

2022



The LEGO Group

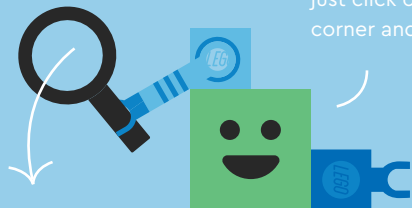
Annual Report



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Hi there!

Nice to meet you. If you ever get lost, just click on the LEGO brick in the corner and find yourself back here.



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Management's Review

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2022 was a milestone year for the LEGO Group. We celebrated our 90th anniversary and reached more children with LEGO® play than ever before.

Letter from the CEO

2022 was a milestone year for the LEGO Group. We celebrated our 90th anniversary and reached more children with LEGO® play than ever before.

We achieved double digit top line growth and grew market share globally, significantly outpacing the toy market despite economic and geopolitical challenges. This proves the continuing appeal of the LEGO System in Play and the strength and relevance of our brand.

Overall, we are very satisfied with our performance. The momentum we have seen during the past four years continued through 2022. It was driven by the strategic investments made during this time which are both paying off now and establishing a foundation for long-term, sustainable growth.

Investing for the future

During the year, we continued to invest in innovation across our portfolio which was one of our largest to date, appealing to people of all ages and with a wide range of passions and interests.

We further invested in our own and partners' retail platforms to reach more shoppers and create extraordinary, memorable brand experiences both instore and online.

We also continued to make progress on capacity expansion projects at three of our factories, broke ground on our new factory in Binh Duong, Vietnam, and announced plans to build a carbon-neutral run

factory in Richmond, VA, U.S. to meet future demand in the Americas.

Progress on sustainability investments

As we continue to invest in making our business and products more sustainable, we are pleased with the progress we are making towards our ambition to create a better world for future generations. In 2022, we began to transition to paper-based bags in LEGO boxes, putting us on track to make all our packaging from sustainable sources within the next few years. We continued to reduce the environmental footprint of our factories by becoming more energy efficient and producing renewable solar energy onsite or close by.

Supporting children

The war in Ukraine, continued impact of COVID-19 restrictions and economic uncertainty impacted families and children around the world. We continued to bring Learning through Play activities to communities in need while supporting those most at risk, donating to relief efforts for children and their families in Ukraine and around the world.

We anticipate some of the uncertainty over the past year to continue in 2023 and are monitoring developments closely. As we do this, we are fortunate to have a talented team of colleagues who have steered the LEGO Group skilfully through the past year. We are grateful for their commitment and look forward to working together to continue to inspire and develop our wonderful builders of tomorrow.

Niels B. Christiansen
CEO, the LEGO Group



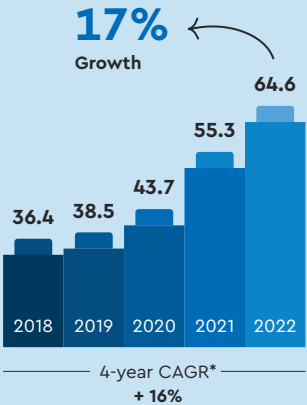
Performance Highlights

POPULAR THEMES

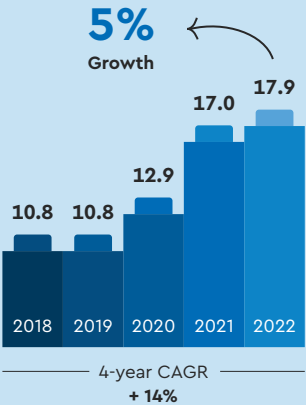
LEGO® City | LEGO® Star Wars™ |
LEGO® Icons | LEGO® Technic™ |
LEGO® Harry Potter™

FINANCIAL PERFORMANCE

Revenue (bDKK)



Operating profit (bDKK)



Free Cash Flow (bDKK)

2022 **9.3**

Return on Invested Capital

2022 **77.8%**



Market share grew globally

>50%

of LEGO® sets contain one or more elements made from the renewable material bio-PE.

138

suppliers engaged through Engage-to-Reduce programme to help lower their emissions (+73% vs. 2021).

1st

LEGO boxes with paper-based bags shipped.

48%

of product portfolio was new and one of the largest to date.

13.6 million

downloads of the LEGO Builder app (+42% vs. 2021).

2 new factories

will open in Vietnam and the U.S. in 2024 and 2025 respectively – both to be run carbon-neutral****.

3 out of 5 factories

expanded to increase production capacity.

9.8+ million

CHILDREN reached with Learning through Play activities in local communities.

3,100+

LEGO COLLEAGUES helped bring joy to children in local communities through Learning through Play activities.

155

NEW BRANDED STORES*** opened globally in 2022.

* Compound Annual Growth Rate
** Through Koldingvej 2, Billund A/S
*** Branded stores cover LEGO Brand Retail stores that are owned and operated by the LEGO Group (185 stores) as well as LEGO Certified Retail and LEGO Travel Retail stores that are owned and operated by partners (719 stores).
**** A factory or operational site that can demonstrate net-zero emissions from electricity and fuel use (scope 1 + 2) through the use of on-site or offsite renewable energy.

BUILDING A SUSTAINABLE FUTURE

INNOVATING PLAY

GLOBAL SUPPLY CHAIN NETWORK

POSITIVE IMPACT

INNOVATING RETAIL

The LEGO Group at a Glance

We have been sparking children's imagination and inspiring and developing the builders of tomorrow since 1932. This is our mission and what motivates our colleagues around the world every day.

COUNTRIES

111

COLLEAGUES

27,338

BRANDED STORES

904

OFFICES

37 Sales 4 Digital

Are you an explorer?
And do you want to know more about the LEGO Group?
Then visit **LEGO.com**.

LONDON,
UNITED KINGDOM
Hub

ENFIELD, CT, U.S.
Hub

RICHMOND, VA, U.S.
New factory (2025)

MONTERREY, MEXICO
Factory

BILLUND, DENMARK
Headquarters and factory

KLADNO, CZECH REPUBLIC
Factory

NYÍREGYHÁZA, HUNGARY
Factory

SHANGHAI, CHINA
Hub

JIAXING, CHINA
Factory

BINH DUONG, VIETNAM
New factory (2024)

SINGAPORE, SINGAPORE
Hub

OUR HERITAGE AND OWNERSHIP

The LEGO Group is a family-owned Danish company founded by Ole Kirk Kristiansen in 1932. We are owned by KIRKBI A/S (75%) and the LEGO Foundation through Koldingvej 2, Billund A/S (25%).

New factories!

Investing to bring more play to children

What an awesome overview!
Did you know that you can click on the numbers, to lead you straight to the strategic initiative?



Strategic Overview

1

Innovating play

Play fuels curiosity, sparks creativity, and inspires a lifelong love of learning. In 2022, we continued to create a wide range of exciting LEGO® products and digital game experiences like the LEGO Skywalker Saga designed to appeal to builders of all ages and passions.

2

Investing in retail

We continue to invest in our own and our partners' retail platforms to provide shoppers with memorable brand experiences instore and online. By the end of 2022, we had 904 stores around the world, including our largest in London's Leicester Square.

3

Expanding supply chain network

Our global supply chain network is flexible and resilient, designed to ensure products are manufactured close to our major markets. In 2022, we continued expanding capacity at three factories to meet increased demand, broke ground on our new factory in Vietnam, and announced plans to expand the network with a new factory in the U.S.

4

Investing in digital

We made progress on our journey to offer outstanding digital experiences for consumers, retail partners, suppliers, and employees. To support this effort, we further expanded our digital teams in Billund, London, Shanghai, and Copenhagen.

5

Creating a sustainable future

We are committed to having a positive impact on society and reducing our environmental impact. In 2022, we reduced water, waste and energy usage at our factories and together with partners we reached more than 9.8 million children with Learning through Play initiatives.

6

An inspired and energised team

In 2022, our talented team recorded strong levels of motivation and satisfaction. We continued to invest in creating a great employment experience for all colleagues, e.g. with the opening of the new LEGO Campus in Billund, Denmark.

A force for Learning through Play

For 90 years the LEGO Group has helped children develop skills which can shape their futures.

Skills such as problem solving, creativity, communication and resilience that come with open-ended play with LEGO bricks – building, unbuilding and rebuilding. Those skills are more important than ever.

Today's children will have jobs which are yet to be invented and face challenges we cannot imagine. One constant will be the skills required to successfully navigate change – skills which can be developed from early ages through play.

Play can also contribute to improved well-being. As part of our Play Well study in 2022, we talked to more than 55,000 parents and children from over 30 countries. 95 percent of parents say that playing together builds stronger family bonds and improves their well-being and 85 percent called out LEGO play specifically, saying their families are happier when they play with LEGO bricks.

These benefits of play are what inspires us every day at the LEGO Group. We have a vision to be a global force for Learning through Play, and that guides us as we continue to invest in sustainable growth now and for the future.

Innovating play

The LEGO® System in Play allows you to create anything you can imagine. Six 2 x 4 LEGO bricks of the same colour give rise to 915 million different combinations – and anything from dragons and rockets to dogs and flowers.

In 2022, 48 percent of our product portfolio was new. Our team of more than 500 talented designers created one of our largest portfolios yet. They kept our homegrown themes such as LEGO® City, LEGO® Friends and LEGO® Ninjago fresh and exciting and brought to life the fantastic universes of our intellectual property partners in LEGO bricks.

