK)	Change in exchange rate	Profit/(loss)	Equity	Profit/(loss)	Equity
EUR	10%	(259)	(259)	(12)	(35)
USD	10%	15	(250)	(101)	(289)
GBP	10%	(79)	(152)	(7)	(57)
CZK	10%	70	70	26	42
MXN	10%	148	163	159	164
HUF	10%	89	89	89	96
CNY	10%	126	66	88	48
SGD	10%	(159)	(159)	(120)	(120)
CAD	10%	(22)	(95)	(14)	(58)
JPY	10%	(48)	(69)	(4)	(22)

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 bank deposits and deposit with KIRKBI Invest A/S. An increase in the interest level of 1 percentage point for 2021 would have had a positive impact on the LEGO Group's profit for the year of approx. DKK 70.8 million in 2021 (DKK 32.2 million in 2020). 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.

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 significant liquidity risks. Furthermore, excess liquidity is placed at KIRKBI Invest A/S, which is why the counterparty risk is assessed to be low. Please refer to Note 4.5 Financial assets and liabilities for maturity analysis.

Capital structure and risk management

The LEGO Group's Dividend and Capital Structure Committee monitors the capital structure of all legal entities within the LEGO Group and takes adequate measures to ensure the LEGO Group is capitalised in the best interest of the LEGO Group and the shareholders. The overall objective is to ensure a continued development and strengthening of the LEGO Group's capital structure that supports long-term profitable growth. The LEGO Group is not reliant on external financing and the Dividend and Capital Structure Committee seeks to maintain that the strong financials of the LEGO Group are applied to fund investments in subsidiaries via equity and intercompany loan funding.

Dividend

Dividend of DKK 8,000 million has been paid in May 2021 (DKK 8,000 million in 2020).

It is expected that the dividend for 2021, to be paid in 2022, will amount to DKK 10,000 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 owners.

Derivative financial instruments

Note 4.7

Total hedging activities

The LEGO Group uses a number of forward contracts and options 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 table below shows the fair value of hedging activities specified by hedging instruments and the major currencies:

2021 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
Hedging of forecast transactions qualifying for hedge accounting:				
USD (sale of currency)	3,823	3	104	12 months
JPY (sale of currency)	267	1	2	12 months
GBP (sale of currency)	938	–	11	12 months
AUD (sale of currency)	898	2	13	12 months
CAD (sale of currency)	927	1	16	12 months
CNY (sale of currency)	775	–	49	12 months
Other (purchase of currency)	199	–	–	12 months
Other (sale of currency)	474	–	3	12 months
Total forward contracts	**8,301**	**7**	**198**	
USD (sale of currency)	657	–	16	12 months
Total currency options	**657**	**–**	**16**	
Hedging of balance sheet items qualifying for hedge accounting:				
USD (sale of currency)	1,278	1	67	2 months
JPY (sale of currency)	135	2	–	2 months
GBP (sale of currency)	226	–	10	2 months
AUD (sale of currency)	240	–	2	2 months
CAD (sale of currency)	189	3	13	2 months
CZK (purchase of currency)	7	–	–	2 months
CNY (sale of currency)	160	–	17	2 months
Other (purchase of currency)	64	–	–	2 months
Other (sale of currency)	148	2	2	2 months
Total forward contracts	**2,447**	**8**	**111**	
USD (sale of currency)	197	–	11	1 month
Total currency options	**197**	**–**	**11**	
Total for which hedge accounting applies	**11,602**	**15**	**336**	
Other forecast transaction hedges for which hedge accounting is not applied:				
Options (time value)	–	3	6	12 months
Total currency options	**–**	**3**	**6**	
Total for which hedge accounting is not applied	**–**	**3**	**6**	
Total of forecast transactions	**11,602**	**18**	**342**	

Derivative financial instruments

Note 4.7 (continued)

