

2023

The LEGO Group

Annual Report

LEGO A/S Aastvej 1, DK-7190 Billund CVR: 54 56 25 19



Welcome!

Well, hello!

Nice to meet you. If you ever get lost, just click on the LEGO® brick in the bottom left corner to jump back here.



Management's Review

Letter from the CEO	04
Performance Highlights	05
Strategic Overview	06
Board of Directors and Management	13
Financial Review	14
Financial Highlights	17

Go explore!

Consolidated Financial Statements

Statement of Profit or Loss	19
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Statement of Cash Flow	22
Notes	23

Go explore!

Parent Company Financial Statements

Statement of Profit or Loss	48
Statement of Financial Position	49
Statement of Changes in Equity	50
Notes	51

Go explore!

Management Statement and Auditor's Report

Management Statement	58
Independent Auditor's Report	59

Go explore!





Management's Review

- Letter from the CEO
- Performance Highlights
- Strategic Overview
- Board of Directors and Management
- Financial Review
- Financial Highlights

Letter from the CEO

2023 was one of the most challenging years the toy industry has seen in at least 15 years.

Despite this, the LEGO Group continued to grow. We significantly outpaced the market and grew market share. We finished the year strongly, and our brand is more relevant than ever.

We are pleased with the continued top line growth following three consecutive years of double-digit growth. We also maintained a solid bottom line, while continuing to spend significantly on strategic initiatives to support long-term growth.

Innovative portfolio and engaging experiences

Momentum was driven by our large and diverse portfolio which is designed to appeal to people of all ages and interests. Around half of the portfolio was new and demonstrated the endless possibilities of the LEGO® System in Play. We launched a new homegrown theme LEGO® DREAMzzz™, and LEGO® Fortnite®, the first release in our long-term partnership with Epic Games.

We continued our efforts to delight shoppers through memorable experiences both online and in-store. We finished 2023 with over 1,000 LEGO branded stores,



“We are pleased with our performance in 2023. We continued to grow, despite a declining toy market. We increased market share and accelerated spending on strategic initiatives to support long-term growth.”

more than double the number we had five years ago. We also continued to work with our retail partners to delight people when and where they wish to shop.

Progress on strategic investments

Our strong financial foundations allow us to invest for the future, including expanding global manufacturing capacity, digitally enabling our business and becoming more sustainable.

Notably, we broke ground on our new factory in the U.S., began construction of the new facility in Vietnam while expanding and upgrading our existing factories and sites. We further built our digital capabilities to improve consumers, shoppers, and partners' brand experiences.

2023 was a significant year in reaching our sustainability ambition. We increased spending on environmental initiatives by 60 percent, pledged to achieve net-zero emissions by 2050 and increased our use of more

sustainable materials in LEGO bricks and packaging. We continue to learn and are encouraged by our progress.

Positive impact on children

We are also proud of the work done around the world through our social responsibility programmes to bring learning through play to millions of children in need.

None of our achievements would be possible without the dedication of all our colleagues around the world. I want to thank them for their endless creativity and innovative ideas that inspire and develop the builders of tomorrow.

Niels B. Christiansen
CEO of the LEGO Group

POSITIVE IMPACT

25% owned by the LEGO Foundation

Each year significant profits go to helping children develop via learning through play around the world.*

9.8+ million children

impacted through social responsibility initiatives in person and online. >10% above our yearly target.

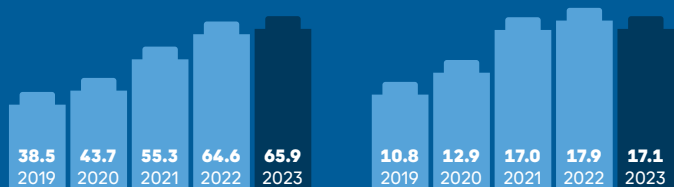
FINANCIAL PERFORMANCE

Outperformed toy market and gained significant market share.

Accelerated spending on strategic initiatives.

65.9 bDKK
Revenue

17.1 bDKK
Operating Profit



4-year CAGR** +14%

4-year CAGR +12%

57.1%
Return on invested capital

15.4 bDKK
Cash flow from operating activities

6.9 bDKK
Free cash flow

Performance Highlights



INNOVATING PLAY

Largest portfolio ever. 47% of products were new.

LEGO® Fortnite®

1st digital experience with Epic Games.

Popular themes

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



LEGO® DREAMZzz™

New homegrown IP theme and entertainment series.

LEGO® Builder app

15+ million downloads.
+14% vs. 2022.

MEMORABLE BRAND EXPERIENCES

1,031 branded stores

147 new stores opened globally in 2023.***

LEGO® Insiders

membership programme launched in August 2023.

BUILDING A SUSTAINABLE FUTURE

60% increase in spending on environmental initiatives

in 2023 vs. 2022, and by 2025 plans to have doubled its annual spend compared to 2023.

3 carbon emissions targets

- **2050** pledge to achieve net-zero emissions (scope 1, 2 and 3).
- **2032** science-based target of 37% reduction, compared to 2019 (scope 1, 2 and 3).
- **Annual carbon KPI** for all employees from 2024.

GLOBAL SUPPLY CHAIN NETWORK

Capacity expanded and capabilities upgraded at 3 factories

Hungary | Mexico | China |

2 new factories being built

in Vietnam and the U.S. both designed to be energy efficient and include solar farms to match their energy needs.

ADVANCING OUR DIGITAL AMBITIONS

Digital technology team grew

+27% vs. 2022 across our four digital offices. Billund | Copenhagen | London | Shanghai |

* Through Koldingvej 2, Billund A/S.
** Compound Annual Growth Rate.
*** See retail model on page 8.

Strategic Overview

Celebrating the Superpower of Play

1 Innovating Play

Go explore!

2 Creating Memorable Brand Experiences

Go explore!

3 Expanding our Global Supply Chain Network

Go explore!

4 Advancing our Digital Ambitions

Go explore!

5 Building a Sustainable Future

Go explore!

6 Providing Playful and Inclusive Workplaces

Go explore!

Play is critical to helping children build life-long skills. However, it's increasingly under pressure.

According to a global study one in three children spend less time playing in a week than most adults spend scrolling on their smartphones per day.* And while parents tell us that play helps children develop and supports their well-being, around 70 percent of parents choose achievement-based activities over open play for their kids.

We believe that all children should benefit from the power of play and in 2023, we launched the Play is Your Superpower campaign to remind the world to keep playing and encourage adults to prioritise play for the children in their lives.

We continued our global brand campaign, Rebuild the World, celebrated our second annual World Play Day, which highlighted the joy and importance of play and marked the Women's World Cup with a campaign to inspire girls.

2023 also saw us being recognised as the World's Most Reputable Company in the annual Global RepTrak®100 survey. This reflects our efforts to constantly innovate LEGO® play while striving to have a positive impact on environment and society.

These are our strategic priorities.

We are making significant investments to drive sustainable growth in the long term so we remain relevant for generations to come. You can click on each priority to go straight to the page!

1

Innovating Play

In 2023, we continued to create a wide range of exciting LEGO® products and digital experiences that inspire everyone.

2

Our 2023 portfolio was our largest ever with more than 780 products which appealed to people of all ages and interests. Around half of the portfolio was new and shows the endless possibilities of the LEGO® System in Play and the creativity of our talented designers.

3

Our top performing themes were a mix of homegrown and entertainment IPs. These included LEGO® City, LEGO® Technic™ and LEGO® Friends alongside LEGO® Star Wars™, LEGO® Marvel and LEGO® Harry Potter™. Additionally, LEGO® Icons, a theme for older builders, continued to grow driven by its broad selection of products such as the LEGO® Botanical Collection.

4

5

August saw the launch of a new homegrown theme LEGO® DREAMZzz™, which is inspired by the limitless creativity of children's dreams. Disney, one of our longest-standing partners, celebrated their 100th anniversary which we marked with a special range of products.

6

Inclusive Play

We strive to make LEGO play more inclusive and accessible so that all children can achieve their potential.

Across our portfolio we expanded representation, including new characters with visible and non-visible disabilities and a new generation of characters in LEGO® Friends that are more diverse and designed to reflect kids' lives today.

Following demand, we made LEGO® Braille Bricks – a playful hands-on tool to learn braille – available to purchase on LEGO.com. We also made our audio and braille building instructions a permanent service, making LEGO sets more accessible for builders with vision impairment and braille readers.