The team also continued to blend digital and physical play in new and innovative ways. We announced a partnership with Epic Games to explore building a fun and safe metaverse for children and the LEGO Skywalker Saga video game became one of the year's top-selling titles of 2022.

We will continue to explore the potential of creating play experiences which merge digital and physical play, given that research shows that parents appreciate the benefits of blending digital and physical worlds*.

Improving representation in marketing and products

We believe it is important that our fans feel represented in our products and marketing.

We have made a commitment to improve representation and remove gender stereotypes from our portfolio and marketing activity. And we are making progress. Over the past year we have introduced differently abled characters into our LEGO sets including wheelchair users, characters who are visually or hearing impaired and those with physical differences such as vitiligo or a cleft palate.

Our LEGO Friends range was reimagined in 2022 to celebrate the diversity and optimism of today's children and what they want from friendships. The theme features a wide range of characters from different ethnic and cultural backgrounds and with different abilities, showing our young builders nothing can stop them achieving their dreams.

The Geena Davis Institute completed an audit of hundreds of marketing assets and found that overall, gender and ethnic representation has improved and is well balanced and there are no stereotypes or tropes.

During the year we marked a diverse range of occasions we know are important to our fans. We celebrated Black History Month in the U.S. with a unique building campaign with talented LEGO artist,



After 10 successful years, we reimagined LEGO Friends and introduced a new generation that reflect the diversity and optimism of today's children and what they want from friendships.

48%

NEW PRODUCT PORTFOLIO

48% of our product portfolio was new in 2022, designed to inspire builders of all ages and passions.

Ekow Nimako; we released a campaign to mark PRIDE month which celebrated the creativity of the LEGO builder community; and released a campaign for International Day of the Girl which encouraged young builders to stay curious about STEAM (Science, Technology, Engineering, Arts, and Mathematics). With the LEGO Foundation we have also reached nearly 58,000 blind and visually impaired children with LEGO Braille Bricks.

* According to the Play Well Study 2022 more than half of parents believe spending time online helps their child think critically (61 percent) and strengthens their child's friendships (54 percent).

2

Investing in retail

We continued to invest in our own and our partners' retail platforms to reach more shoppers and create extraordinary, memorable brand experiences, instore and online.

During the past year, we grew our global network of stores, opening 155 new stores together with our partners, taking total stores globally to 904*. This included a refurbished flagship store in London, stores in Dublin and Munich and 95 stores in China. Achieving this level of expansion is especially impressive given the ongoing COVID-19 restrictions throughout 2022. Visitors to our LEGO stores consistently rate the experience as outstanding as tracked by Net Promoter Score (NPS) due to the fantastic service from our teams and unique instore environment, inspired by a world of LEGO bricks.

LEGO.com attracts hundreds of millions of visits each year and our investments in the e-commerce platform are designed to deliver a world-class experience for visitors. Digital investments in infrastructure, user experience, search and customer service have all helped deliver strong engagement and sales growth on the platform.

We continue to work with our retail partners to ensure they can continue to delight their shoppers wherever they wish to shop. In 2023, we will continue to make significant investments in our retail platforms to reach and inspire even more shoppers.

155

NEW STORES IN 2022



✦ In 2022, we expanded our flagship store in London's Leicester Square, which is now the largest LEGO® store in the world with a refreshed store format designed to create a more playful, immersive experience for guests.





← To meet current and future demand, we are increasing capacity at our factories in Nyíregyháza (Hungary), Monterrey (Mexico), and Jiaxing (China).

4

Investing in digital

During 2022, we accelerated investments in our digital transformation to deliver improved digital experiences. Our digital platforms helped to strengthen connections with our consumers, shoppers and partners.

The LEGO® Builder App, which provides digital building instructions for 330 sets, grew in popularity. There were 13.6 million downloads of the app, a 42 percent rise compared to last year. LEGO Life, our safe social app for children, saw 7.1 million downloads in 2022. During the year, we recorded 395 million visits to LEGO.com* which is 38 percent more than in 2021.

We also provided our retail partners with enhanced access to our product range via a virtual showroom, which also reduces the need to travel, making the experience more sustainable.

Within our manufacturing sites, we continue to introduce further automation and digitalisation across all technologies to support safer, more efficient production.

We also further upgraded our global network infrastructure and invested in our data platforms to improve data-driven decision making.

Finally, we expanded our digital team by 43 percent against 2021, to 1,300 people mainly based in our digital offices in Copenhagen, Billund, Shanghai and London.

3

Expanding supply chain network

Our global supply chain network is designed to be flexible and responsive. We have five factories located on three continents which allow us to manufacture products close to our major markets. This allows us to respond to shifts in local demand, maintain a relatively short supply chain, and minimise the environmental impact of shipping products long distances.

Over the next three years we will expand this network to seven factories enabling us to meet long-term growth in Asia and the Americas. We broke ground

on a factory in Vietnam in 2022 and will commence construction of a factory in the U.S. in 2023. Both sites will be carbon-neutral run and be designed to minimise their environmental footprint.

In 2022, we continued to make progress on our capacity expansion projects at three of our factories to meet immediate and future demand.



FROM 5 TO 7 FACTORIES

This year we announced plans to open our second carbon-neutral run factory in Richmond, VA, U.S. Together with the factory in Binh Duong, Vietnam announced late last year, this will take our total number of factories from five to seven.

Creating a sustainable future

Our Planet Promise states that we want to have a positive influence on the world future generations will inherit. An important part of living up to this promise is making our products, packaging and operations more sustainable and minimising the impact our business and operations have on the planet.

During 2022 we continued efforts to meet our approved science-based target which is to reduce

absolute carbon emissions by 37 percent compared to 2019. As 98 percent of our carbon emissions come from outside our own operations, we cannot do this alone and are working closely with suppliers to help us achieve this ambitious goal by 2032.

We also made progress against our aim to make our **packaging 100% sustainable** by end of 2025. This means removing single-use plastic and using Forest Stewardship Council™* certified paper and cardboard. In 2022 we began to introduce paper-based bags to our boxes putting us on track to achieve our target.

We continued to innovate our products, testing new sustainable materials for use in LEGO bricks and elements, such as the prototype brick made from recycled plastic bottles (rPET) and the use of bio-PE LEGO elements that are found in more than half of LEGO sets today.

Across our operations, we focus on achieving zero waste to landfill. At our future carbon-neutral run sites in Vietnam and the U.S., energy needs will be matched by onsite or nearby solar panels and the aim is to secure LEED Gold certification.

Making a positive impact on society

Again this year, we worked with partners, such as Save the Children, UNICEF and other organisations working in our local communities to bring Learning through Play to children and families in need. During 2022, we reached more than 9.8 million children through these programmes, some of which were supported by our employees through our local community engagement initiatives.



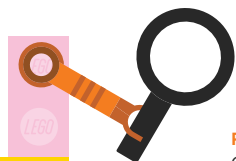
↑ In 2022, more than 40 children from Hoi Nghia Primary School participated in a 'Build the Change' workshop where they used LEGO bricks to create ideas that will help inspire aspects of the new LEGO Manufacturing Vietnam factory.

Replay

LEGO REPLAY PROGRAMME

Via the LEGO Replay programme, we have kept more than 66 million bricks in play and circulation during 2022 through inspiring and helping builders in the U.S. and Canada to donate their LEGO bricks no longer in play to children's charities.

We supported families to start conversations about digital well-being through our 'Build and Talk' series. With expanding our 'Build the Change' programme to Mexico and China, its reach continued to grow. In 2022, we engaged 900,000 children inspiring their creativity and giving them a voice on the people and planet challenges that face them in their future.



READ MORE

Click on the arrow to read our 2022 Sustainability Progress Report or visit LEGO.com/Sustainability





An inspired and energised team

We are committed to providing an engaging and motivating workplace where all colleagues feel a sense of belonging. Each year we survey colleagues to understand their levels of engagement. In 2022, results showed that levels of motivation and satisfaction continued to be strong and amongst the top 10 percent of international clients surveyed by Ennova.

We also invested in creating work environments which reflect our values of creativity and collaboration and during the past year opened a new Campus in Billund and an office in Copenhagen for our digital team.

Our Best of Both hybrid working model continued to be introduced globally. Colleagues whose roles allow it can work from the office three days a week and from home two days which contributes to building strong teams and supporting their well-being.

We have also continued efforts to make our workplaces diverse and inclusive. We extended our parental leave policy so that all hourly and salaried employees are eligible to receive a minimum of 26 weeks paid childcare leave for the primary caregiver and 8 weeks paid leave for the secondary caregiver. Employee Advocacy Groups which are self-organised groups of employees help ensure that employees' experience of our workplace aligns with the company's efforts to build a greater sense of belonging. Membership of these self-organised groups grew 25 percent to 600 colleagues.

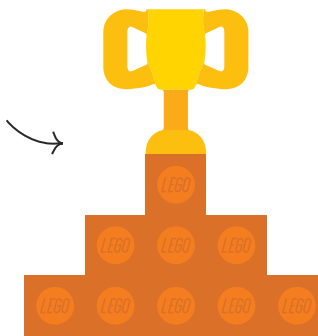
Celebrating nine decades of LEGO® play, our unique LEGO culture and mission stay the same, even though we have changed and grown. We are grateful for all that our colleagues do to inspire and develop the builders of tomorrow.