2020 (mDKK)	Contract amount	Positive fair value	Negative fair value	Period covered
Hedging of forecast transactions qualifying for hedge accounting:				
USD (sale of currency)	2,410	107	–	12 months
JPY (sale of currency)	237	7	–	12 months
GBP (sale of currency)	641	1	3	12 months
AUD (sale of currency)	672	–	27	12 months
CAD (sale of currency)	567	4	2	12 months
CZK (purchase of currency)	210	4	–	12 months
CNY (sale of currency)	519	5	4	12 months
Other (purchase of currency)	154	6	2	12 months
Other (sale of currency)	110	–	–	12 months
Total forward contracts	**5,520**	**134**	**38**	
Hedging of balance sheet items qualifying for hedge accounting:				
USD (sale of currency)	724	56	–	2 months
JPY (sale of currency)	115	5	–	2 months
GBP (sale of currency)	186	9	1	2 months
AUD (sale of currency)	199	–	6	2 months
CAD (sale of currency)	138	6	–	2 months
CZK (purchase of currency)	28	1	–	2 months
CNY (sale of currency)	121	3	1	2 months
Other (purchase of currency)	38	1	–	2 months
Other (sale of currency)	28	–	–	2 months
Total forward contracts	**1,577**	**81**	**8**	
Total for which hedge accounting applies	**7,097**	**215**	**46**	
Total for which hedge accounting is not applied	**–**	**–**	**–**	
Total of forecast transactions	**7,097**	**215**	**46**	

Derivative financial instruments

Note 4.7 (continued)

The LEGO Group has the following derivative financial instruments in the following line items in the balance sheet:

(mDKK)	2021	2020
Hedging of forecast transactions (cash flow hedges)	10	134
Hedging of assets and liabilities (fair value hedges)	8	81
Current assets	**18**	**215**
Hedging of forecast transactions (cash flow hedges)	(220)	(38)
Hedging of assets and liabilities (fair value hedges)	(122)	(8)
Current liabilities	**(342)**	**(46)**

§ Accounting policies

Derivative financial instruments are initially recognised at cost and are subsequently remeasured at their fair value at the balance sheet date. Positive and negative fair value of derivative financial instruments are disclosed in the same line as the hedged item.

The changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in comprehensive income within a separate reserve under equity. The cumulative gains or losses relating to these hedge transactions are reclassified from equity when the hedged item affects the income statement, or if the hedged transaction is no longer to take place. The amount is recognised in the same reporting line as the hedged item. There is no hedging ineffectiveness.

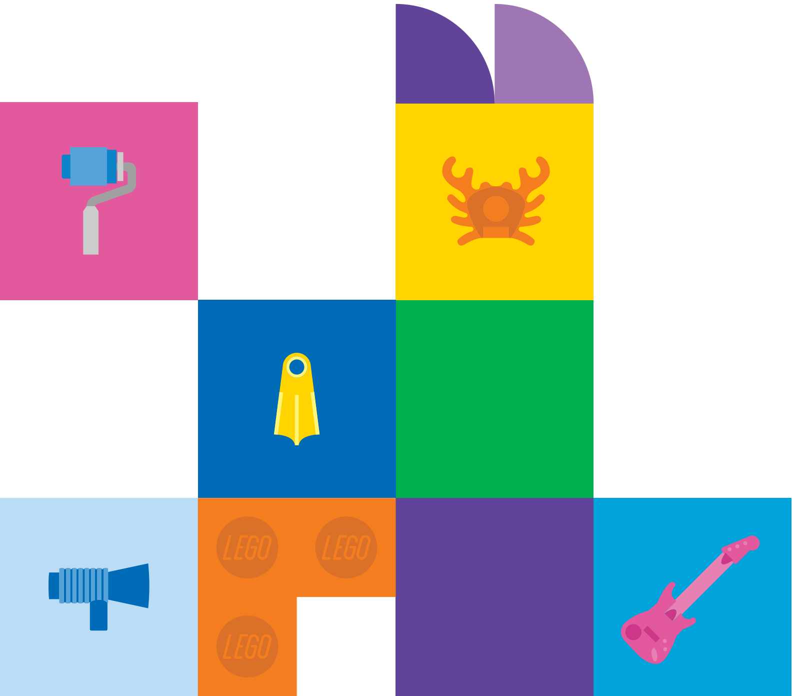
For derivative financial instruments that do not meet the criteria to be classified as hedging instruments, the changes in fair value are recognised immediately in the income statement.

