

annual accounts

2001



In the 2001 financial year the LEGO Company returned a pre-tax profit of DKK 530m – compared with a loss of DKK 1.07 billion the year before. Profit from primary operations was DKK 822m. This result was satisfactory. The 2001 result was an improvement of DKK 1.6bn on the previous year's substantial negative result.

The successful result can be attributed to a marked increase in sales and extensive internal changes in areas such as production, control and the product range. The changes have largely been implemented – and have indeed borne fruit during the financial year.

The result reflects restructuring costs in the order of magnitude of DKK 122m.

Sales

Sales rose from 9.5bn in 2000 to 10.7bn last year.

Higher sales to the American market were the biggest single factor behind the increase. But Asia/Pacific and virtually all European markets contributed to the higher level of turnover. There was also an increase in mail-order and Internet sales via LEGO Direct.

Changes

The LEGO Company has almost completed the process of radical change in which it has been engaged over the past few years. The many adjustments have helped produce a more efficient and market-oriented organisation. Regrettably, the changes were not beneficial to all our employees – and some personnel reductions might also be necessary over the next year.

Products

Our Company's financial success is due primarily to the resolute effort made in many areas. This has included a more market-responsive and focused product range/mix, more efficient production procedures, and more targeted marketing. We have succeeded in coming up with a product programme which has proved more attractive to the consumer, and we have become better at reacting faster to consumer wishes.

The LEGO Light Project, which brought about very far-reaching changes in our control systems, planning procedures and organisation, has also enabled us to respond quicker to the wishes and needs of the market.

Despite these improvements, however, the massive boost in sales left us at times unable fully to satisfy demand in all areas.

The sharp rise in sales was due especially to such product series as Harry Potter, Bob the Builder, LEGO BIONICLE and the more classic LEGO products – all of which contributed handsomely to the year's result.

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“ The much-improved result would not have been possible without a substantial and committed effort on the part of all employees. The Company therefore has ample grounds for expressing its thanks to all for an excellent job of work. ”

Kjeld Kirk Kristiansen

Poul Plougmann

**NURTURE THE CHILD
IN EACH OF US**

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KEY FIGURES

The key figures from the annual accounts cover the 52 legal entities of LEGO Company. The companies are owned by the Kirk Kristiansen family.

LEGO Company's legal entities are not all members of a single group and are therefore not covered by the statutes governing the reporting of consolidated accounts. The accounts for the Danish LEGO A/S Group are prepared and submitted to the Danish Commerce and Companies Agency in accordance with statutory requirements.

In order to provide LEGO employees with relevant information, without at the same time giving information to our competitors that could have a negative impact on our competitive situation, we have chosen to present the annual accounts in summarised form, specifying the principal items.

The treatment of entries in the accounts is in accordance with the guidelines for Danish accounts. The consolidated annual accounts of LEGO Company includes all legal entities as if they were one group, based on the provisions in the Danish accounting legislation.

However, due to the fact that the accounts are in abbreviated form, the accounting information does not include all the information and disclosures that would normally be required in the statutory accounts and according to the Danish accounting legislation.

DEFINITIONS

NET SALES consists of net sales for the year to the LEGO Company's customers.

OPERATING COSTS comprises costs associated with development, production, sales, marketing and administration.

FINANCIAL ITEMS comprises mainly interest on bank deposits with deduction of interest on interest-bearing debt.

TAX FOR THE YEAR consists of the forecasted tax payable on the result for the year and adjustments of deferred tax.

FIXED ASSETS comprises mainly tangible fixed assets, consisting of land and buildings, plant and machinery, and office and IT equipment. These assets are valued at acquisition cost with deduction of depreciation over the years. Depreciation is calculated on the basis of the asset's expected useful life, which for buildings is 25 years and for other assets between 2 and 20 years.

CURRENT ASSETS relates primarily to inventory, trade receivables from the sale of goods and cash equivalents.

PROVISIONS comprises of deferred tax - taxation for which, in accordance with applicable legislation, payment can be deferred to later years, pension commitments and other provisions.

LONG-TERM DEBT comprises debts that fall due for payment after more than one year.

SHORT-TERM DEBT comprises debts that fall due for payment within one year.

NUMBER OF EMPLOYEES includes temporary employees, converted into full-time employees.

PROFIT MARGIN is the net result for the year (after tax) expressed as a percentage of net sales.

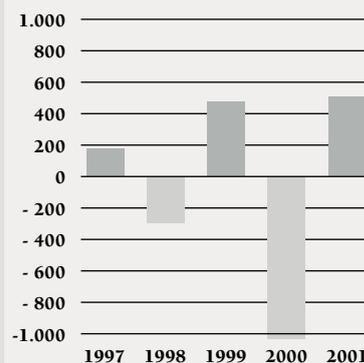
RETURN ON EQUITY is the net result for the year (after tax) expressed as a percentage of equity capital at the end of the year.

SOLVENCY RATIO is equity capital expressed as a percentage of total assets.