We are very grateful for everything each of our more than 27,000 people in 41 countries have contributed to our results in 2022 and to building a foundation to reach even more children in the future.

Levels of employee motivation and satisfaction continued to be strong and amongst the top 10 percent of international clients surveyed by Ennova*.



↑ The LEGO Group celebrated the official opening of the state-of-the-art LEGO Campus in April 2022.



Sustainability Highlights

Children

ACCESS TO LEARNING THROUGH PLAY

Reaching more children

9.8+ million children reached with Local Community Engagement activities. Up from 3.5 million in 2021.

Record year for Build to Give campaign

2+ million children in need of play received a LEGO® set as part of the record year for our Build to Give holiday campaign.

Volunteering back on after COVID-19

3,100+ LEGO employees volunteered to help bring joy to children as part of our Local Community Engagement activities, such as Build the Change events and other Learning through Play experiences.

Educational packs for parents and caregivers

88+ million parents and caregivers reached through social media channels with Build & Talk educational packs, up from 77.5 million in 2021. The programme provides help to tackle difficult conversations with their children about topics such as cyberbullying, online security, and digital footprints.

Environment

REDUCING OUR FOOTPRINT

Reducing carbon emissions

Focus on reducing our carbon emissions continues in line with our approved science-based target to ensure we lower the environmental impact in all parts of our business.

<1% waste from factories to landfill

Less than one percent waste from our factories has gone directly to landfill. Achieving zero waste to landfill means that at least 99 percent of generated waste is either reused, recycled, composted, or sent to non-landfill waste treatment options.

~200 bio-PE LEGO® elements

Almost 200 LEGO® elements included in more than half of our of LEGO boxes are made from the renewable material, bio-PE. Compared to 150 elements in 2021.

1st LEGO boxes with paper-based bags

We rolled out the first LEGO boxes with paper-based packaging in Europe to replace single-use plastic.

People

EQUITABLE, INCLUSIVE AND RESPONSIBLE WORKPLACE

Inclusive benefits

All employees globally, hourly and salaried, in our offices, production and retail sites, are eligible to receive a minimum of 26 weeks (primary caregiver) or eight weeks (secondary caregiver) paid childcare leave.

Representation

41 percent of positions at director+ level were held by women.

Strong motivation and satisfaction rating

In 2022, results showed that levels of motivation and satisfaction among employees continued to be strong and amongst the top 10 percent of international clients surveyed by Ennova*.

Hi there!

We are proud of the progress we've made in our sustainability journey in 2022. [Click here to read more.](#)



Celebrating 90 years of Play

This year, the LEGO Group celebrated 90 years of fan creativity and helping children reach their full potential through LEGO® play. We hosted our first World Play Day, a celebration of the power of play to inspire, connect and bring joy to people of all ages.

Here are some of the highlights from the festivities.



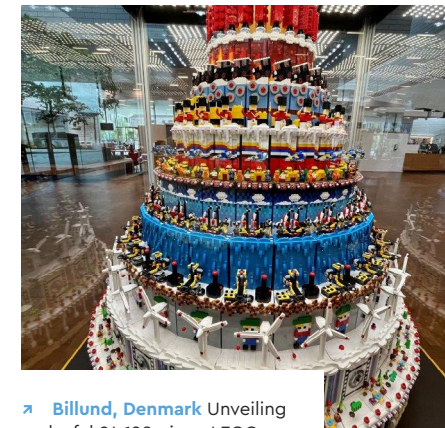
➤ **North Yorkshire, United Kingdom** Maze in the form of a LEGO minifigure.

← **Hangzhou, China** Playground in a LEGO Box.



← **New York, United States** Fair Away Isles, a vibrant play space in West Harlem inspired by local children and their ideas to bring more play to their community, and designed and brought to life for the summer by visionary artist Hebru Brantley.

➤ **Sydney, Australia** Darling Harbour transformed into a playground with 20 life-sized LEGO minifigures on World Play Day.



➤ **Billund, Denmark** Unveiling a playful 94,128 piece LEGO birthday cake and inviting fans to experience a world of playful learning activities at LEGO House.



Board of Directors and Management

CHAIRMAN

Thomas Kirk Kristiansen

Thomas Kirk Kristiansen represents the fourth generation of the owner family. He is Chairman of the Board of LEGO A/S and has been a member of the board since 2007. Thomas is also Deputy Chairman of LEGO Brand Group, member of the Board of Directors of KIRKBI A/S and one fully owned subsidiary, Chairman of the Board of Directors of LEGO Foundation and Chairman of the Board of Directors of Koldingvej 2, Billund A/S, as well as Executive Management member 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 is also Chairman of the audit committee), Landis + Gyr AG, Ole Kirk's Fond, Koldingvej 2, Billund A/S, ISS A/S, ATTA Fonden 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 Communications S.A., one of the world's leading satellite operators. She is also a member of the Board of Directors of Vestas Wind Systems A/S 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 Group plc in May 2021 and Kerry Group plc in January 2022 and sits on a number of advisory Boards including 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 Corporation and member of the Board of Merlin Entertainments Limited, member of IMD Supervisory Board, and as Chairman of BrainPOP. 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 a member of the Audit Committee. Jan is the Chief Investment Officer of A.P. Møller Holding A/S. Jan also holds positions as Deputy Chairman of the Board of Danske Bank A/S, Member of the Board of APMH Invest A/S, Chairman of the Board of KK Wind Solutions A/S and Deputy Chairman of the Board of Faerch 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, Inc., 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 Networks, and 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

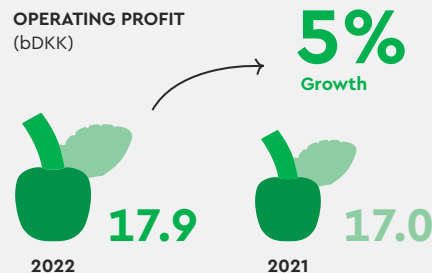
Financial Review

In 2022, the LEGO Group achieved double-digit revenue and consumer sales growth despite challenging market conditions. The performance was driven by strong demand and momentum achieved through its strategic priorities, designed to deliver long-term, sustainable growth.

REVENUE
(bDKK)



OPERATING PROFIT
(bDKK)



The LEGO Group's main activities are the development, manufacturing, marketing and selling of numerous games, toys, digital products, educational materials, and LEGO branded merchandise across the globe.

Overall, the LEGO Group delivered a very satisfactory performance in 2022. Consumer sales grew double digits at 12 percent, ahead of 2022 plans, which anticipated single digit growth. As a result, the company gained market shares globally and significantly outpaced the toy market, which declined slightly.

The performance was driven by strong demand for the company's portfolio, strong retailer partnerships, both online and instore, a robust e-commerce platform and a resilient global supply chain network. The continued focus on long-term strategic initiatives is paying off and building momentum to deliver sustainable growth.

Revenue

Revenue increased by 17 percent to DKK 64.6 billion compared to DKK 55.3 billion in 2021, landing above expectations and building on the exceptional growth in 2021, while navigating geopolitical and macroeconomic challenges. Excluding the impact of foreign currency exchange rates, revenue increased by 11 percent against 2021. Revenue growth was driven by strong consumer demand for the company's portfolio which appealed to builders of all ages, skills and interests, despite ceased commercial operations in Russia and the continued impact of COVID-19 restrictions in China.

Expenses, tax and profit

In 2022, the LEGO Group continued to accelerate its strategic initiatives

designed to deliver current and long-term, sustainable growth. This included areas such as brand awareness, product innovation, own and partners' retail platforms instore and online, production capacity and network, digitalisation and sustainability.

Operating profit grew five percent to DKK 17.9 billion in 2022 compared to DKK 17.0 billion in 2021. The operating margin was a solid 28 percent in 2022 against 31 percent in 2021, which was an exceptionally good year.

Income tax expense amounted to DKK 3.9 billion compared to DKK 3.7 billion in the prior year and the effective tax rate was 22 percent against 21.9 percent in 2021, in line with expectations. Net profit was DKK 13.9 billion in 2022, a rise of five percent against DKK 13.3 billion in 2021.

While Net profit increased as expected, it was achieved despite being negatively impacted by extraordinary inflationary pressures on materials, freight and commodity costs which were mainly caused by macro-economic and geopolitical challenges such as inflation, COVID-19 lock downs, currency fluctuations, and supply constraints as well as the cease of commercial operations in Russia due to the war in Ukraine.

Cash flow and equity

The LEGO Group's assets increased to DKK 55.2 billion in 2022 compared to DKK 48.0 billion in 2021. Free cash flow was DKK 9.3 billion, against DKK 12.9 billion in 2021. Both were driven by increased capital investments in property, plant and equipment. After recognition of the profit and distribution of dividends, the LEGO Group's equity was DKK 33.5 billion, an increase from DKK 29.1 billion in 2021.

Investments

In 2022, the LEGO Group increased investments in property, plant and equipment to DKK 5.9 billion compared to DKK 3.1 billion in the prior year. This included increasing manufacturing capacity in its factories in Nylregyháza in Hungary, Monterrey in Mexico, and Jiaxing in China.

Research and development (R&D)

Continuous innovation and development are key to the LEGO Group's mission to inspire and develop the builders of tomorrow. In 2022, new products accounted for 48 percent of the portfolio. The LEGO Group invested in innovating core play themes, exploring new play patterns as well as understanding the intersection between digital and physical play and creating new products for fans of all ages, skills and interests. R&D activities also included developing new technologies to enable learning through play, trend spotting, anthropological studies and collaborating with educational institutions to deepen the company's understanding of children's development.