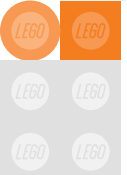
Throughout the year we celebrated moments that matter to our fans. We launched Play Unstoppable, a campaign to champion the endless potential of girls when given the opportunities to play without limits.



Together with Epic Games we launched LEGO® Fortnite®

LEGO® Fortnite® is the first play experience from our long-term partnership with Epic Games that aims to develop fun and safe digital spaces for children and families. The game is designed to encourage experimentation, creativity and collaboration through play. It attracted more than 2.4 million players in the game at the same time at launch, making it the most popular experience within Fortnite at the time.

Show me the universe!



Creating Memorable Brand Experiences



Our retail model includes a combination of LEGO Branded Stores that we own and operate (195), LEGO Certified Retail and LEGO Travel Retail stores that are owned and operated by partners (769 Certified and 67 Travel Retail stores), a total of 1,031.



1

2

We continue to invest in our own and our partners' retail platforms and initiatives to build lasting connections with our fans.

3

We strive to offer our shoppers, whether it is in-store or online, the very best brand experience.

LEGO® stores are designed to create brand love and provide guests with unforgettable experiences through play, events, unique store displays, and world-class service from our amazing store teams. In 2023, we expanded our global retail network, opening 147 new stores taking our total to 1,031.

Online, we further improved the shopping experience on our own LEGO.com platform to make it easier to find products and we upgraded payment and delivery options to make shopping with us faster and simpler.

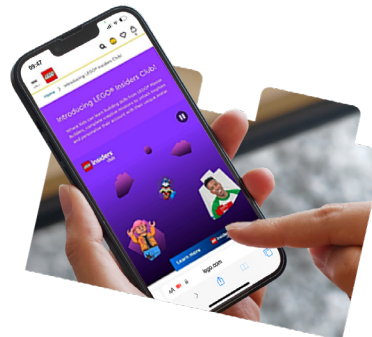
We also continued to work with our retail partners to bring the LEGO brand and portfolio to life for shoppers across channels.

New membership programme

During the year, we made progress on a range of initiatives designed to build lasting connections with our fans of all ages.

We launched LEGO® Insiders, a membership programme to connect, reward and inspire fans and shoppers wherever they engage with us – in stores, online, or through play experiences like LEGO® Fortnite®.

For children, the new LEGO® Insiders Club offers opportunities for younger fans to explore their love for LEGO worlds, characters and building. Through online and in person events, they can experiment with missions and masterclasses and earn their own rewards and badges which celebrate their creativity.



120+

Countries with LEGO products sold

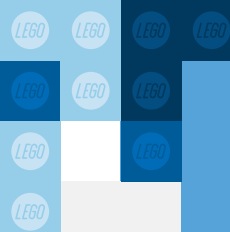
↑ Engaging events

Throughout the year we celebrate occasions with fun building activities and in-store events.

↓ In-store experiences

Our stores give visitors plenty of opportunities to get their hands on LEGO bricks, including our Pick a Brick Wall where people can choose bricks for their custom creations.





1

Expanding our Global Supply Chain Network

2

In 2023, we further expanded and upgraded manufacturing capacity and capabilities close to our key markets to support long-term growth.

3

Building capacity and flexibility

Our global supply chain network is designed to locate manufacturing and distribution sites close to our largest markets. This allows us to rapidly respond to shifts in demand and keep our supply chain relatively short, which reduces the environmental impact of shipping.

During 2023, we continued to invest in expanding and upgrading manufacturing capacity and capabilities in three out of five factories in Hungary, Mexico, and China.

We broke ground on a new factory near Richmond, Virginia, U.S. and began construction of a new factory in Binh Duong, Vietnam, which is due to start test production of LEGO® bricks in late 2024. Both factories are being designed to be energy efficient and include

solar farms which will produce enough energy to cover their needs.

We also continued expanding our network of distribution centres in Europe and the U.S. to improve shopper experience by reducing shipping times.

Did you know?

Our factory in Monterrey, Mexico, opened in 2008, is the largest LEGO manufacturing facility in the world – and it is still growing! A new packing building and extended warehouse will add a total of 59,000 m2 of operational space once completed in 2025.



4

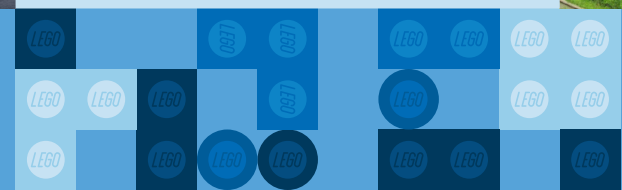
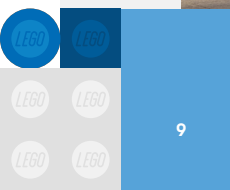


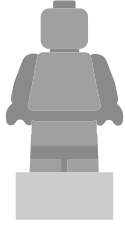
5 factories in 3 continents. 2 new factories underway.

Renewable energy sources

We are reducing absolute emissions across all our sites by buying or increasing production of renewable energy. In 2023, we started construction on solar projects in Denmark, China, Czech Republic and Mexico that will add to our energy capacity in the coming years.

- ← Our future factory in Vietnam
- Our factory in Jiaxing, China





Advancing our Digital Ambitions

1

2

3

4

5

6

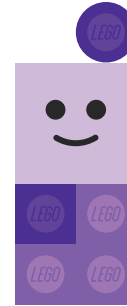
We continued to experiment with, adopt and invest in new technologies to deliver great brand experiences for consumers, shoppers, retail partners and colleagues.

Our digital investments helped bring a range of engaging experiences to life in 2023 for consumers. This included LEGO® Fortnite®, LEGO® Insiders membership programme and LEGO® Insiders Club for children. We also introduced One LEGO Account for simpler account sign up and linking across our digital ecosystem. To further bridge digital and physical play, we enhanced our LEGO® Builder app for digital building instructions and a 'build together' mode, and LEGO® Life, our safe social app for children.

For efficient and personalised shopping experiences, we introduced mobile point of sale globally in every store, further improved LEGO.com and online platforms for retail partners, and implemented digital solutions that make faster deliveries possible.

We are digitally innovating and enabling every part of our organisation, from building our own data

Did you know?
The LEGO® Builder app integrates digital and physical play and was downloaded more than 15 million times during 2023.



platform for faster data-based decisions, to supporting our sustainability ambitions with automated data collection for Environmental, Social and Governance (ESG) reporting. We also continued modernising our technology foundations, further improving our cybersecurity position, including continued focus on employee awareness and the strengthening of technical controls, and accelerating adoption of generative AI (Artificial Intelligence).

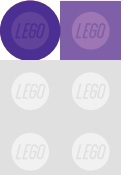


← Growing digital team

To deliver on our digital ambitions, we grew our team of digital technology experts by 27 percent this year.

↑ Great shopper experiences

Mobile Point of Sale tool in all stores improves customer service and reduces time spent queuing.



Building a Sustainable Future

1

We are committed to creating a positive impact on society and planet. In 2023, we increased spending on environmental initiatives by 60 percent vs. 2022, and by 2025 plan to have doubled our annual spend compared to 2023.

Positive impact for children

We believe that our greatest contribution to society is empowering children to learn and thrive through play.

Through our social responsibility programmes we were able to impact more than 9.8 million children in 2023 with learning through play activities in person and online, above our annual target of 8.8 million. We are grateful for the support of our thousands of employee volunteers who also helped us achieve this result and advance our mission to inspire and develop the builders of tomorrow.

Progress on sustainability initiatives

We have set targets to make our materials and packaging more sustainable, reduce the footprint of bringing a LEGO® product to market and limit our use of resources. By engaging with our entire value chain, we aim for zero environmental impact, across factories, offices and stores, as well as in our supply chain.

In 2023, we reduced total amount of waste generated, waste to landfill, and water supplied to factories, thereby achieving our yearly target for carbon emissions from our own operations*.

We pledged to develop a 2050 net-zero emissions target (scope 1, 2 and 3), and in August 2023, we submitted our intention to the Science Based Target initiative (SBTi). In the near term, we are working with urgency towards achieving our 2032 science-based target to reduce our absolute GHG emissions by 37 percent (scope 1, 2 and 3) against a 2019 base. In 2023, we set an annual KPI to track carbon emissions across our own production sites. This will be added as a pinnacle KPI to our Performance Management Programme for all employees in 2024.