When option contracts are used to hedge forecast transactions, the LEGO Group designates only the intrinsic value of the option contract as the hedging instrument.

Fees to independent auditor

Note 5.1

(mDKK)	2021	2020
Fee for statutory audit	12	12
Other assurance engagements	1	1
Total audit related services	**13**	**13**
Tax consultancy	8	9
Other services	15	14
Total non-audit services	**23**	**23**
Total fees to independent auditor	**36**	**36**



Remuneration of Group Management

Note 5.2

Remuneration to Executive Management and the Board of Directors

(mDKK)	2021	2020
Salaries and other remuneration	59	51

Executive Management consists of one member, therefore remuneration of the Chief Executive Officer (Executive Management) and the Board of Directors is disclosed collectively with reference to §98b (3) of the Danish Financial Statement Act.

Remuneration to Key Management Personnel (Executive Leadership Team)

(mDKK)	2021	2020
Salaries	66	60
Pensions	–	1
Short-term incentive plans	59	34
Long-term incentive plans	32	29
	157	**124**
Severance payments and other one-offs	17	12
Total remuneration	**174**	**136**
Average number of Executive Leadership Team	7	9
Headcount of Executive Leadership Team end of year	7	10

Short-term incentive plans are based on yearly performance and long-term incentive plans are based on long-term goals for value creation.

Contingent assets, contingent liabilities and other obligations

Note 5.3

(mDKK)	2021	2020
Guarantees	127	197
Other obligations	4,282	972
Total contingencies and other obligations	**4,409**	**1,169**

Guarantees relate to bank guarantees for commitments.

Other obligations consist of purchase, service and licence agreements.

The LEGO Group has entered various contracts with vendors on usual terms and conditions of sales.

Security has been given for land, buildings and installations with a net carrying amount of DKK 474 million (DKK 490 million in 2020) for the LEGO Group's mortgage loans totalling DKK 137 million (DKK 147 million in 2020).

The LEGO 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 80 million (DKK 80 million in 2020), of which DKK 0 million has been recognised as deferred tax. The amount of DKK 80 million (DKK 80 million in 2020) is not expected to be recaptured.

The Danish companies in the LEGO Group are jointly and severally liable for corporate income tax according to the joint taxation in the LEGO Group, KIRKBI A/S and in the companies controlled by KIRKBI A/S. The total amount of income tax liabilities, as well as related income 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 LEGO Group are furthermore jointly and severally liable for Danish taxes at source withheld on behalf of non-resident companies for dividend, royalty and interest.

Cash flow specifications

Note 5.4

(mDKK)	Note	2021	2020
Depreciation and amortisation of non-current assets	2.4	2,252	2,114
Impairment of non-current assets	2.4	46	–
Net loss on sale of non-current assets		21	4
Net movement in provisions		55	77
Remeasurement of defined benefit plans		14	(11)
Net movement in employee benefit obligation		(80)	26
Financial income and expenses	4.1	39	412
Hedge accounting		(303)	141
Adjustments for non-cash items		**2,044**	**2,763**

(mDKK)	2021	2020
Inventories	(480)	(329)
Trade receivables	(1,537)	322
Other receivables	(423)	2
Prepayments	(170)	63
Trade payables	2,074	(413)
Deferred revenue	148	97
Other debt	1,315	1,146
Change in working capital	**927**	**888**

Liabilities from financing activities

2021 (mDKK)	Borrowings	Leases
Net debt at 1 January	147	3,100
Cash flow	(10)	(697)
New leases	–	2,229
Terminated leases	–	(21)
Other changes	–	(2)
Exchange rate adjustments	–	143
Net debt at 31 December	**137**	**4,752**

2020 (mDKK)	Borrowings	Leases
Net debt at 1 January	157	3,096
Cash flow	(10)	(606)
New leases	–	765
Terminated leases	–	(36)
Other changes	–	(3)
Exchange rate adjustments	–	(116)
Net debt at 31 December	**147**	**3,100**