Intellectual capital resources

People is one of the LEGO Group's four promises and the company is committed to the mental and physical health of its employees, by offering a range of opportunities like our Best of Both hybrid working model, medical assistance, mandatory training in diversity and inclusion and inspiring workspaces. Employees are covered by the LEGO Group's Performance Management Program designed to ensure all colleagues work towards achieving the LEGO Group's short and long-term ambitions. The number of employees at the end of 2023 was 27,338 compared to 24,484 at the end of 2021.

Responsible business conduct

The LEGO Group aims to live up to its Partner Promise by being a lawful, ethical, and respectful partner and sustaining 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 2022 Sustainability Progress Report (COP report) follows up on the Compact.

Pursuant to sections 99a and 99b of the Danish Financial Statements Act, the 2022 Sustainability Progress Report constitutes the statutory statement of the company's corporate social responsibility. This also includes information about the required quantitative targets for the under-represented gender on the Board of Directors. The 2022 Sustainability Progress Report is available at: [LEGO.com/AboutUs/Sustainability/Reporting](https://lego.com/AboutUs/Sustainability/Reporting).

Risks and governance

The LEGO Group has no significant trade receivables risk concentrated in specific countries except for some single significant trade debtors in the Americas. The LEGO Group has standard procedures for determining the granting of credit limits. The LEGO Group's risk relating to trade receivables is moderate. For more information, see [note 3.3](#).

Global inflationary pressures and Russia's war on Ukraine impacted the commodity market, driving increased production and distribution costs. The LEGO Group's risk is low, as the company mainly is exposed to changes in freight rates but has minimised the impact by manufacturing the products close to main markets, and in energy costs, which is an immaterial part of production costs.

The majority of the LEGO Group's sales are in foreign currencies, and the risks relating to currency fluctuations are described in [note 4.4](#).

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 2022 Sustainability Progress Report and at [LEGO.com/AboutUs/Sustainability/Reporting](https://lego.com/AboutUs/Sustainability/Reporting).

Data ethics

The LEGO Group is committed to handling data responsibly. The company has 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.

The LEGO Group's statement on data ethics, cf. section 99d of the Danish Financial Statements Act, can be found at [LEGO.com/AboutUs/Policies-and-reporting/Policies](https://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

In 2023, the LEGO Group expects single digit revenue growth ahead of the global toy market, and Net profit on similar level as 2022. This is expected to be achieved through increased focus on brand awareness, portfolio innovation, developing and expanding retail channels and shopping experiences.

DATA ETHICS

Click on the arrow and read more about the LEGO Group's principles regarding data ethics.

11.7%

Growth

NUMBER OF EMPLOYEES

27,338

2022

24,484

2021

Financial Highlights of the LEGO Group

The Financial Highlights for 2019-2022 are affected by the implementation of IFRS 16 Leases as from 1 January 2019. Comparison figures for 2018 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 Statement of Financial Position as well as including goodwill in the calculation.

Financial ratios, definitions are disclosed in **note 1.1**.

Parentheses denote negative figures.

(mDKK)	2022	2021	2020	2019	2018
Statement of Profit or Loss					
Revenue	64,647	55,294	43,656	38,544	36,391
Expenses	(46,726)	(38,250)	(30,744)	(27,707)	(25,617)
Operating profit	17,921	17,044	12,912	10,837	10,774
Financial items	(245)	(39)	(412)	(85)	(264)
Profit before tax	17,676	17,005	12,500	10,752	10,510
Net profit	13,782	13,285	9,916	8,306	8,076
Statement of Financial Position					
Total assets	55,192	47,991	37,202	34,946	31,485
Total equity	33,539	29,138	23,547	22,183	21,753
Total liabilities	21,653	18,853	13,655	12,763	9,732
Statement of Cash Flow					
Cash flow from operating activities	15,304	16,048	13,382	9,557	9,847
Purchase of property, plant, equipment and intangible assets	(5,976)	(3,159)	(1,891)	(2,173)	(1,502)
Free cash flow	9,332	12,892	11,498	7,395	8,355
Employees					
Average number (full-time)	23,775	20,198	17,431	16,112	15,050
Headcount end of year	27,338	24,484	20,468	18,800	17,385
Other financials (%)					
Revenue growth as reported	17	27	13	6	4
Revenue growth in constant currency	11	28	16	4	7
Financial ratios (%)					
Gross margin	68.8	69.6	69.7	68.4	67.8
Operating margin	27.7	30.8	29.6	28.1	29.6
Net profit margin	21.3	24.0	22.7	21.5	22.2
Return on equity (ROE)	44.0	50.4	43.4	37.8	38.0
Return on invested capital (ROIC)	77.8	94.0	74.1	68.4	78.9
Equity ratio	60.8	60.7	63.3	63.5	69.1

Consolidated Financial Statements

- [Statement of Profit or Loss](#)
- [Statement of Comprehensive Income](#)
- [Statement of Financial Position](#)
- [Statement of Changes in Equity](#)
- [Statement of Cash Flow](#)
- [Notes](#)

Welcome to our world of numbers!
Here you can click on the green LEGO brick when you want to return to this page and click on the grey one, when you wanna head back to the content page.



Statement of Profit or Loss

1 January – 31 December

(mDKK)	Note	2022	2021
Revenue	2.1	64,647	55,294
Production costs	2.2	(20,160)	(16,783)
Gross profit		44,487	38,511
Sales and distribution expenses	2.2	(20,318)	(15,982)
Administrative and IT expenses	2.2	(4,530)	(4,005)
Other operating expenses	2.2	(1,718)	(1,480)
Operating profit		17,921	17,044
Financial income	4.1	45	108
Financial expenses	4.1	(290)	(147)
Profit before tax		17,676	17,005
Income tax expenses	2.4	(3,894)	(3,720)
Net profit		13,782	13,285

Statement of Comprehensive Income

1 January – 31 December

(mDKK)	2022	2021
Net profit	13,782	13,285
<i>Items to be reclassified to the Statement of Profit or Loss, when specific conditions are met:</i>		
Change in market value of cash flow hedges	(467)	(524)
<i>Reclassification of cash flow hedges from equity to be recognised in:</i>		
Revenue	891	235
Production costs	(16)	(14)
Tax on cash flow hedges	(90)	67
Currency translation differences	282	532
<i>Items not to be reclassified to the Statement of Profit or Loss:</i>		
Remeasurements of defined benefit plans	25	14
Tax on remeasurements of defined benefit plans	(6)	(4)
Total comprehensive income	14,401	13,591



Statement of Financial Position

at 31 December



(mDKK)	Note	2022	2021
Intangible assets		452	406
Property, plant and equipment	3.1	18,494	14,191
Right-of-use assets	4.3	5,298	4,679
Other receivables		110	70
Deferred tax assets	2.4	1,099	999
Total non-current assets		25,453	20,345
Inventories	3.2	5,549	3,509
Trade receivables	3.3	9,096	8,409
Other receivables		1,676	1,345
Prepayments		876	475
Income tax receivables		266	123
Loans to related parties	5.5	10,896	12,748
Cash		1,380	1,037
Total current assets		29,739	27,646
Total assets		55,192	47,991

(mDKK)	Note	2022	2021
Share capital	4.2	20	20
Hedging reserve		157	(161)
Currency translation reserve		(256)	(538)
Retained earnings		33,618	29,817
Total equity		33,539	29,138
Borrowings		118	127
Lease liabilities	4.3	4,204	4,038
Deferred tax liabilities	2.4	48	29
Employee benefit obligations		134	146
Provisions		158	153
Deferred income	3.5	265	6
Other debt	3.4	168	148
Total non-current liabilities		5,095	4,647
Borrowings		9	10
Lease liabilities	4.3	1,212	714
Trade payables		5,862	5,116
Income tax liabilities		919	427
Provisions		137	67
Deferred income	3.5	813	501
Other debt	3.4	7,606	7,371
Total current liabilities		16,558	14,206
Total liabilities		21,653	18,853
Total equity and liabilities		55,192	47,991



Statement of Changes in Equity

at 31 December

(mDKK)	Share capital	Hedging reserve	Currency translation reserve	Retained earnings	Total equity
2022					
Equity at 1 January	20	(161)	(538)	29,817	29,138
Net profit	-	-	-	13,782	13,782
Comprehensive income	-	318	282	19	619
Dividend paid to shareholders	-	-	-	(10,000)	(10,000)
Equity at 31 December	20	157	(256)	33,618	33,539
2021					
Equity at 1 January	20	75	(1,070)	24,522	23,547
Net profit	-	-	-	13,285	13,285
Comprehensive income	-	(236)	532	10	306
Dividend paid to shareholders	-	-	-	(8,000)	(8,000)
Equity at 31 December	20	(161)	(538)	29,817	29,138



Accounting policies

Hedging reserve

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

Currency translation reserve

The currency translation reserve consists of foreign 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 currency translation reserve of that foreign subsidiary is recognised in the Statement of Profit or Loss. 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	2022	2021
Profit before tax		17,676	17,005
Adjustments for non-cash items	5.4	3,362	2,044
Change in working capital	5.4	(1,839)	927
Interest received		45	11
Interest paid		(227)	(147)
Income tax paid		(3,713)	(3,792)
Cash flow from operating activities		15,304	16,048
Purchase of intangible assets		(90)	(45)
Purchase of property, plant and equipment	3.1	(5,886)	(3,114)
Proceeds from sale of property, plant and equipment		4	3
Cash flow used in investing activities		(5,972)	(3,156)
Free cash flow		9,332	12,892
Repayments of borrowings		(10)	(10)
Payments of lease liabilities	4.3	(868)	(697)
Repayments from related parties	5.5	16,034	14,469
Payments to related parties	5.5	(14,182)	(18,754)
Dividend paid to shareholders	4.2	(10,000)	(8,000)
Cash flow used in financing activities		(9,026)	(12,992)
Net cash flow		306	(100)
Cash at 1 January		1,037	1,177
Net cash flow		306	(100)
Foreign exchange adjustments		37	(40)
Cash at 31 December		1,380	1,037

\$ 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 the beginning and end of the year. The Statement of Cash Flow cannot be derived directly from the Statement of Profit or Loss and the Statement of Financial Position.