Sustainable materials

We have increased our use of sustainable raw materials and continued our research and development into the suitability of different materials. Some tests have been successful, such as bio-PE, which we use to make more than 200 different botanical elements and Minifigure accessories. Others have shown potential, but not met our strict quality, safety and durability requirements or helped reduce our carbon footprint.

In 2023, 18 percent of all resin purchased was certified according to mass balance principles, which translates into an estimated average of 12 percent renewable sources **. There are plans to continue to increase the amount of mass balance resin purchased in 2024.

Read more in our 2023 Sustainability Progress Report at [LEGO.com/Sustainability](https://www.lego.com/Sustainability).



↑ Record year for Build the Change

Many children are passionate about environmental issues. We are committed to giving them a voice to build a more sustainable future for our planet and society through our longstanding Build the Change programme. In 2023, we were able to engage more than 2 million children, up from 900,000 in 2022.

↓ Sustainable materials

We are replacing single-use plastic bags in LEGO boxes with paper-based ones and rolled out this change in a broader range of products in Europe and Asia in 2023 from production lines at factories in the Czech Republic, Hungary and China.



* Only emissions from the LEGO Group sites with production are included in this target.
** The LEGO Group aims to secure ISCC PLUS certification during 2024 for its use of mass balance materials.

Providing Playful and Inclusive Workplaces

Inspiring and energising our teams.

In 2023, we once again exceeded our annual target for employee motivation and satisfaction and continued amongst the top 10 percent of international clients surveyed by Ennova.* We are dedicated to building a diverse workforce and creating workplaces, processes and policies where people feel welcome, included, and inspired about our vision to be a global force for learning through play.

To this end, we foster community in our organisation via six global employee advocacy groups supporting LEGO colleagues centred around Age, Asian colleagues, Disability, LGBTQIA+, People of Colour and Women.

We have eleven regional Diversity & Inclusion Taskforces who participate in engagement initiatives and activities so that our workplace experience around inclusivity is globally consistent.

We made further progress to promote, embed and progress gender diversity in our workplaces. Specifically, we increased the percentage of females employed at Director+ levels from 40.5 to 41.5 percent.

This year, we introduced a menopause programme in Denmark, Singapore, and the UK to remove the stigma, provide support for colleagues navigating this life stage,

and help build awareness amongst all colleagues. The programme will be rolled out globally in the future.

We continued to expand our network of offices and sites. These are being designed and built to accommodate our growing workforce and inspire creativity, boost well-being, and encourage collaboration. In Billund, Denmark we made progress on the construction of the Kornmarken Campus which will bring together engineering, quality, and production teams, and we expanded our Copenhagen office space to accommodate our growing digital team. In the U.S., we announced our decision to move our U.S. head office from Enfield, Connecticut to Boston, Massachusetts over two years to 2026 to better support our long-term growth ambitions in the region.

Across all offices, our hybrid working model, Best of Both, continues to provide colleagues whose jobs allow the flexibility to work from home up to two days a week.

We are grateful to all our colleagues for their dedication, which helped impact more children than ever in 2023.



← In 2023, key D&I initiatives included International Women's Day, Black History Month and our Pride celebrations

Rainbow Builders, our LGBTQIA+ employee advocacy group, helped the organisation celebrate Pride Month. Events for employees were held across 11 LEGO sites, while community events were held at Pride events in Berlin, Copenhagen, London and Munich.

→ Bringing all colleagues closer to our vision as a global force for learning through play

We celebrated our annual Play Day in June. It is a highly anticipated tradition where we play across all factories, offices and store locations.

28,528
Colleagues in 40+ countries



Board of Directors and Management

CHAIR

Thomas Kirk Kristiansen

Thomas Kirk Kristiansen represents the most active owner in the fourth generation of the owner family. He is Chair of the Board of LEGO A/S and has been a member of the Board since 2007. Thomas is, furthermore, Chair of the Board of Directors of KIRKBI A/S, the LEGO Foundation and Koldingvej 2, Billund A/S. Also, Thomas is a board member of one fully owned subsidiary of KIRKBI A/S and Executive Manager of Kirk & Kirk Holding ApS with management roles in four subsidiaries.

Eva Berneke

Eva Berneke has been a member of the Board of LEGO A/S since 2011 and is a member of the Audit Committee. Eva is the Chief Executive Officer of Eutelsat Communications S.A. She is also a member of the Board of Directors of Vestas Wind Systems A/S and École Polytechnique Paris.

DEPUTY CHAIR

Søren Thorup Sørensen

Søren Thorup Sørensen has been a member of the Board of LEGO A/S since 2010, and currently serves as Deputy Chair and Chair 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 (and Chair of the Audit Committee), Ole Kirk's Fond, Koldingvej 2, Billund A/S, ISS A/S, ATTA Fonden, K2 Fonden af 2023, and six fully-owned subsidiaries of KIRKBI A/S.

Fiona Dawson

Fiona Dawson has been a member of the Board of LEGO A/S since 2020. She worked for family-owned Mars, Incorporated for over thirty years and retired in July 2021 to focus on her Board Portfolio. Fiona is currently a member of the Board of Marks and Spencer Group plc and Kerry Group plc 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 Chair from 2017 to 2020 and CEO of the LEGO Group from 2004 to 2016. Jørgen holds positions as member of the Board of Merlin Entertainments Limited, BrainPOP, Starbucks Coffee Company Inc and the LEGO Foundation. Furthermore, he is a member of the IMD Supervisory Board, serves as Partner and Executive Advisor to the venture fund Innovation Endeavors, LLC and is a member of the KIRKBI Group leadership team with responsibility for brand and business development.

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. Jan also holds positions as Deputy Chair of the Board of Danske Bank A/S, Chair of the Board of C2X A/S, Deputy Chair of the Board of Unilabs A/S and Deputy Chair 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 at the Mayo Clinic, Board of Trustees of the J. Paul Getty Trust Group, and a Deans Distinguished Fellow at the Harvard University Graduate School of Education. Anne previously served as co-chair of Disney Media Network, and President of the Disney/ABC Television 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

Financial Review

The LEGO Group delivered top line growth in 2023, which is a satisfactory result given the declining toy industry and on top of a record revenue in 2022.

The LEGO Group's main activities are development, manufacturing, sales and distribution of games, toys, digital products, educational materials, and LEGO® branded merchandise worldwide.

In 2023, the LEGO Group delivered a solid performance. It continued to deliver top line growth, even after three years of extraordinary growth, while accelerating spending on strategic initiatives designed to drive growth in the short and longer term.