Related parties

Note 5.5

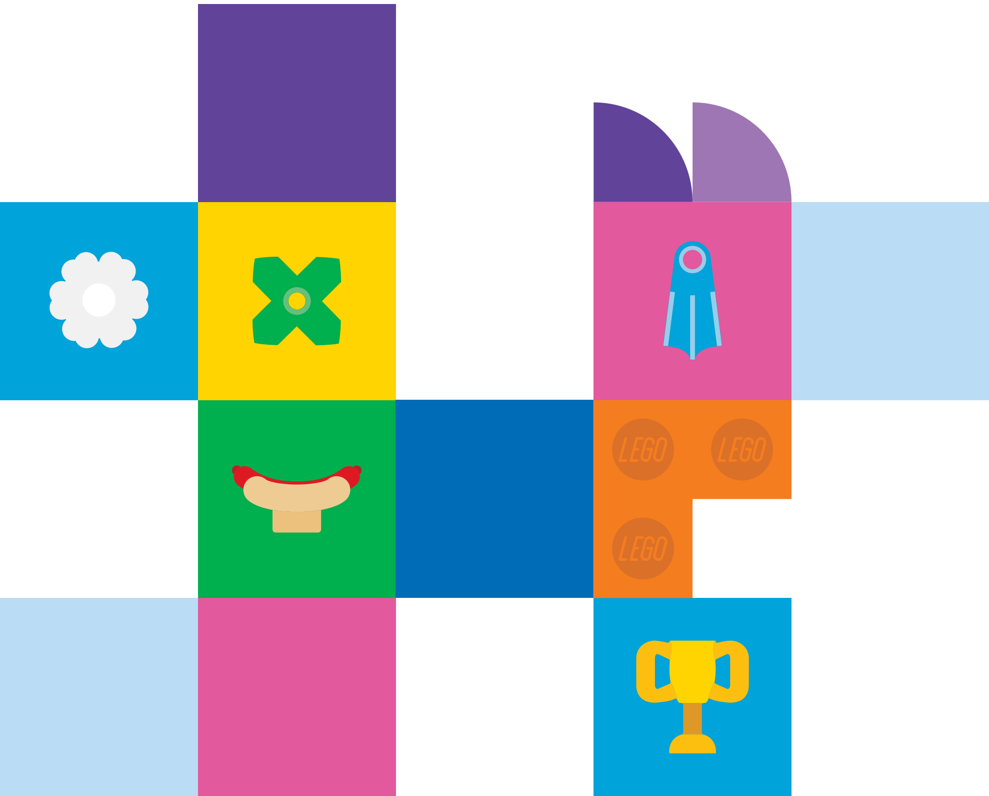
Identity of related parties

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 of KIRKBI A/S are fully owned by the Kirk Kristiansen family (Billund, Denmark). Koldingvej 2, Billund A/S is fully owned by the LEGO Foundation.

Being an associated company of KIRKBI A/S, Merlin Entertainments Group is considered a related party. Due to shared controlling shareholder, KIRKBI Invest A/S Group is also considered a related party.

Key Management Personnel are considered related parties.



The LEGO Group has had the following material transactions and balances with related parties:

(mDKK)	2021	2020
KIRKBI A/S		
Other transactions	(21)	(10)
Dividend	(6,000)	(6,000)
Balance end of year	12	19
Lease liability end of year	(1,733)	(847)
Koldingvej 2, Billund A/S		
Sale of goods	22	14
Other transactions	(27)	(23)
Dividend	(2,000)	(2,000)
Balance end of year	(18)	(13)
KIRKBI Invest A/S Group		
Trademark royalty	(1,988)	(1,568)
Other transactions	249	285
Balance end of year	167	(182)
Lease liability end of year	(145)	(8)
Merlin Entertainments Group		
Sale of goods	508	295
Royalty	19	9
Other transactions	(1)	3
Balance end of year	81	68
Transactions with other related parties		
Sale of goods	1	–
Other transactions	27	15
Donations	144	110
Balance end of year	52	52

Related parties

Note 5.5 (continued)

The LEGO Group has the following loan to KIRKBI Invest A/S (deposit agreement):

(mDKK)	2021	2020
Balance at 1 January	8,463	5,876
Loans advanced during the year	18,754	14,975
Repayments	(14,450)	(12,374)
Interest charged	(19)	(14)
Balance at 31 December	**12,748**	**8,463**

No loss allowance was recognised in relation to balances or loans with related parties during the year. All balances and loans fall due within one year. Due to the short-term nature of the balances and loans from related parties, the carrying amount is considered to be the same as their fair value.