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

Cash flow used in investing activities includes the purchase and sale of intangible assets and property, plant and equipment.

Cash flow used in financing activities includes the obtaining and repayments of long-term liabilities, short-term bank loans and the payment of dividend to shareholders. Payments of lease liabilities are included under financing activities and the related interest is included as a financial item under operating activities. Lease payments, not included in lease liabilities, are included in operating activities under Profit before tax, disclosed in **note 4.3**.

Cash comprises cash at banks 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 are 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.

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.

The accounting policies are unchanged from last year, except for new standards or amendments as described in **note 1.2**.

Change in classification in the Statement of Profit or Loss

Comparative figures in the Statement of Profit or Loss 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 Statement of Financial Position

No changes.

Change in classification in the Notes

Comparative figures in the notes have been restated to match this year's restatements in the Statement of Profit or Loss. Additional off-balance notes have been restated.

The adjustments of comparative figures are 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 foreign 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Profit or Loss, except when deferred in equity as currency translation reserve.

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 end of the year.
- 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 end of the year, and differences from the translation of the Statement of Profit or Loss of the foreign subsidiaries, from average exchange rates to the end of the year exchange rates, are recognised in other comprehensive income and classified as a currency translation reserve in equity.

Financial highlights

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

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

Free cash flow

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

Gross margin

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

Operating margin

$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$

Net profit margin

$\frac{\text{Net profit} \times 100}{\text{Revenue}}$

Return on equity (ROE)

$\frac{\text{Net profit} \times 100}{\text{Average equity}}$

Return on invested capital (ROIC)

$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$

Equity ratio

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



New and amended IFRS Standards

Note 1.2

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2022 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 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.

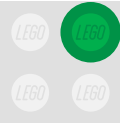
Management believes that the estimates are the most likely outcome of future events. Management bases the estimates on historical experience and other assumptions that Management assesses are reasonable under the given circumstances. Actual results may differ from these estimates under different assumptions 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
→ 2.4 Tax	Estimate of tax provisions
→ 3.1 Property, plant and equipment	Estimate of residual value and useful life of assets
→ 3.2 Inventories	Estimate in calculation of actual costs and provisions
→ 3.3 Trade receivables	Estimate level of expected losses



Revenue

Note 2.1

(mDKK)	2022	2021
Sale of goods	63,866	54,844
Licence income	781	450
	64,647	55,294
Sale of goods per region:		
Americas	28,079	22,031
Europe, Middle East & Africa	25,301	22,906
Asia & Pacific	10,486	9,907
	63,866	54,844

\$

Accounting policies

Revenue recognition

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

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 consumer loyalty programme is a separate performance obligation, as the consumer loyalty programme points are considered a material right derived from the contract entered into at the time of purchase. Revenue from the award credits is recognised when the consumer loyalty programme points are redeemed or when they expire.

Licence income

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 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	2022	2021
Raw materials and consumables used		9,419	7,567
Employee costs	2.3	11,505	10,198
Depreciation, amortisation and impairment		2,583	2,298
Licence and royalty expenses		5,484	4,481
Other external expenses		17,735	13,706
		46,726	38,250
<i>Recognised as follows:</i>			
Production costs		20,160	16,783
Sales and distribution expenses		20,318	15,982
Administrative and IT expenses		4,530	4,005
Other operating expenses		1,718	1,480
		46,726	38,250

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 Statement of Profit or Loss.

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 employees, 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 consist of research and development expenses.

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.

Employee costs

Note 2.3

(mDKK)	2022	2021
Wages and salaries	10,256	9,194
Restructuring costs	47	48
Pension costs	359	301
Social security and other costs	935	721
Employee costs before capitalisation to assets	11,597	10,264
Capitalised to assets	(92)	(66)
	11,505	10,198
<i>Recognised as follows:</i>		
Production costs	3,203	2,909
Sales and distribution expenses	4,725	3,959
Administrative and IT expenses	2,617	2,335
Other operating expenses	960	995
	11,505	10,198
Average number of full-time employees	23,775	20,198
Headcount at 31 December	27,338	24,484



Accounting policies

Wages and salaries, social security costs, leave and sick leave, bonuses and non-monetary employee benefits are recognised in the 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.

Tax

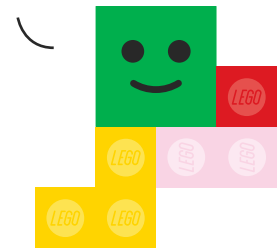
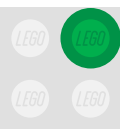
Note 2.4

(mDKK)	2022	2021
Current income tax	3,908	3,756
Other tax	45	69
Change in deferred tax	(117)	(192)
Deferred tax impact of change in tax rates	(3)	3
Adjustment to income tax for prior years	104	98
Adjustment to deferred tax for prior years	(43)	(14)
Income tax expenses	3,894	3,720
Reconciliation of the effective tax rate:		
Profit before tax	17,676	17,005
Corporate tax rate in Denmark	22.0%	22.0%
Impact of different tax rates in foreign subsidiaries	(1.2%)	(1.3%)
Permanent differences	0.2%	(0.3%)
Adjustment to deferred tax	0.5%	0.1%
Adjustment to tax for prior years	0.4%	0.5%
Corporate withholding taxes	0.1%	0.3%
Other corporate taxes	0.0%	0.6%
Effective tax rate	22.0%	21.9%



Hi again!

Whenever you see the small arrow, just follow the note to the next page.



Tax

Note 2.4 (continued)

(mDKK)	2022	2021
Deferred tax at 1 January, net	970	678
Recognised in profit or loss	160	206
Recognised in comprehensive income	(96)	63
Impact of change in tax rates	3	(3)
Foreign exchange adjustments	14	26
Deferred tax at 31 December, net	1,051	970
<i>Recognised as follows:</i>		
Deferred tax assets	1,099	999
Deferred tax liabilities	(48)	(29)
	1,051	970
<i>Related as follows:</i>		
Non-current assets	(163)	(137)
Inventories	512	394
Receivables	65	161
Provisions	179	149
Other liabilities	428	400
Tax loss carry-forwards	30	3
	1,051	970

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

Income tax expenses

The income tax expenses comprise income tax and deferred tax including impact of change in tax rates. Companies within the LEGO Group are liable to pay tax in the country they are located in. Income tax expenses include both Danish and foreign income tax.

The income taxes are recognised in the Statement of Profit or Loss, except to the extent that they relate to items recognised in Statement of 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 Statement of Profit or Loss.

Deferred tax

Deferred tax liabilities and deferred tax assets are measured according to the temporary difference approach, which means that all temporary differences between the carrying amount and the tax base of assets and liabilities are recognised in the Statement of Financial Position as deferred tax assets and deferred tax liabilities.

Deferred tax reflects the impact of any temporary differences. To the extent calculated deferred tax is positive, this is recognised in the Statement of Financial Position as deferred tax assets 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 deferred taxes are recognised in the Statement of Profit or Loss, except to the extent that they relate to items recognised in the Statement of Comprehensive Income.



Property, plant and equipment

Note 3.1

(mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction and prepayments	Total
2022					
Cost at 1 January	8,481	11,118	3,450	2,362	25,411
Additions	425	1,115	439	3,907	5,886
Disposals	(158)	(396)	(153)	-	(707)
Transfers	719	422	260	(1,401)	-
Foreign exchange adjustments	113	(64)	80	5	134
Cost at 31 December	9,580	12,195	4,076	4,873	30,724
Depreciation and impairment losses at 1 January	1,999	7,471	1,750	-	11,220
Depreciation	261	1,077	293	-	1,631
Disposals	(129)	(384)	(148)	-	(661)
Foreign exchange adjustments	30	(22)	32	-	40
Depreciation and impairment losses at 31 December	2,161	8,142	1,927	-	12,230
Carrying amount at 31 December	7,419	4,053	2,149	4,873	18,494



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 the future use of the assets. It is Management's assessment that the estimates are reasonable.



Accounting policies

Land, buildings and installations 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.

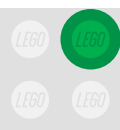
Cost

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 as incurred.

Government grants for investments are offset against the cost of the assets to which the grants relate, except in circumstances where the asset is donated free of charge, in these circumstances a deferred income is recognised, disclosed in **note 3.5**.