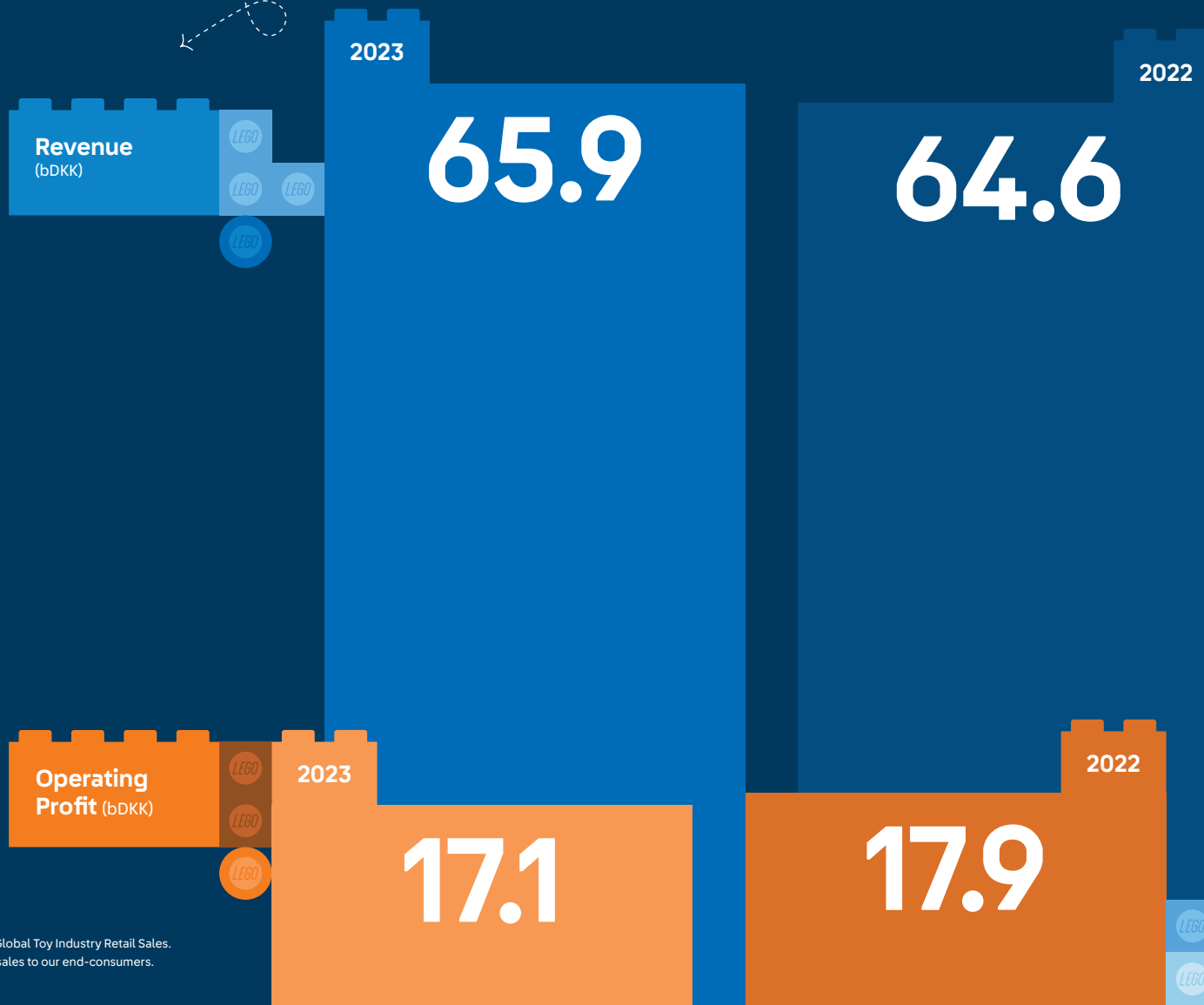
Consumer sales and market share

The LEGO Group operates in the global toy market, which declined seven percent in 2023* in a challenging economic environment. Despite this, the company grew consumer sales** by four percent during the year. As a result, it consistently outperformed the toy industry and significantly increased market share.

The company expects the toy market to stabilise during 2024 and growth rates to normalise. Additionally, it expects shopper behaviour to return to pre-COVID buying patterns, heavier on in-season and in-store sales.

Revenue

Revenue increased by two percent to DKK 65.9 billion compared to DKK 64.6 billion in 2022, which is in line with expected single-digit growth. The result reflects a strong performance given the macroeconomic headwinds.



* Circana report on 2023 Global Toy Industry Retail Sales.

** Consumer sales reflect sales to our end-consumers.

Revenue growth, excluding the impact of currency, was three percent. This was driven by a range of factors, including a resilient supply chain, strong retailer partnerships and expansion of sales channels. The company saw strong consumer demand for its portfolio, mainly in the U.S, partly offset by a decline in China.

Operating profit

Operating profit was DKK 17.1 billion in 2023, a decline by five percent compared to DKK 17.9 billion in 2022. Excluding the impact of foreign currency exchange rates, operating profit declined by two percent against 2022. In the second half of the year, operating profit increased seven percent compared to second half of 2022, which was achieved through revenue growth and successful increase in productivity. The operating margin was 26.0 percent in 2023 against 27.7 percent in 2022, mainly due to accelerated spending on strategic initiatives.

Net profit was 13.1 billion in 2023 against 13.8 billion in 2022, which is lower than anticipated as per the 2022 Annual Report, but satisfactory as the company continued to accelerate the spending on strategic initiatives, designed to deliver current and long-term sustainable growth. This included areas such as brand awareness, product innovation, retail platforms, production capacity, digitalisation, and sustainability.

Tax and effective tax rate

Income tax expense amounted to DKK 4.0 billion compared to DKK 3.9 billion in the prior year and the effective tax rate was 23.2 percent against 22.0 percent in 2022. Pillar Two from Organisation for Economic Co-operation and Development (OECD) will be implemented in IAS 12 effective from 1 January 2024. The 2023 impact is described in [note 1.2](#).

Assets

The LEGO Group's assets increased to DKK 58.9 billion in 2023 compared to DKK 55.2 billion in 2022. The main driver was accelerated investments in property, plant and equipment of DKK 8.3 billion compared to DKK 5.9 billion in 2022. This included expanding capacity and developing capabilities in factories in Hungary, Mexico, and China as well as investing in new factories in Vietnam and the U.S.

Free cash flow

Cash flow from operating activities increased one percent while increased investments in property, plant and equipment resulted in free cash flow at DKK 6.9 billion in 2023, against DKK 9.3 billion in 2022.

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 2023, new products accounted for 47 percent of the portfolio (48 percent in 2022). The company invested in innovating core play themes, exploring new play forms as well as bridging digital and physical play. R&D activities also included exploring new sustainable technologies, trend spotting, anthropological studies and collaborating with educational institutions.


People Promise

The company is committed to the mental and physical health of its employees by offering a range of opportunities like medical assistance, training in diversity & inclusion and inspiring workspaces. Employees are covered by the LEGO Group's Performance Management Programme 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 28,528 compared to 27,338 at the end of 2022.

Partner Promise

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 company signed the United Nations Global Compact to demonstrate its support of human rights, labour standards, anticorruption, and the environment. The 2023 Sustainability Progress Report (COP report) follows up on the Compact.

Pursuant to sections 99a of the Danish Financial Statements Act, the 2023 Sustainability Progress Report constitutes the statutory statement of the company's corporate social responsibility. The 2023 Sustainability Progress Report is available at: [LEGO.com/Sustainability](https://lego.com/Sustainability).



Significant market share gains globally, outperforming the toy market.

Risks and governance

Identifying risks is managed through the LEGO Group's compliance programmes and corporate policies and reviewed by the Corporate Compliance Board reporting to the Executive Leadership Team and subordinate to the Audit Committee.

Sustainability

To continuously deliver on the company's sustainability ambition and to mitigate potential reputational and financial risks, the LEGO Group has integrated sustainability into the business model and introduced a pinnacle KPI linked to reducing carbon emissions.

The company closely monitors practices and adapts reporting to relevant regulatory requirements and standards and welcomes the Corporate Sustainability Reporting Directive (CSRD) from the EU, as well as the EU Taxonomy. Further insights are provided in the 2023 Sustainability Progress Report.

Macroeconomic headwind

The inflationary impact globally, especially on production and distribution costs, softened during the year and the LEGO Group's risk is considered low. The impact on distribution costs is further minimised by manufacturing close to main markets. The company continues to closely monitor a range of factors and their impact on the business.

Currently China is facing economic challenges, and the market is underperforming which is offset by growth in the U.S.

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

Compliance risks

The LEGO Group is committed to complying with all applicable laws and regulations in the countries in which it operates. New legislation and key strategic or enterprise risks like Cybersecurity, Intellectual Property Rights, Data Privacy, Tax and Corporate Law are monitored closely and reviewed frequently, and employees are undergoing compulsory training in e.g. Competition Law, Anti-bribery & Corruption, Business Conduct and Ethics, Partner Integrity and Data Privacy. 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 total tax contribution can be found in the 2023 Sustainability Progress Report.

Events after the reporting date

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

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://www.lego.com/AboutUs/Policies-and-reporting/Policies).



Hello! See our gender split in percentage for our supreme management (Board of Directors) in Parent Company.

57%



43%

Supreme management
Headcount: 7

Other management
Headcount: 1

Statutory report on under-represented gender (Parent Company)

In pursuance of section 99b of the Danish Financial Statements Act, reporting requirements on under-represented gender has been implemented in 2023 for parent company LEGO A/S. There is no under-represented gender in neither the supreme management body (Board of Directors) nor other management level. Comparison figures for 2019-2022 have not been listed in accordance with section 99b paragraph 7.

The LEGO Group has a global ambition to have a gender-balanced organisation by 2032.

Outlook

In 2024, the LEGO Group expects single-digit revenue growth ahead of the global toy market through developing an appealing portfolio to builders of all ages and improving brand and shopping experiences.

Net profit is expected to decline slightly due to increased spending on strategic initiatives such as sustainability, retail platforms, and digitalisation.