Lease expenses paid to related parties are included in other transactions. The portfolio of lease commitments with related parties for short-term leases at the end of the year is similar to the portfolio of short-term leases that have been expensed during the year. The LEGO Group has not entered any leases with related parties, not yet commenced.

Transactions with Key Management Personnel
There have been no transactions with the Board of Directors or Executive Leadership Team besides remuneration. For information about the salaries of the Board of Directors and Executive Leadership Team, see note 5.2 Remuneration of Group Management.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances and loans are unsecured and are repayable in cash.

§ Accounting policies

Deposit between the LEGO Group and KIRKBI Invest A/S is considered to be a financial asset and treated according to IFRS 9 and is measured at amortised cost.

Events occurring after the reporting period

Note 5.6

Apart from the events recognised or disclosed in the consolidated financial statements, no events of importance to the consolidated financial statements have occurred after the reporting period.

Group structure

Note 5.7

Manufacturing, Administration and Sales and Distribution

Denmark	LEGO System A/S

Manufacturing

China	LEGO Toy Manufacturing (Jiaxing) Co., Ltd.
Czech Republic	LEGO Production s.r.o.
Hungary	LEGO Manufacturing Kft.
Mexico	LEGO Operaciones de México, S.A. de C.V.

Sales and Distribution

Australia	LEGO Australia Pty. Ltd.
Austria	LEGO Handelsgesellschaft mbH
Belgium	LEGO Belgium n.v.
Brazil	LEGO do Brasil Comércio e Distribuicão de Brinquedos Ltda
Canada	LEGO Canada, Inc.
China	LEGO Education Technology (Shanghai) Co., Ltd.
China	LEGO Trading (Beijing) Co., Ltd.
China	LEGO Toy (Shanghai) Co., Ltd.
Czech Republic	LEGO Trading s.r.o.
Finland	Oy Suomen LEGO Ab
France	LEGO Brand Retail SAS
France	LEGO SAS
Germany	LEGO GmbH
Hong Kong	LEGO Hong Kong Limited
Hungary	LEGO Hungária Kft.
India	LEG GODT India Private Limited
Ireland	LEGO Ireland Limited
Italy	LEGO S.p.A.
Japan	LEGO Japan Ltd.
Malaysia	LEGO Trading (Malaysia) Sdn. Bhd.
Mexico	LEGO México, S.A. de C.V.
New Zealand	LEGO New Zealand Ltd.
Norway	LEGO Norge AS
Poland	LEGO Polska Sp. zo.o.
Portugal	LEGO Lda.
Romania	LEGO Romania S.R.L.
Russian Fed.	LEGO Ltd.
Singapore	LEGO Singapore Pte. Ltd.
South Africa	LEGO South Africa (Pty.) Ltd.
South Korea	LEGO Korea Co. Ltd.
Spain	LEGO S.A.
Sweden	LEGO Sverige AB
Switzerland	LEGO Schweiz AG
Taiwan	LEGO Trading (Taiwan) Co., Ltd.
The Netherlands	LEGO Nederland B.V.
Turkey	LEGO Turkey Oyuncak Ticearet Anonim Sirketi
Ukraine	LEGO Ukraine LLC
United Kingdom	LEGO Company Limited
USA	LEGO Systems, Inc.
USA*	LEGO Brand Retail, Inc.
Utd. Arab Emir.	LEGO Middle East FZ-LLC

Other

China	LEGO Commerce (Shenzhen) Co. Ltd.
Denmark	LEGO Security Billund ApS
Germany	LLD Share Verwaltungs GmbH
Hong Kong	LEGO Company Ltd.
Hong Kong	BrickLink Limited
India	LEGO India Private Limited
Mexico	LEGO Real Estate, S.A. de C.V.
United Kingdom	LEGO Park Holding UK Ltd.
United Kingdom**	LEGO Lifestyle International Ltd.
USA*	LEGO Bricklink, Inc.