Property, plant and equipment

Note 3.1 (continued)

(mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction and prepayments	Total
2021					
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)	-
Foreign exchange 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	227	986	223	-	1,436
Impairment losses	37	9	-	-	46
Disposals	(2)	(341)	(48)	-	(391)
Foreign exchange 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

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 indications of impairment exist. Management performs an annual assessment of the assets' future use e.g. in relation to changes in building, product and production setup or restructuring.

Land is not depreciated.

Lease hold improvement is depreciated accordingly to lease terms.

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

Useful lives and residual values are reassessed annually.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Profit or Loss as production, sales and distribution or administrative expenses, dependent on the disposed asset.

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

Inventories

Note 3.2

(mDKK)	2022	2021
Raw materials	836	346
Work in progress	2,310	1,493
Finished goods	2,403	1,670
	5,549	3,509

Inventories recognised as an expense amounted to DKK 13,354 million (DKK 10,978 million in 2021). These are included in production costs in the Statement of Profit or Loss.

Write-down of inventories is recognised in production costs as a cost of DKK 144 million (DKK 75 million in 2021 as a cost).



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 production 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.

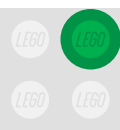
Trade receivables

Note 3.3

(mDKK)	2022	2021
Trade receivables, gross	9,588	9,237
Loss allowance for bad debts at 1 January	(828)	(1,056)
Change in loss allowance, net	35	108
Realised losses	48	28
Confirmed losses provided for in previous years	271	128
Foreign exchange adjustments	(18)	(36)
Loss allowance for bad debts at 31 December	(492)	(828)
Trade receivables, net	9,096	8,409



All trade receivables fall due within 12 months. Due to the short-term nature of the trade receivables, their carrying amount is considered to be approximately the same as their fair value.



Trade receivables

Note 3.3 (continued)

Credit Risk on trade receivables:

(mDKK)	Gross carrying amount	Loss allowance for bad debts	Net carrying amount	Weighted average loss rate
31 December 2022				
Not overdue	8,599	(295)	8,304	3%
1 – 60 days overdue	685	(22)	663	3%
61 – 120 days overdue	75	(19)	56	25%
121 – 180 days overdue	29	(13)	16	45%
More than 180 days overdue	200	(143)	57	72%
	9,588	(492)	9,096	
31 December 2021				
Not overdue	8,194	(418)	7,776	5%
1- 60 days overdue	546	(15)	531	3%
61 – 120 days overdue	40	(6)	34	15%
121 – 180 days overdue	28	(7)	21	25%
More than 180 days overdue	429	(382)	47	89%
	9,237	(828)	8,409	

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. More information is disclosed in [note 4.4](#).



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. The model is based on historical credit loss experiences combined with macroeconomic factors, such as country risk, affecting the credit risk and a combination of credit risk

characteristics for the customers within geography, creditworthiness, and payment history.

To the extent possible, the credit risks are mitigated through use of payment guarantees and prepayments.

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. Another factor to determine the expected credit loss is the current rise in inflation.



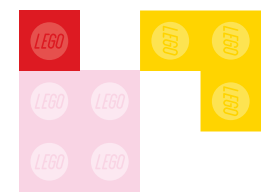
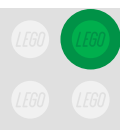
Accounting policies

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 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.



Other debt

Note 3.4

(mDKK)	2022	2021
Employee-related payables and other charges	2,977	3,339
Sales incentives	1,590	1,573
Licence liabilities	721	644
VAT and other indirect taxes	559	498
Derivative financial instruments	120	342
Other liabilities to related parties	212	203
Other liabilities	1,595	920
	7,774	7,519
<i>Recognised as follows:</i>		
Non-current	168	148
Current	7,606	7,371
	7,774	7,519



Accounting policies

Other debt comprises employee-related debt, other debts to authorities, derivative financial instruments, sales incentives, licences and royalty debt. Other liabilities consist mainly of accrued utilities, distribution, marketing, investment related debt and other services. Other debt is measured at amortised cost.

Deferred income

Note 3.5

(mDKK)	2022	2021
Consumer loyalty programme	560	378
Land donation	234	-
Other	284	129
	1,078	507
<i>Recognised as follows:</i>		
Non-current	265	6
Current	813	501
	1,078	507

Deferred income consists of obligations regarding the LEGO Group's VIP loyalty programme. Land donation consists of government granted land. Other obligations towards customers comprise issued gift cards and sale of goods.

Revenue recognised in 2022 included in deferred income at the beginning of 2022 amounts to DKK 443 million (DKK 339 million in 2021).

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

Income attributable to loyalty programme granted and gift cards 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.



Significant accounting estimates

The LEGO Group's 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.



Deferred income

Note 3.5 (continued)



Accounting policies

More information regarding the timing of revenue recognition is disclosed in **note 2.1**.

Land donation granted by government is recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. The donation will be recognised as land under property, plant and equipment, and deferred income. The deferred income will be reduced on a straight-line basis over the expected lives of the related buildings constructed on the donated land, which is 40 years.

Financial items

Note 4.1

(mDKK)	2022	2021
Interest income from related parties	25	-
Interest income	10	4
Foreign exchange gains, net	-	97
Other financial income	10	7
Financial income	45	108
Interest expenses related to lease liabilities	143	113
Interest expenses to related parties	20	21
Interest expenses to credit institutions	2	3
Foreign exchange losses, net	63	-
Other financial expenses	62	10
Financial expenses	290	147

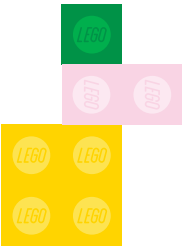


Accounting policies

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

Financial items 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)	2022	2021
A-shares	1	1
B-shares	9	9
C-shares	10	10
	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. Both B-shares and C-shares carry 1 vote per DKK 1,000 share.

Dividend of DKK 10,000 million was paid in May 2022 (DKK 8,000 million in May 2021), corresponding to DKK 0.50 million per DKK 1,000 of share capital.

Proposed dividend for 2022 is DKK 9,000 million, corresponding to DKK 0.45 million per DKK 1,000 of share capital.

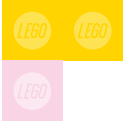
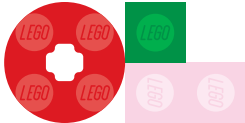
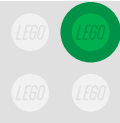
Shareholders holding more than 5% of the share capital or 5% of the votes:

- 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).



Leases

Note 4.3

Right-of-use assets

(mDKK)	Rental of premises	Other assets	Total
2022			
Cost at 1 January	6,052	418	6,470
Additions	967	118	1,085
Remeasurements	488	9	497
Disposals	(281)	(82)	(363)
Foreign exchange adjustments	(10)	3	(7)
Cost at 31 December	7,216	466	7,682
Depreciation at 1 January	1,600	191	1,791
Depreciation	801	113	914
Disposals	(254)	(72)	(326)
Foreign exchange adjustments	4	1	5
Depreciation at 31 December	2,151	233	2,384
Carrying amount at 31 December	5,065	233	5,298

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



Leases

Note 4.3 (continued)

Lease liabilities

(mDKK)	2022	2021
Debt at 1 January, net	4,752	3,100
Cash flow	(868)	(697)
New leases	1,582	2,229
Terminated leases	(37)	(21)
Other changes	(1)	(2)
Foreign exchange adjustments	(12)	143
Debt at 31 December, net	5,416	4,752

Maturity of contractual cash flow

(mDKK)	2022	2021
0–1 year	1,360	858
1–5 years	2,370	2,180
> 5 years	2,407	2,471
	6,137	5,509

Amounts recognised in the Statement of Profit or Loss

(mDKK)	2022	2021
Expenses relating to short-term leases	151	135
Expenses relating to leases of low-value assets that are not short-term leases	24	9
Expenses relating to variable lease payments not included in lease liability	193	114
	368	258

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 to exercise a 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 cash outflow for leases in the year was DKK 1,379 million (DKK 1,068 million in 2021).

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

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 period.

The LEGO Group has not entered into any significant leases, not yet commenced, to which the LEGO Group is committed (DKK 0 million in 2021).



Accounting policies

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

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

Variable lease payments, such as sales-based rent, are recognised as expense in the year.

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.



Leases

Note 4.3 (continued)

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 different 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 rates.

- 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 asset classes, non-lease components will be separated from the lease components and thereby not form part of the recognised right-of-use asset and the lease liability.

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 risks

Note 4.4

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 the Treasury Policy and the 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
Currency risk	High
Commodity risk	Low
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.

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

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 local market conditions into account.

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 3.3](#).

The LEGO Group uses the related company KIRKBI Invest A/S for deposits. No independent rating exists but no significant risks are recognised.

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

Currency risk

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

The LEGO Group's currency risk is managed centrally based on the 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.

Commodity risk

The LEGO Group is exposed to commodity risks related to production and distribution. Increased commodity prices negatively impact production and distribution costs. The largest exposure to changes in market prices relates to the use of energy in production. The total energy costs in the production compared to the total production costs are relatively low, and consequently the LEGO Group does not actively manage commodity risk.