Financial Highlights of the LEGO Group

(mDKK)	2023	2022	2021	2020	2019
Statement of Profit or Loss					
Revenue	65,914	64,647	55,294	43,656	38,544
Expenses	(48,806)	(46,726)	(38,250)	(30,744)	(27,707)
Operating profit	17,108	17,921	17,044	12,912	10,837
Financial items	(49)	(245)	(39)	(412)	(85)
Profit before tax	17,059	17,676	17,005	12,500	10,752
Net profit	13,109	13,782	13,285	9,916	8,306
Statement of Financial Position					
Total assets	58,856	55,192	47,991	37,202	34,946
Total equity	37,662	33,539	29,138	23,547	22,183
Total liabilities	21,194	21,653	18,853	13,655	12,763
Statement of Cash Flow					
Cash flow from operating activities	15,397	15,304	16,048	13,382	9,557
Purchase of property, plant, equipment and intangible assets	(8,466)	(5,976)	(3,159)	(1,891)	(2,173)
Free cash flow	6,934	9,332	12,892	11,498	7,395
Employees					
Average number (full-time)	25,136	23,775	20,198	17,431	16,112
Headcount end of year	28,528	27,338	24,484	20,468	18,800
Other financials (%)					
Revenue growth as reported	2	17	27	13	6
Revenue growth in constant currency	3	11	28	16	4
Financial ratios (%)					
Gross margin	68.1	68.8	69.6	69.7	68.4
Operating margin	26.0	27.7	30.8	29.6	28.1
Net profit margin	19.9	21.3	24.0	22.7	21.5
Return on equity (ROE)	36.8	44.0	50.4	43.4	37.8
Return on invested capital (ROIC)	57.1	77.8	94.0	74.1	68.4
Equity ratio	64.0	60.8	60.7	63.3	63.5

Definitions of Financial ratios are disclosed in note 1.1. Parentheses denote negative figures.



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

Statement of Profit or Loss

1 January – 31 December

(mDKK)	Note	2023	2022
Revenue	2.1	65,914	64,647
Production costs	2.2	(21,056)	(20,160)
Gross profit		44,858	44,487
Sales and distribution expenses	2.2	(20,618)	(20,318)
Administrative and IT expenses	2.2	(5,185)	(4,530)
Other operating expenses	2.2	(1,947)	(1,718)
Operating profit		17,108	17,921
Financial income	4.1	217	45
Financial expenses	4.1	(266)	(290)
Profit before tax		17,059	17,676
Income tax expenses	2.4	(3,950)	(3,894)
Net profit		13,109	13,782

Statement of Comprehensive Income

1 January – 31 December

(mDKK)	2023	2022
Net profit	13,109	13,782
Items to be reclassified to the Statement of Profit or Loss, when specific conditions are met:		
Change in market value of cash flow hedges	177	(467)
Reclassification of cash flow hedges from equity to be recognised in:		
Revenue	(256)	891
Production costs	(53)	(16)
Tax on cash flow hedges	29	(90)
Currency translation differences	112	282
Items not to be reclassified to the Statement of Profit or Loss:		
Remeasurements of defined benefit plans	7	25
Tax on remeasurements of defined benefit plans	(2)	(6)
Total comprehensive income	13,123	14,401

Welcome to our world of numbers!

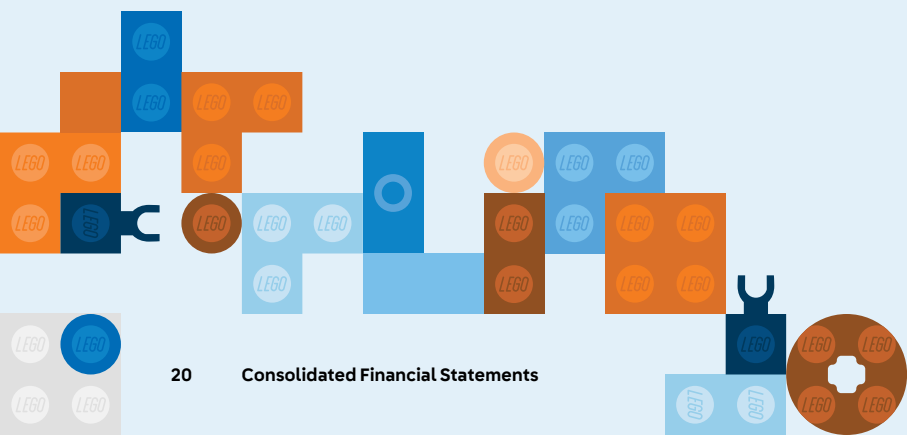
Here you can click on the blue LEGO brick when you want to return to this page and click on the grey one, when you want to head back to the content page.

Statement of Financial Position

at 31 December

(mDKK)	Note	2023	2022
Intangible assets		609	452
Property, plant and equipment	3.1	25,193	18,494
Right-of-use assets	4.3	5,216	5,298
Other receivables		78	110
Deferred tax assets	2.4	967	1,099
Total non-current assets		32,063	25,453
Inventories	3.2	5,050	5,549
Trade receivables	3.3	9,592	8,461
Receivables from related parties	5.4	280	723
Other receivables		1,668	1,588
Prepayments		1,101	876
Income tax receivables		276	266
Loans to related parties	5.4	7,577	10,896
Cash		1,249	1,380
Total current assets		26,793	29,739
Total assets		58,856	55,192

(mDKK)	Note	2023	2022
Share capital	4.2	20	20
Hedging reserve		54	157
Currency translation reserve		(144)	(256)
Retained earnings		37,732	33,618
Total equity		37,662	33,539
Borrowings		-	118
Lease liabilities	4.3	4,167	4,204
Deferred tax liabilities	2.4	41	48
Employee benefit obligations		138	134
Provisions		163	158
Deferred income	3.5	339	265
Other debt	3.4	159	168
Total non-current liabilities		5,007	5,095
Borrowings		114	9
Lease liabilities	4.3	870	1,212
Trade payables		5,918	5,861
Income tax liabilities		569	919
Provisions		94	137
Deferred income	3.5	1,014	813
Debt to related parties	5.4	262	233
Other debt	3.4	7,346	7,374
Total current liabilities		16,187	16,558
Total liabilities		21,194	21,653
Total equity and liabilities		58,856	55,192



Statement of Changes in Equity

at 31 December

(mDKK)	Share capital	Hedging reserve	Currency translation reserve	Retained earnings	Total equity
2023					
Equity at 1 January	20	157	(256)	33,618	33,539
Net profit	-	-	-	13,109	13,109
Comprehensive income	-	(103)	112	5	14
Dividend paid to shareholders	-	-	-	(9,000)	(9,000)
Equity at 31 December	20	54	(144)	37,732	37,662
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

§ 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	2023	2022
Operating profit		17,108	17,921
Depreciation and amortisation		2,910	2,583
Other non-cash items		(6)	126
Change in working capital		(416)	(1,431)
Interest received		217	45
Interest paid		(238)	(227)
Income tax paid		(4,178)	(3,713)
Cash flow from operating activities		15,397	15,304
Purchase of intangible assets		(193)	(90)
Purchase of property, plant and equipment	3.1	(8,273)	(5,886)
Proceeds from sale of property, plant and equipment		3	4
Cash flow used in investing activities		(8,463)	(5,972)
Free cash flow		6,934	9,332
Proceeds from borrowings		114	-
Repayments of borrowings		(122)	(10)
Payments of lease liabilities	4.3	(1,356)	(868)
Repayments from related parties	5.4	16,250	16,034
Payments to related parties	5.4	(12,931)	(14,182)
Dividend paid to shareholders	4.2	(9,000)	(10,000)
Cash flow used in financing activities		(7,045)	(9,026)
Net cash flow		(111)	306
Cash at 1 January		1,380	1,037
Net cash flow		(111)	306
Foreign exchange adjustments		(20)	37
Cash at 31 December		1,249	1,380

§ 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 Operating profit adjusted for operating items without cash flow impact, changes in working capital (such as trade receivables and other debt, excluding hedging impact of forecast transactions) 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 Operating profit, disclosed in [note 4.3](#).

Cash comprises cash at banks.