* Shares owned through LEGO Systems, Inc.
** Shares owned through LEGO Park Holding UK Ltd.

LEGO A/S directly or indirectly owns the entire share capital in all group subsidiaries.

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.

Parent Company Financial Statements

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Income Statement

1 January – 31 December

(mDKK)	Note	2021	2020
Revenue		512	378
Gross profit		**512**	**378**
Administrative expenses		(349)	(253)
Operating profit		**163**	**125**
Net profit for the year from subsidiaries	3.3	13,145	9,774
Financial income	2.2	69	71
Financial expenses	2.2	(79)	(66)
Profit before income tax		**13,298**	**9,904**
Income tax expense	2.3	(90)	(66)
Net profit for the year		**13,208**	**9,838**

Balance Sheet

at 31 December

(mDKK)	Note	2021	2020
Intangible assets	3.1	199	230
Property, plant and equipment	3.2	5	7
Deferred tax assets	3.5	47	44
Investments in subsidiaries	3.3	27,420	23,596
Receivables from subsidiaries		1,611	1,143
Total non-current assets		**29,282**	**25,020**
Trade receivables		13	4
Other receivables		3	2
Cash at banks		16	–
Total current assets		**32**	**6**
Total assets		**29,314**	**25,026**

(mDKK)	Note	2021	2020
Share capital	3.4	20	20
Reserve from the use of the equity method		6,854	6,019
Retained earnings		12,103	9,424
Proposed dividend		10,000	8,000
Total equity		**28,977**	**23,463**
Provisions		13	13
Other debt		148	87
Total non-current liabilities		**161**	**100**
Trade payables		8	3
Income tax liabilities		51	38
Debt to subsidiaries		1	1,300
Other debt		116	122
Total current liabilities		**176**	**1,463**
Total liabilities		**337**	**1,563**
Total equity and liabilities		**29,314**	**25,026**

Statement of Changes in Equity

1 January – 31 December

2021 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
Balance at 1 January	20	6,019	9,424	8,000	**23,463**
Dividend paid relating to prior year	–	–	–	(8,000)	**(8,000)**
Profit for the year	–	529	2,679	10,000	**13,208**
Currency translation adjustments	–	532	–	–	**532**
Entries recognised directly on equity in subsidiaries	–	(226)	–	–	**(226)**
Balance at 31 December	**20**	**6,854**	**12,103**	**10,000**	**28,977**

2020 (mDKK)	Share capital	Reserve from the use of the equity method	Retained earnings	Proposed dividend	Total equity
Balance at 1 January	20	4,944	9,213	8,000	**22,177**
Dividend paid relating to prior year	–	–	–	(8,000)	**(8,000)**
Profit for the year	–	1,627	211	8,000	**9,838**
Currency translation adjustments	–	(653)	–	–	**(653)**
Entries recognised directly on equity in subsidiaries	–	101	–	–	**101**
Balance at 31 December	**20**	**6,019**	**9,424**	**8,000**	**23,463**

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Basis of preparation

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Income Statement

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Basis of preparation

Note 1.1

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 (large).

In pursuance of §86(4) of the Danish Financial Statement Act, the company has not prepared a statement of cash flow. Reference is made to the Consolidated Statement of Cash Flow on page 18. Referring to §96(3) and §101(3) of the Danish Financial Statement Act, the company does not disclose the fee paid to the auditors appointed by the Annual General Meeting or five year financial summary.

Revenue comprises of income from services in Europe, thus additional segment information is not disclosed.

The accounting policies are the same as for the Consolidated Financial Statement except additional disclosure on tax, intangible assets and investments in subsidiaries. See the respective notes.