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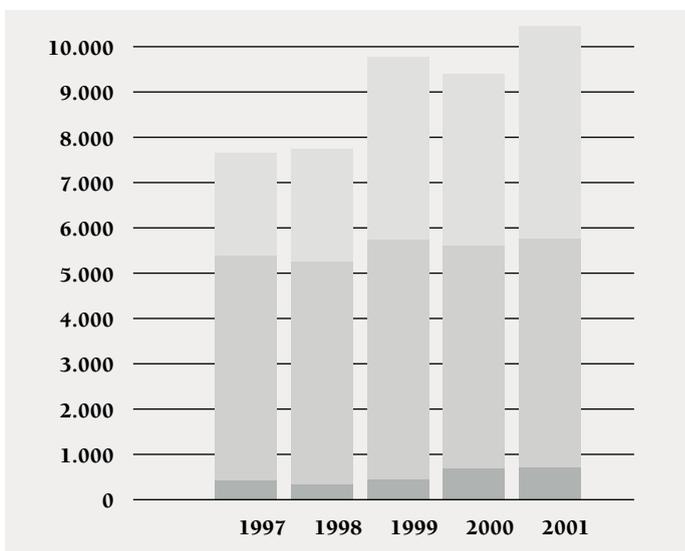
Result before tax (DKK m.)



2001



NET SALES (DKK m.)



Profit and Loss Account (DKK m.)

	2001	%	2000	%
Net sales	10.670	100	9.467	100
Operating costs	-9.848	-92,3	-10.145	-107
Restructuring costs	-122	-1,1	-191	-2
Operating result	700	6,6	-869	-9
Financial items	-170	-1,6	-201	-2
Result before tax	530	5,0	-1.070	-11
Tax for the year	-99	-0,9	239	2
Result for the year	431	4,1	-831	-9

Main Financial Figures (DKK m.)

	2001	2000	1999	1998	1997
Net sales	10.670	9.467	9.808	7.680	7.616
Result before tax	530	-1.070	516	-282	171
Result for the year	431	-831	274	-194	62
Investment in fixed assets	1.453	1.156	968	1.397	745
Equity	6.643	6.262	6.976	5.841	5.437
Total assets	13.673	12.280	12.694	11.250	9.767
Number of employees	7.247	7.669	7.821	8.670	8.668

Balance Sheet (DKK m.)

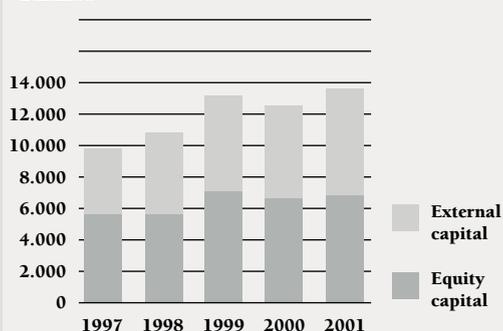
	2001	%	2000	%
Fixed assets	7.076	51,8	6.620	53,9
Current assets	6.597	48,2	5.660	46,1
Total assets	13.673	100	12.280	100
Equity	6.643	48,6	6.262	51,0
Minority Interest	4	0%	4	0%
Provisions	322	2,4	442	3,6
Long-term debt	3.069	22,4	1.866	15,2
Short-term debt	3.635	26,6	3.706	30,2
Liabilities & Equity	13.673	100	12.280	100

Financial Key Figures (%)

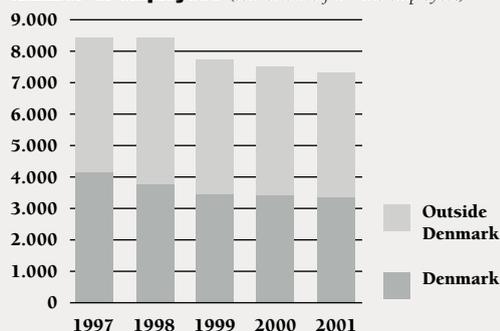
	2001	2000	1999	1998	1997
Profit margin	4,0	-8,8	2,8	-2,5	0,8
Return on equity	6,5	-13,3	3,8	-3,5	1,1
Solvency ratio	48,6	51,0	55,0	51,9	55,7

Comparative figures have not been adjusted to reflect any changes in accounting policies and reclassifications during the above period.

Balance



Number of employees (converted to full-time employees)



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In contrast, our products for the youngest age groups found the going particularly difficult, and consequently we have devoted more resources to the pre-school field.

Based on the wealth of experience at its disposal on how children develop and learn through play, the LEGO Company plans during the coming year to deliver many products for parents wishing to take a more active part in developing the imagination, creativity and learning skills of the youngest family members.

LEGOLAND Parks

During the year under review, LEGOLAND Parks improved their aggregate result by DKK 150m, a result which more than lived up to budget. On account of their heavy capital investment programme, however, the Parks have not yet made a positive contribution to the profits of the LEGO Company.

LEGOLAND Windsor improved its result markedly and is expected within a couple of years to report a positive contribution. All of the other parks are also ahead of budget.

A new park will open in Günzburg, Germany, in May. The investment has totalled DKK 1.2bn.

Other activities

The activities of both LEGO Media and LEGO Lifestyle are also showing a positive trend.

It is particularly pleasing that products targeted at the educational sector are also selling well and have made a positive contribution to the overall result.

Recent years' economy measures and efforts to control costs have once again had a positive effect on the year's result. In addition, the higher level of sales was achieved without significantly increasing costs. And the stronger dollar was also a positive factor.

The future

We look forward to 2002 in the expectation that the Company will continue its strong, healthy development. Once again, optimism is based on our focus on the market's most popular products, a series of powerful new launches, and our new-found level of production flexibility. Optimism is encouraged by the positive start we have made to the year – with a heavier retail demand during the first few months of the year than expected.

The Parks are also expected to achieve a better result than forecast.

Consequently, the result of 2002 is expected to be even better than the result for 2001.

Kjeld Kirk Kristiansen

Poul Plougmann

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