Notes

Basis of preparation

- 1.1 Basis for preparation of the Consolidated Financial Statements ... 24
- 1.2 New and amended IFRS Standards 25
- 1.3 Significant accounting estimates and judgements 25

Operating Profit

- 2.1 Revenue 26
- 2.2 Expenses by nature 27
- 2.3 Employee costs 28
- 2.4 Tax 28

Operating assets and liabilities

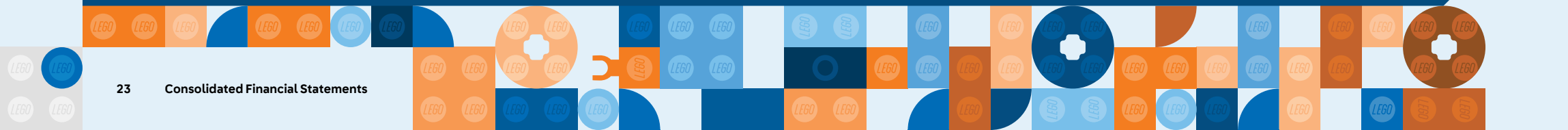
- 3.1 Property, plant and equipment 30
- 3.2 Inventories 32
- 3.3 Trade receivables..... 32
- 3.4 Other debt 34
- 3.5 Deferred income 34

Capital structure and financing

- 4.1 Financial items 35
- 4.2 Share capital 36
- 4.3 Leases 37
- 4.4 Financial risks 39
- 4.5 Derivative financial instruments 41

Other disclosures

- 5.1 Fees to independent auditor 42
- 5.2 Remuneration of Group Management 43
- 5.3 Contingent assets, contingent liabilities and other obligations 43
- 5.4 Related parties 44
- 5.5 Events occurring after the reporting period 45
- 5.6 Group structure 46



Basis for preparation of the Consolidated Financial Statements

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 further requirements in 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

No changes.

Change in classification in the Statement of Financial Position

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

Change in classification in the Notes

Comparative figures in the notes have been restated to match this year's presentation in the Statement of Financial Position.

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 profit or loss 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 exchange rates 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 closing exchange rates, are recognised as comprehensive income and classified as a currency translation differences 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 CFA Society Denmark.

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

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

1.2 New and amended IFRS Standards

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2023 have been adopted by the LEGO Group. None of the newly adopted or amended standards impacted the Consolidated Financial Statements.

With the exception of the change mentioned directly below, none of the amendments that are issued, but not yet effective, are likely to impact the Consolidated Financial Statements.

Impact on IAS 12 regarding Pillar Two

In March 2022, the Organisation for Economic Co-operation and Development (OECD) issued technical guidance and overview of the potential impact of the OECD Pillar Two (P2) on the financial statements in accordance with International Accounting Standards (IAS) 12 – Income Taxes. The P2 guidelines aim to address Base Erosion and Profit Shifting (BEPS) by introducing a global minimum tax rate of 15 percent and implementing tax legislation for the allocation of taxing rights.

The LEGO Group's ultimate parent is located in Denmark, where new tax legislation has been implemented for the global minimum top-up tax, which may consequently be applied with respect of all subsidiaries of the Group. Since the newly enacted legislation in Denmark is effective only from 1 January 2024, there is no current tax impact in the financial statements for the period ended 31 December 2023.

In accordance with IAS 12, the LEGO Group has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax. As and when any top-up tax is incurred, this will be accounted for as a current tax for the period to which it relates.

The LEGO Group has prepared a preliminary assessment of the P2 impact using 2023 financial data and for the majority of jurisdictions in which the Group is present the effective tax rate is greater than 15 percent and thus no top-up tax should arise. Further, from a reporting perspective, the Transitional Country by Country Reporting (CbCR) Safe Harbour rules provide temporary relief from P2 reporting, which should be applicable to the majority of the Group's entities.

If the P2 rules had been effective in 2023, the profits associated with the Group's operations in the jurisdictions where top-up tax is anticipated for the period ended 31 December 2023, would be DKK 21 million. The impact to the Group's effective tax rate would be 0.1 percent, and relates mainly to business activities in Singapore.

1.3 Significant accounting estimates and judgements

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 income 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.



2.1 Revenue

(mDKK)	2023	2022
Sale of goods	65,399	63,866
Licence income	515	781
	65,914	64,647
Sale of goods per region:		
Americas	30,636	28,079
Europe, Middle East & Africa	25,605	25,301
Asia & Pacific	9,158	10,486
	65,399	63,866

§ 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.

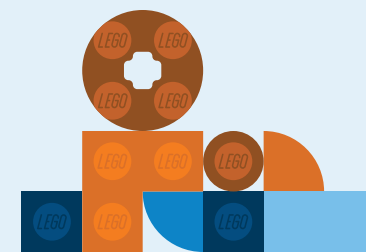
Right to access

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 stand-alone 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.



2.2 Expenses by nature

(mDKK)	Note	2023	2022
Raw materials and consumables used		10,132	9,419
Employee costs	2.3	12,554	11,505
Depreciation, amortisation and impairment		2,910	2,583
Licence and royalty expenses		5,377	5,484
Other external expenses		17,833	17,735
		48,806	46,726
Recognised as follows:			
Production costs		21,056	20,160
Sales and distribution expenses		20,618	20,318
Administrative and IT expenses		5,185	4,530
Other operating expenses		1,947	1,718
		48,806	46,726

§ Accounting policies

Expenses by nature disclose 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 allocate and combine 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.

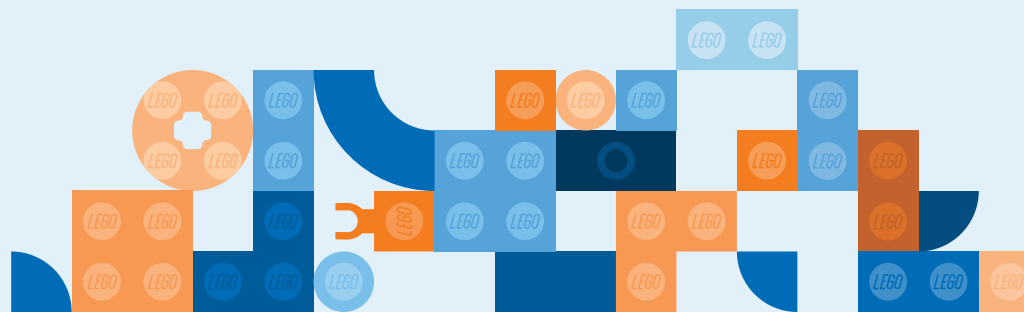
Administrative and IT expenses

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, consumables and external costs.



2.3 Employee costs

(mDKK)	2023	2022
Wages and salaries	11,149	10,256
Restructuring costs	55	47
Pension costs	451	359
Social security and other costs	1,002	935
Employee costs before capitalisation to assets	12,657	11,597
Capitalised to assets	(103)	(92)
	12,554	11,505
Recognised as follows:		
Production costs	3,464	3,203
Sales and distribution expenses	4,695	4,725
Administrative and IT expenses	3,106	2,617
Other operating expenses	1,289	960
	12,554	11,505
Average number of full-time employees	25,136	23,775
Headcount at 31 December	28,528	27,338

§ 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.

2.4 Tax

(mDKK)	2023	2022
Current income tax	3,842	3,908
Other tax	54	45
Change in deferred tax	111	(117)
Deferred tax impact of change in tax rates	-	(3)
Adjustment to income tax for prior years	(88)	104
Adjustment to deferred tax for prior years	31	(43)
Income tax expenses	3,950	3,894
Reconciliation of the effective tax rate:		
Profit before tax	17,059	17,676
Corporate tax rate in Denmark	22.0%	22.0%
Impact of different tax rates in foreign subsidiaries	0.0%	(1.2%)
Permanent differences	0.2%	0.2%
Adjustment to deferred tax	0.4%	0.5%
Adjustment to tax for prior years	(0.3%)	0.4%
Corporate withholding taxes	0.1%	0.1%
Other corporate taxes	0.8%	0.0%
Effective tax rate	23.2%	22.0%



Hi again!

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



2.4 Tax (continued)

(mDKK)	2023	2022
Deferred tax at 1 January, net	1,051	970
Recognised in profit or loss	(142)	160
Recognised in comprehensive income	27	(96)
Impact of change in tax rates	-	3
Foreign exchange adjustments	(10)	14
Deferred tax at 31 December, net	926	1,051
Recognised as follows:		
Deferred tax assets	967	1,099
Deferred tax liabilities	(41)	(48)
	926	1,051
Related as follows:		
Non-current assets	(201)	(163)
Inventories	394	512
Receivables	58	65
Provisions	165	179
Other liabilities	498	428
Tax loss carry-forwards	12	30
	926	1,051

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.

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

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 the 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 assets and deferred tax liabilities 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.

Impact on IAS 12 regarding Pillar Two

Please refer to [note 1.2](#) for description.