Financial risks

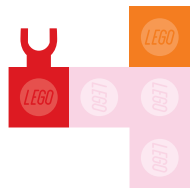
Note 4.4 (continued)

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

2022 (mDKK)	EUR	USD	GBP	CZK	MXN	HUF	CNY	CAD	SGD
Cash	103	90	48	6	21	1	16	40	17
Trade receivables	1,262	2,471	721	208	203	49	638	257	1,700
Trade payables	(854)	(1,059)	(958)	(547)	(210)	(339)	(235)	(30)	(132)
Current receivables/(debt), related parties	(1,004)	(240)	(337)	607	(216)	858	61	(148)	(2,430)
Loan, related parties	-	82	-	241	1,678	815	1,215	-	-
Foreign exchange forwards	(35)	(1,013)	(131)	78	11	20	(87)	(209)	-
Financial instruments impacting net profit	(528)	331	(657)	593	1,487	1,404	1,608	(90)	(845)
Foreign exchange forwards	(317)	(3,470)	(710)	243	-	98	(363)	(797)	-
Foreign exchange options	-	415	-	-	-	-	-	-	-
Financial instruments not impacting net profit	(317)	(3,055)	(710)	243	-	98	(363)	(797)	-
Financial instruments impacting equity	(845)	(2,724)	(1,367)	836	1,487	1,502	1,245	(887)	(845)



The isolated impact at 31 December 2022 on net profit and equity of the financial instruments are specified on the next page. This shows the LEGO Group's main currencies with a currency strengthening of ten percent against DKK and two percent on EUR against DKK. The sensitivities are based only on the impact of outstanding financial instruments at 31 December 2022, and 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: Trade receivables, cash, trade payables, receivables/debt and loan to/from related parties, foreign exchange forwards and foreign exchange options.



Financial risks

Note 4.4 (continued)

Exchange rate sensitivity analysis based only on outstanding financial instruments:

(mDKK)	Change in exchange rate	31 December 2022	
		Profit / (Loss)	Equity
DKK/EUR	+2%	(11)	(17)
DKK/USD	+10%	33	(272)
DKK/GBP	+10%	(66)	(137)
DKK/CZK	+10%	59	84
DKK/MXN	+10%	149	149
DKK/HUF	+10%	140	150
DKK/CNY	+10%	161	125
DKK/CAD	+10%	(9)	(89)
DKK/SGD	+10%	(85)	(85)

Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing assets and interest-bearing debt. The LEGO Group's interest-bearing assets mainly consist of bank deposits and deposit with KIRKBI Invest A/S. An increase in the interest level of one percentage point would have had a positive impact on the LEGO Group's net profit in 2022 of DKK 75 million (DKK 71 million in 2021). The LEGO Group's interest rate risk is considered low.

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. The excess liquidity is placed at KIRKBI Invest A/S, which reduces the risk to low.

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 that 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. A 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 4.5

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). It is the aim to hedge currencies accounting for 75 percent of the LEGO Group's total foreign currency risk, looking at a 12-months forward period. The average ratio of the hedged currencies must be between 50 percent and 75 percent on a 12-months rolling period. The designated rate for hedging is the spot rate.

There is no hedging ineffectiveness in this period.

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.

The following table shows the fair value of hedging activities specified by main foreign currencies, and represents the net fair value of forward contracts and options for sale and purchase of currencies.

2022 (mDKK)	Contract amount	Positive fair value	Negative fair value	Weighted average contract rate	Period covered
USD	7,165	129	105	6.931	12 months
JPY	348	11	3	0.055	12 months
GBP	1,095	31	1	8.521	12 months
AUD	1,085	25	4	4.800	12 months
CAD	1,321	46	1	5.273	12 months
CNY	592	16	1	1.034	12 months
Other currencies	793	29	5		12 months
	12,399	287	120		



Derivative financial instruments

Note 4.5 (continued)

Accounting policies

Derivative financial instruments are initially recognised at cost and are subsequently remeasured at their fair value at the end of the year.

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).

Positive and negative fair value of derivative financial instruments are disclosed net together with the hedged item. Positive fair value is recognised as an asset under other receivables, and negative fair value as liability under other debt.

The changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in the Statement of Comprehensive Income, within a separate equity reserve. The cumulative gains or losses relating to these hedge transactions are reclassified from equity when the hedged item affects the Statement of Profit or Loss, or if the hedged transaction is no longer to take place. Any ineffectiveness arising from hedging of currency risks are recognised in financial items.

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 Statement of Profit or Loss.

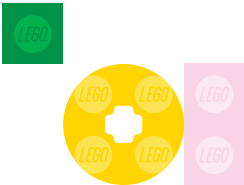
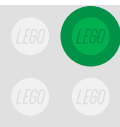
When option contracts are used to hedge forecast transactions, the LEGO Group designates only the intrinsic value of the option contract as the hedging instrument.

Fees to independent auditor

Note 5.1

(mDKK)	2022	2021
Fee for statutory audit	13	12
Other assurance engagements	1	1
Total audit related services	14	13
Tax consultancy	6	8
Other services	5	15
Total non-audit services	11	23
Total fees to independent auditor	25	36

Non-audit services include VAT compliance, tax consultancies as well as accounting advice.



Remuneration of Group Management

Note 5.2

Remuneration to Executive Management and the Board of Directors

(mDKK)	2022	2021
Salaries and other remuneration	65	59

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 section 98b paragraph 3 of the Danish Financial Statements Act.

Remuneration to Key Management Personnel (Executive Leadership Team)

(mDKK)	2022	2021
Salaries	68	68
Pensions	1	-
Short-term incentive plans	64	61
Long-term incentive plans	47	33
	180	162
Severance payments and other one-offs	5	17
Total remuneration	185	179
Average number of employees in Executive Leadership Team	7	7
Headcount of Executive Leadership Team at 31 December	7	7

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)	2022	2021
Guarantees	260	127
Purchase contract commitments of property, plant and equipment	6,698	3,437
Other purchase contract commitments	440	87
Other obligations	2,472	4,195
	9,870	7,846

Guarantees are bank guarantees for commitments, and commitments to fulfill government grants.

Other purchase contract commitments primarily consist of commitments to purchase raw materials.

Purchase contract commitments have a maturity of maximum 5 years.

Other obligations consist of licence and service agreements.

The LEGO Group has entered into 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 503 million (DKK 474 million in 2021) for the LEGO Group's mortgage loans of DKK 127 million (DKK 137 million in 2021).

The LEGO Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation group that arose in income years up to and including 31 December 2004. The corresponding deferred tax on these losses amounts to DKK 80 million (DKK 80 million in 2021), of which DKK 0 million has been recognised for deferred tax purposes. The tax losses that were utilised by the Danish joint taxation group prior to 31 December 2004 are 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

Adjustments for non-cash items

(mDKK)	2022	2021
Depreciation and amortisation of non-current assets	2,583	2,252
Impairment of non-current assets	-	46
Gain on disposal of non-current assets, net	39	21
Change in provisions, net	78	55
Remeasurement of defined benefit plans	25	14
Change in employee benefit obligations, net	(16)	(80)
Financial items, net	245	39
Cash flow hedging	408	(303)
	3,362	2,044

Change in working capital

(mDKK)	2022	2021
Inventories	(2,027)	(480)
Trade receivables	(720)	(1,537)
Other receivables	(341)	(423)
Prepayments	(399)	(170)
Trade payables	782	2,074
Deferred income	554	148
Other debt	312	1,315
	(1,839)	927



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)	2022	2021
KIRKBI A/S		
Sale of goods	1	-
Other transactions	(53)	(21)
Dividend	(7,500)	(6,000)
Balance at 31 December, net	16	12
Lease liability 31 December	(1,760)	(1,733)
Koldingvej 2, Billund A/S		
Sale of goods	40	22
Other transactions	(29)	(27)
Dividend	(2,500)	(2,000)
Balance at 31 December, net	(12)	(18)
KIRKBI Invest A/S Group		
Trademark royalty	(2,340)	(1,988)
Other transactions	417	249
Balance at 31 December, net	327	167
Lease liability 31 December	(178)	(145)
Merlin Entertainments Group		
Sale of goods	798	508
Royalty	41	19
Other transactions	(12)	(1)
Balance at 31 December, net	102	81
Transactions with other related parties		
Sale of goods	-	1
Other transactions	28	27
Donations	144	144
Balance at 31 December, net	56	52



Related parties

Note 5.5 (continued)

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

(mDKK)	2022	2021
Loan at 1 January	12,748	8,463
Loans advanced	14,182	18,754
Repayments	(16,010)	(14,450)
Interest	(24)	(19)
Loan at 31 December	10,896	12,748

No loss allowance was recognised in relation to balances or loans with related parties during the year. All balances and loans fall due within 12 months. 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 into any leases with related parties, not yet commenced.

Transactions with Key Management Personnel

There has been no transactions with the Board of Directors or Executive Leadership Team besides remuneration. Further information is disclosed in [note 5.2](#).

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.

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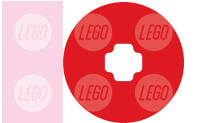
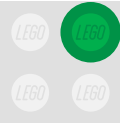
Accounting policies

Deposit between the LEGO Group and KIRKBI Invest A/S is considered to be a financial asset 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

LEGO A/S

at 31 December 2022

Manufacturing, administration, sales and distribution

Denmark	LEGO System A/S
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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.
United States *	LEGO Manufacturing Richmond, Inc.
Vietnam	LEGO Manufacturing Vietnam Company Limited

Sales and distribution

Australia	LEGO Australia Pty. Ltd.
Austria	LEGO Handelsgesellschaft mbH
Belgium	LEGO Belgium n.v.
Brazil	LEGO do Brasil Comércio e Distribuição de
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

Sales and distribution (continued)

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.
Türkiye	LEGO Turkey Oyuncak Ticearet Anonim Sirketi
Ukraine	LEGO Ukraine LLC

Sales and distribution (continued)

United Kingdom	LEGO Company Limited
United States	LEGO Systems, Inc.
United States *	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.
United States *	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, who is the ultimate Parent Company.