The accounting policies for the financial statements of the parent company remain unchanged from last year.

Employee costs

Note 2.1

(mDKK)	2021	2020
Salaries	128	75
Pension costs	–	–
Social security and other costs	1	–
Total employee costs	**129**	**75**
Included in the income statement under the following headings:		
Administrative expenses	129	75
	129	**75**
Average number of full-time employees	5	3

Remuneration to Executive Management and Board of Directors

(mDKK)	2021	2020
Salaries and other remuneration	59	51

The Executive Management only consists of one member, therefore the remuneration of the Chief Executive Officer (Executive Management) and the Board of Directors is disclosed collectively with reference to §98b (3) of the Danish Financial Statement Act.

Financial income and expenses

Note 2.2

(mDKK)	2021	2020
Interest income from subsidiaries	69	61
Exchange gains, net	–	10
Financial income	**69**	**71**

(mDKK)	2021	2020
Interest expenses to subsidiaries	77	66
Exchange losses, net	2	–
Financial expenses	**79**	**66**

Income tax expense

Note 2.3

(mDKK)	2021	2020
Income tax charge for the year	49	38
Other tax for the year	40	12
Deferred tax change for the year	(8)	(5)
Adjustment to income tax for prior years	4	22
Adjustment to deferred tax for prior years	5	(1)
Total income tax expense	**90**	**66**

§ Accounting policies

For Danish tax purposes, the parent company is assessed jointly with its Danish subsidiaries. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All income taxes under the scheme are recorded in the individual companies. LEGO A/S and its Danish subsidiaries are included in the joint taxation of the parent company, KIRKBI A/S.

Subsidiaries are included in the joint taxation from the date they are consolidated in the consolidated financial statements and up to the date on which they are no longer consolidated.

Intangible assets

Note 3.1

2021 (mDKK)	Goodwill	Patents, software and other rights	Total
Cost at 1 January	255	49	**304**
Transfers	48	–	**48**
Cost at 31 December	**303**	**49**	**352**
Amortisation and impairment losses at 1 January	55	19	**74**
Amortisation for the year	61	8	**69**
Transfers	10	–	**10**
Amortisation and impairment losses at 31 December	**126**	**27**	**153**
Carrying amount at 31 December	**177**	**22**	**199**

2020 (mDKK)	Goodwill	Patents, software and other rights	Total
Cost at 1 January	253	49	**302**
Additions	2	–	**2**
Cost at 31 December	**255**	**49**	**304**
Amortisation and impairment losses at 1 January	4	11	**15**
Amortisation for the year	51	8	**59**
Amortisation and impairment losses at 31 December	**55**	**19**	**74**
Carrying amount at 31 December	**200**	**30**	**230**

§ Accounting policies

Goodwill is amortised over the estimated useful life, which is estimated at 5 years. The amortisation period is determined by management based on their experience within the area of business conducted. Amortisation and impairment losses are recognised in the income statement as administrative expenses.

Property, plant and equipment

Note 3.2

2021 (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	6	2	**8**
Additions	–	1	**1**
Disposals	(3)	(1)	(4)
Cost at 31 December	**3**	**2**	**5**
Depreciation and impairment losses at 1 January	–	1	1
Disposals	–	(1)	(1)
Depreciation and impairment losses at 31 December	**–**	**–**	**–**
Carrying amount at 31 December	**3**	**2**	**5**

2020 (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	6	1	**7**
Additions	–	1	**1**
Cost at 31 December	**6**	**2**	**8**
Depreciation and impairment losses at 1 January	–	1	**1**
Depreciation and impairment losses at 31 December	**–**	**1**	**1**
Carrying amount at 31 December	**6**	**1**	**7**

Investments in subsidiaries

Note 3.3

(mDKK)	2021	2020
Cost at 1 January	9,577	9,562
Correction to cost at 1 January	–	(4)
Additions	1,106	19
Disposals	(35)	–
Transfers	(48)	–
Cost at 31 December	**10,600**	**9,577**
Value adjustment at 1 January	14,019	12,444
Currency translation adjustments	532	(653)
Share of net profit for the year	13,145	9,774
Dividend	(10,660)	(7,647)
Entries recognised directly on equity in subsidiaries	(226)	101
Transfers	10	–
Value adjustment at 31 December	**16,820**	**14,019**
Carrying amount at 31 December	**27,420**	**23,596**

§ Accounting policies

Subsidiaries of the Parent Company are recognised under the equity method, which is at the respective share of the net asset values in subsidiaries. For subsidiaries internal gain and losses are eliminated.