3.1 Property, plant and equipment

(mDKK)	Land, buildings and installations	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction and prepayments	Total
2023					
Cost at 1 January	9,580	12,195	4,076	4,873	30,724
Additions	729	1,014	196	6,334	8,273
Disposals	(65)	(314)	(41)	-	(420)
Transfers	462	782	251	(1,495)	-
Foreign exchange adjustments	269	(70)	76	10	285
Cost at 31 December	10,975	13,607	4,558	9,722	38,862
Depreciation and impairment losses at 1 January	2,161	8,142	1,927	-	12,230
Depreciation	291	1,177	370	-	1,838
Disposals	(62)	(297)	(37)	-	(396)
Foreign exchange adjustments	43	(42)	(4)	-	(3)
Depreciation and impairment losses at 31 December	2,433	8,980	2,256	-	13,669
Carrying amount at 31 December	8,542	4,627	2,302	9,722	25,193



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, leasehold 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.

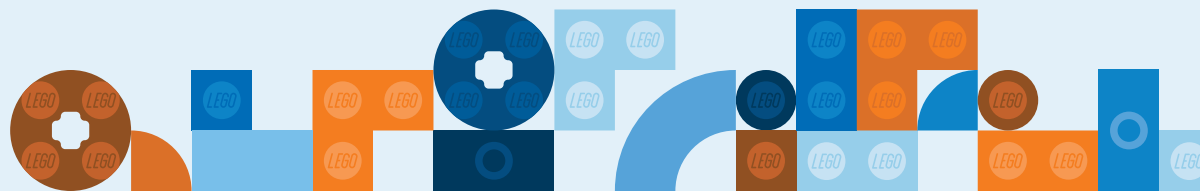
Cost

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](#).



3.1 Property, plant and equipment (continued)

(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

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 are 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.

Leasehold improvement is depreciated according 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

3.2 Inventories

(mDKK)	2023	2022
Raw materials	691	836
Work in progress	2,187	2,310
Finished goods	2,172	2,403
	5,050	5,549

Inventories recognised as an expense amounted to DKK 13,211 million (DKK 13,354 million in 2022). 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 52 million (DKK 144 million in 2022).

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.

3.3 Trade receivables

(mDKK)	2023	2022
Trade receivables, gross	10,086	8,953
Loss allowance for bad debts at 1 January	(492)	(828)
Change in loss allowance, net	(35)	35
Realised losses	21	48
Confirmed losses provided for in previous years	2	271
Foreign exchange adjustments	10	(18)
Loss allowance for bad debts at 31 December	(494)	(492)
Trade receivables, net	9,592	8,461



3.3 Trade receivables (continued)

Credit Risk on trade receivables:

(mDKK)	Gross carrying amount	Loss allowance for bad debts	Net carrying amount	Weighted average loss rate
31 December 2023				
Not overdue	8,983	(246)	8,737	3%
1 - 60 days overdue	790	(45)	745	6%
61 - 120 days overdue	71	(17)	54	24%
121 - 180 days overdue	32	(17)	15	53%
More than 180 days overdue	210	(169)	41	80%
	10,086	(494)	9,592	
31 December 2022				
Not overdue	7,960	(295)	7,665	4%
1- 60 days overdue	688	(22)	666	3%
61 - 120 days overdue	73	(19)	54	26%
121 - 180 days overdue	32	(13)	19	41%
More than 180 days overdue	200	(143)	57	72%
	8,953	(492)	8,461	

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.

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 payment terms, patterns and expected changes in risk, in particular related to changes observed in the retail landscape.

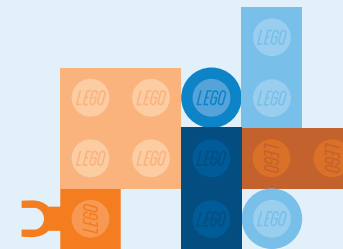
§ Accounting policies

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.



3.4 Other debt

(mDKK)	2023	2022
Employee-related payables and other charges	2,758	2,977
Sales incentives	1,684	1,590
Licence liabilities	774	721
VAT and other indirect taxes	635	559
Derivative financial instruments	62	120
Other liabilities	1,592	1,575
	7,505	7,542
Recognised as follows:		
Non-current	159	168
Current	7,346	7,374
	7,505	7,542

§ 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.

3.5 Deferred income

(mDKK)	2023	2022
Consumer loyalty programme	734	560
Land donation	339	234
Other	280	284
	1,353	1,078
Recognised as follows:		
Non-current	339	265
Current	1,014	813
	1,353	1,078

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

Revenue recognised in 2023 included in deferred income at the beginning of 2023 amounts to DKK 642 million (DKK 443 million in 2022).

§ Significant accounting estimates

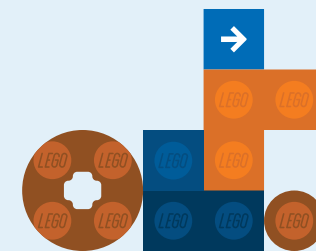
The LEGO Group's consumer loyalty programme is a separate performance obligation related to the non-performed proportion of revenue relating to the allocation of loyalty points. The performance obligation is recognised at the date of recognition of the sale from which the loyalty points are derived.

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

§ Accounting policies

Income attributable to the consumer 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.



3.5 Deferred income (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 LEGO 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.

4.1 Financial items

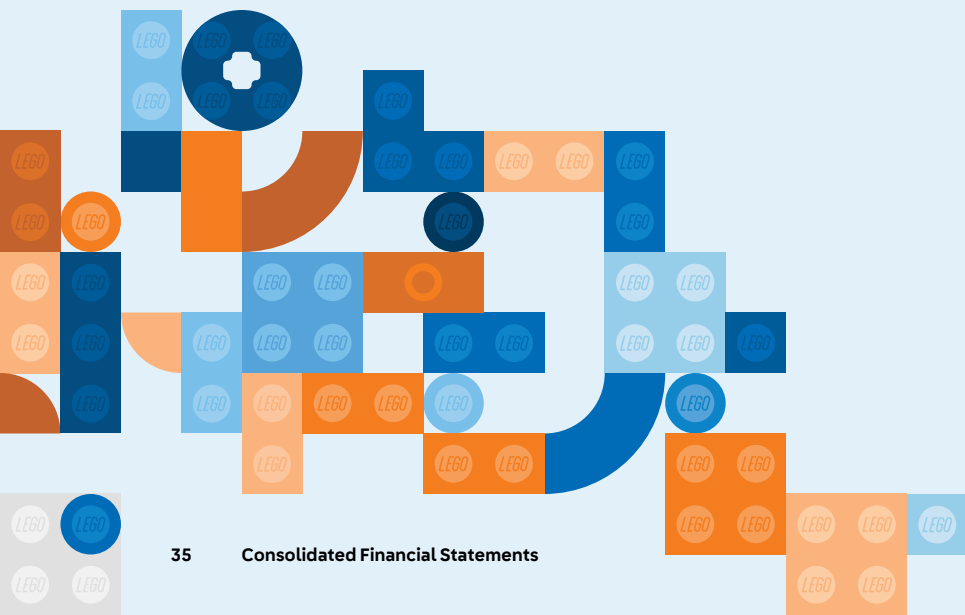
(mDKK)	2023	2022
Interest income from related parties	191	25
Interest income	15	10
Other financial income	11	10
Financial income	217	45
Interest expenses related to lease liabilities	155	143
Interest expenses to related parties	-	20
Interest expenses to credit institutions	7	2
Foreign exchange losses, net	28	63
Other financial expenses	76	62
Financial expenses	266	290

§ 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.



4.2 Share capital

(mDKK)	2023	2022
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 9,000 million was paid in May 2023 (DKK 10,000 million in May 2022), corresponding to DKK 0.45 million per DKK 1,000 of share capital.