Parent Company Financial Statements

- Statement of Profit or Loss
- Statement of Financial Position
- Statement of Changes in Equity
- Notes

You guessed it!

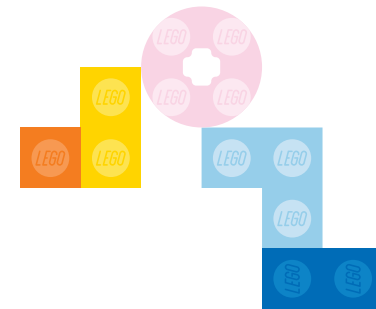
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Statement of Profit or Loss

1 January – 31 December

(mDKK)	Note	2022	2021
Revenue		582	512
Gross profit		582	512
Administrative expenses		(378)	(349)
Operating profit		204	163
Net profit from subsidiaries	3.3	13,586	13,145
Financial income	2.2	89	69
Financial expenses	2.2	(102)	(79)
Profit before tax		13,777	13,298
Income tax expenses	2.3	(72)	(90)
Net profit		13,705	13,208



Statement of Financial Position

at 31 December

(mDKK)	Note	2022	2021
Intangible assets	3.1	131	199
Property, plant and equipment	3.2	4	5
Deferred tax assets	3.5	38	47
Investments in subsidiaries	3.3	29,465	27,420
Receivables from subsidiaries		191	-
Total non-current assets		29,829	27,671
Receivables from subsidiaries		3,818	1,611
Trade receivables		23	13
Other receivables		42	3
Cash		-	16
Total current assets		3,883	1,643
Total assets		33,712	29,314

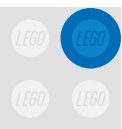
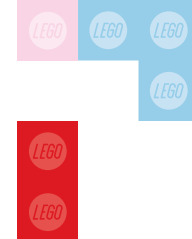
(mDKK)	Note	2022	2021
Share capital	3.4	20	20
Equity method reserve		8,547	6,854
Retained earnings		15,734	12,103
Proposed dividend		9,000	10,000
Total equity		33,301	28,977
Provisions		13	13
Other debt		169	148
Total non-current liabilities		182	161
Trade payables		7	8
Income tax liabilities		42	51
Debt to subsidiaries		1	1
Other debt		179	116
Total current liabilities		229	176
Total liabilities		411	337
Total equity and liabilities		33,712	29,314



Statement of Changes in Equity

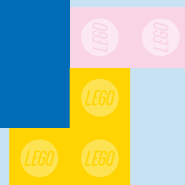
at 31 December

(mDKK)	Share capital	Equity method reserve	Retained earnings	Proposed dividend	Total equity
2022					
Equity at 1 January	20	6,854	12,103	10,000	28,977
Dividend paid to shareholders	-	-	-	(10,000)	(10,000)
Net profit	-	1,074	3,631	9,000	13,705
Currency translation adjustments	-	282	-	-	282
Items recognised on equity in subsidiaries	-	337	-	-	337
Equity at 31 December	20	8,547	15,734	9,000	33,301
2021					
Equity at 1 January	20	6,019	9,424	8,000	23,463
Dividend paid to shareholders	-	-	-	(8,000)	(8,000)
Net profit	-	529	2,679	10,000	13,208
Currency translation adjustments	-	532	-	-	532
Items recognised on equity in subsidiaries	-	(226)	-	-	(226)
Equity at 31 December	20	6,854	12,103	10,000	28,977





Notes



Basis of preparation

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Statement of Profit or Loss

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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 section 86 paragraph 4 of the Danish Financial Statements Act, the company has not prepared a Statement of Cash Flow. Reference is made to the Consolidated Statement of Cash Flow, [page 23](#). Referring to section 96 paragraph 3 and section 101 paragraph 4 of the Danish Financial Statements Act, the company does not disclose the fee paid to the auditors appointed by the Annual General Meeting or five year financial summary.

The accounting policies are the same as for the Consolidated Financial Statement except the additional disclosures on tax, intangible assets and investments in subsidiaries, see the respective notes. Accounting policies relevant for the Parent Company, but not included in the Consolidated Financial Statements are described below.

Revenue

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

Provisions
Provisions are recognised when the Company 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 Company 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 are measured at the present value of the estimated obligation at the end of the year.

Provision at 31 December 2022 consist of uncertain obligations.

Non-current liabilities
Other debt classified as non-current falls due within 1-5 years.

The accounting policies for the Financial Statements of the Parent Company remain unchanged from last year.

Employee costs

Note 2.1

(mDKK)	2022	2021
Salaries	128	128
Pension costs	-	-
Social security and other costs	1	1
	129	129
Recognised as follows:		
Administrative expenses	129	129
	129	129
Average number of full-time employees	5	5
Remuneration to Executive Management and the Board of Directors		
Salaries and other remuneration	65	59

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 section 98b paragraph 3 of the Danish Financial Statements Act.

Financial items

Note 2.2

(mDKK)	2022	2021
Interest income from subsidiaries	89	69
Financial income	89	69

(mDKK)	2022	2021
Interest expenses to subsidiaries	90	77
Other interest expenses	4	-
Foreign exchange losses, net	8	2
Financial expenses	102	79

Income tax expenses

Note 2.3

(mDKK)	2022	2021
Current income tax	49	49
Other tax	14	40
Change in deferred tax	3	(8)
Adjustment to income tax for prior years	-	4
Adjustment to deferred tax for prior years	6	5
	72	90



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

2022 (mDKK)	Goodwill	Patents, software and other rights	Total
Cost at 1 January	303	49	352
Cost at 31 December	303	49	352
Amortisation and impairment losses at 1 January	126	27	153
Amortisation	61	7	68
Amortisation and impairment losses at 31 December	187	34	221
Carrying amount at 31 December	116	15	131



Accounting policies

Goodwill

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 as administrative expenses in the Statement of Profit or Loss.

Patents, software and other rights

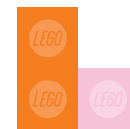
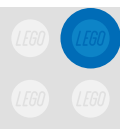
Patents, software and other rights are capitalised based on the costs incurred.

Patents, software 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 reassessed annually.

Property, plant and equipment

Note 3.2

2022 (mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	3	2	5
Cost at 31 December	3	2	5
Depreciation and impairment losses at 1 January	-	-	-
Depreciation	-	1	1
Depreciation and impairment losses at 31 December	-	1	1
Carrying amount at 31 December	3	1	4



Investments in subsidiaries

Note 3.3

(mDKK)	2022	2021
Cost at 1 January	10,600	9,577
Additions	1,318	1,106
Disposals	-	(35)
Transfers	-	(48)
Cost at 31 December	11,918	10,600
Value adjustments at 1 January	16,820	14,019
Currency translation adjustments	282	532
Share of net profit	13,586	13,145
Dividends	(13,478)	(10,660)
Entries recognised directly on equity in subsidiaries	337	(226)
Transfers	-	10
Value adjustments at 31 December	17,547	16,820
Carrying amount at 31 December	29,465	27,420

Group structure is disclosed in the Consolidated Financial Statements [note 5.7](#).



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.

Net profit in subsidiaries are disclosed as net profit after tax in the Parent Company's Statement of Profit or Loss.

Share capital

Note 3.4

2022	Number of shares	Nominal value (mDKK)
A-shares	19	1
B-shares	150	9
C-shares	36	10
	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)	2022	2021
Deferred tax at 1 January, net	47	44
Recognised in profit or loss	(9)	3
Deferred tax at 31 December, net	38	47
<i>Recognised as follows:</i>		
Deferred tax assets	38	47
Deferred tax liabilities	-	-
	38	47

Contingent assets, contingent liabilities and other obligations

Note 3.6

(mDKK)	2022	2021
Guarantees	764	889
Other indemnities	101	103
	865	992

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 group that arose in income years up to and including 31 December 2004. The corresponding deferred tax on these losses amounts to DKK 80 million (2021 DKK 80 million), of which DKK 0 million has been recognised for deferred tax purposes. The tax losses that were utilised by the Danish joint taxation group prior to 31 December 2004 are 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)	2022	2021
KIRKBI A/S		
Other transactions	(2)	(1)
KIRKBI Invest A/S Group		
Other transactions	1	1
Merlin Entertainments Group		
Royalty	41	19
Balance at 31 December, net	24	16

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 net profit

Note 3.8

(mDKK)	2022	2021
Proposed dividend	9,000	10,000
Equity method reserve	1,074	529
Retained earnings	3,631	2,679
	13,705	13,208



Accounting policies

Dividend proposed by Management is recognised as a separate item under equity.



Management Statement and Auditor's Report

- Management Statement
- Independent Auditor's Report



Management 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 2022. 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 2022 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 2022.

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 2023



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 2022 and of the results of the Group's operations and cash flow for the financial year 1 January to 31 December 2022 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 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 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 2022, which comprise Statement of Profit or Loss, Statement of Financial Position,

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 Financial 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 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen

State Authorised Public Accountant
mne23328

Mads Melgaard

State Authorised Public Accountant
mne34354



LEGO A/S

Aastvej 1 | DK-7190 Billund
+45 7950 6070 | www.LEGO.com

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