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

To the extent it exceeds declared dividend from subsidiaries, net revaluation of investments in subsidiaries is transferred to net revaluation reserve according to the equity method under equity, deducted for approved dividends from subsidiaries on the date of the Annual General Meeting in LEGO A/S.

Profits in subsidiaries are disclosed as profit after tax in the income statement of the Parent Company.

Share capital

Note 3.4

2021	Number of shares	Nominal value (mDKK)
A-shares	19	1
B-shares	150	9
C-shares	36	10
Total share capital	**205**	**20**

The share capital is divided into shares of DKK 1,000 or multiples hereof as specified below. The share capital is fully paid.

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

Shareholders holding more than 5% of the share capital or 5% of the votes:

KIRKBI A/S, Billund, Denmark
Koldingvej 2, Billund A/S, Billund, Denmark

Deferred tax

Note 3.5

(mDKK)	2021	2020
Deferred tax, net at 1 January	44	38
Change in deferred tax	3	6
Deferred tax, net at 31 December	**47**	**44**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	47	44
Deferred tax liabilities	–	–
	47	**44**

Contingent assets, contingent liabilities and other obligations

Note 3.6

(mDKK)	2021	2020
Guarantees	889	1,084
Other indemnities	103	689
Total contingencies and other obligations	**992**	**1,773**

Guarantees relate to commitments in subsidiaries.

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

The LEGO 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 80 million (DKK 80 million in 2020), of which DKK 0 million has been recognised as a provision for deferred tax. The amount of DKK 80 million (DKK 80 million in 2020) is not expected to be recaptured.

Related parties

Note 3.7

LEGO A/S has had the following material transactions and balances with related parties (excluding wholly owned subsidiaries):

(mDKK)	2021	2020
KIRKBI A/S		
Other transactions	(1)	(11)
KIRKBI Invest A/S Group		
Other transactions	1	–
Merlin Entertainments Group		
Royalty	19	9
Balance end of year	16	2

Remuneration to Key Management Personnel is disclosed in note 2.1.

Transactions with related parties were carried out on an arm's length basis.

Proposed distribution of profit

Note 3.8

(mDKK)	2021	2020
Dividend	10,000	8,000
Reserve from the use of the equity method	529	1,627
Retained earnings	2,679	211
Total proposed distribution of profit	**13,208**	**9,838**

§ Accounting policies

Dividend proposed by Management for the financial year is recognised as a separate item under equity.

Management's Statement and Auditor's Report

and Auditor's Report
and Auditor's Report

Management's Statement

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January to 31 December 2021. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. 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 2021 of the LEGO Group and the Parent Company and of the results of the LEGO Group and the Parent Company operations and consolidated cash flow for the financial year 1 January to 31 December 2021.

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

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

Billund, 1 March 2022

Executive Management

Niels B. Christiansen
President and Chief Executive Officer

Board of Directors

Thomas Kirk Kristiansen
Chairman

Søren Thorup Sørensen
Vice Chairman

Eva Berneke

Fiona Dawson

Jan Thorsgaard Nielsen

Jørgen Vig Knudstorp

Anne Sweeney

Independent Auditor's Report

To the shareholders of LEGO A/S

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flow for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LEGO A/S for the financial year 1 January – 31 December 2021, which comprise Income Statement, Balance Sheet, Statement of Changes in Equity and Notes to the financial statements, including summary of significant accounting policies, for both the Group and the Parent Company, as well as Statement of Comprehensive Income and Statement of Cash Flow for the Group ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibility for the 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 requirements in the Danish Financial Statements Act and for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 1 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Mads Melgaard
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