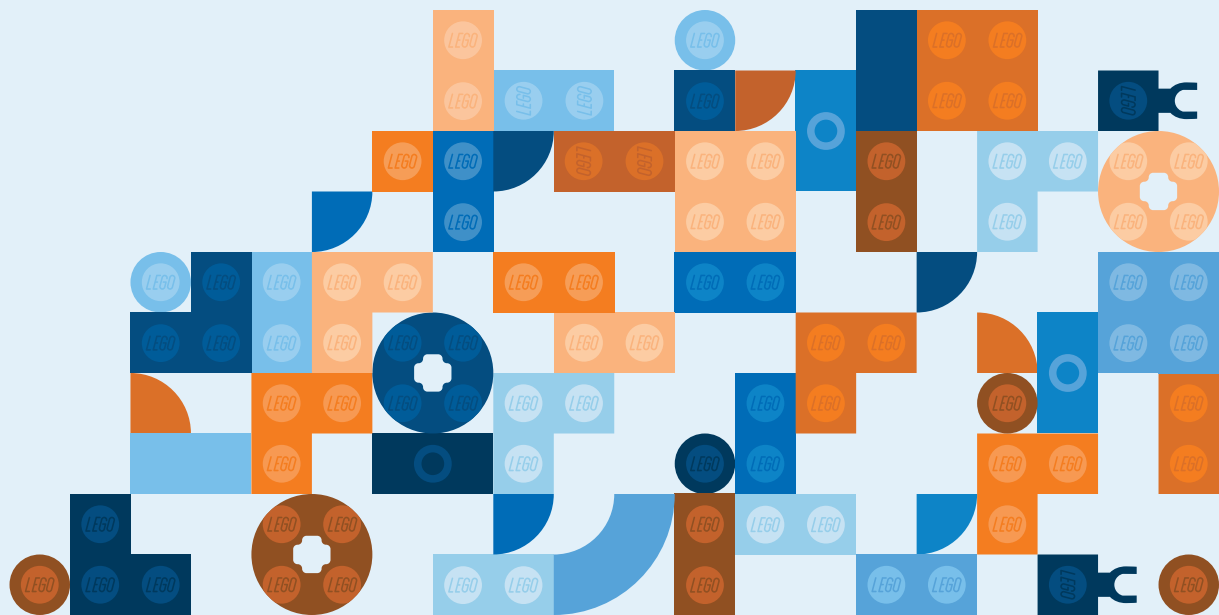
Proposed dividend for 2023 is DKK 9,000 million, corresponding to DKK 0.45 million per DKK 1,000 of share capital.

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).

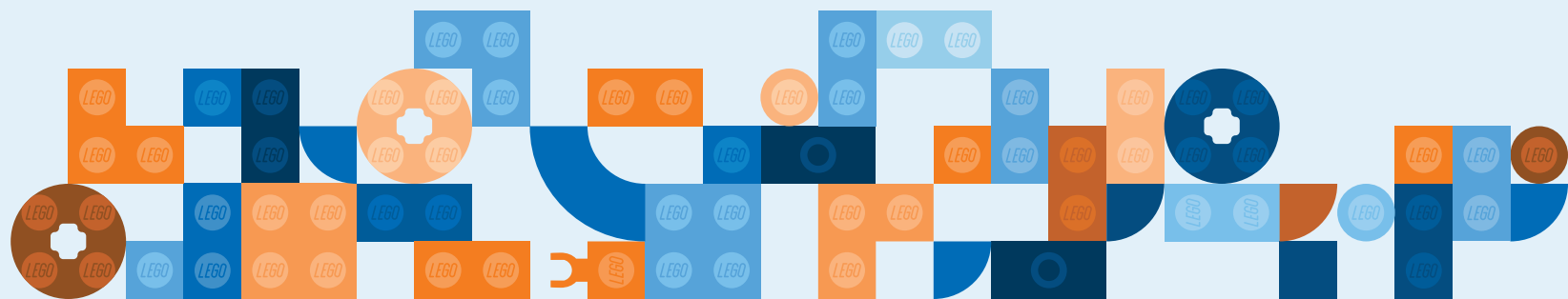


4.3 Leases

Right-of-use assets

(mDKK)	Rental of premises	Other assets	Total
2023			
Cost at 1 January	7,216	466	7,682
Additions	429	176	605
Remeasurements	402	15	417
Disposals	(137)	(115)	(252)
Foreign exchange adjustments	(90)	2	(88)
Cost at 31 December	7,820	544	8,364
Depreciation at 1 January	2,151	233	2,384
Depreciation	907	129	1,036
Disposals	(136)	(103)	(239)
Foreign exchange adjustments	(33)	-	(33)
Depreciation at 31 December	2,889	259	3,148
Carrying amount at 31 December	4,931	285	5,216

(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



4.3 Leases (continued)

Lease liabilities

(mDKK)	2023	2022
Debt at 1 January, net	5,416	4,752
Cash flow	(1,356)	(868)
New leases	1,022	1,582
Terminated leases	(13)	(37)
Other changes	-	(1)
Foreign exchange adjustments	(32)	(12)
Debt at 31 December, net	5,037	5,416

Maturity of contractual cash flow

(mDKK)	2023	2022
0-1 year	1,039	1,360
1-5 years	2,363	2,370
> 5 years	2,446	2,407
	5,848	6,137

Amounts recognised in the Statement of Profit or Loss

(mDKK)	2023	2022
Expenses relating to short-term leases	180	151
Expenses relating to leases of low-value assets that are not short-term leases	16	24
Expenses relating to variable lease payments not included in lease liability	210	193
	406	368

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 1,917 million (DKK 1,379 million in 2022).

The LEGO Group does not have individual significant sub-leasing contracts. Total carrying amount of sub-leased company cars included in right-of-use assets at 31 December 2023 amounts to DKK 156 million (DKK 118 million in 2022).

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.

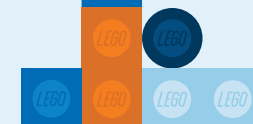
Commitments regarding lease contracts signed not yet commenced, refer to [note 5.3](#).

§ 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.

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.



4.3 Leases (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, such as sales-based rent, 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.

The LEGO Group sub-leases some of the leased company cars to employees. In the sub-lease arrangements the LEGO Group is not relieved of its primary obligation under the head lease contract. The head lease is accounted for as other ordinary lease contracts.

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

4.4 Financial risks

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.

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 Chief Financial Officer. 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.

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,



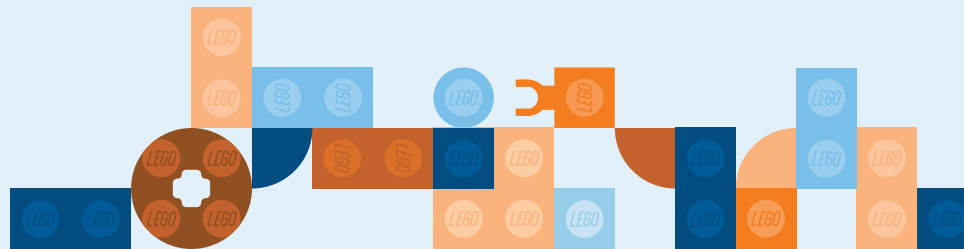
4.4 Financial risks (continued)

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

(mDKK)	USD	SGD	MXN	HUF	GBP	EUR	CNY	CZK	CAD
2023									
Cash	(38)	5	11	1	17	(18)	31	3	17
Receivables and (payables)	2,151	21	2,315	2,477	(247)	(396)	1,707	735	141
Foreign exchange forwards	(1,024)	-	22	21	(80)	-	(89)	75	(147)
Financial instruments impacting net profit	1,089	26	2,348	2,499	(310)	(414)	1,649	813	11
Foreign exchange forwards	(3,006)	-	270	128	(532)	-	(133)	356	(727)
Foreign exchange options	925	-	-	-	-	-	-	-	-
Financial instruments not impacting net profit	(2,081)	-	270	128	(532)	-	(133)	356	(727)
Financial instruments impacting equity	(992)	26	2,618	2,627	(842)	(414)	1,516	1,169	(716)



The isolated impact at 31 December 2023 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 2023, 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: Cash, trade receivables, trade payables, intercompany receivables and debt, foreign exchange forwards and foreign exchange options.



4.4 Financial risks (continued)

Exchange rate sensitivity analysis based only on outstanding financial instruments:

(mDKK)	Change in exchange rate	31 December 2023	
		Profit / (Loss)	Equity
DKK/USD	+10%	109	(99)
DKK/SGD	+10%	3	3
DKK/MXN	+10%	235	262
DKK/HUF	+10%	250	263
DKK/GBP	+10%	(31)	(84)
DKK/EUR	+2%	(8)	(8)
DKK/CZK	+10%	81	117
DKK/CNY	+10%	165	152
DKK/CAD	+10%	1	(72)

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 2023 of DKK 54 million (DKK 75 million in 2022). 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.

4.5 Derivative financial instruments

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, JPY, GBP, CNY, CAD and AUD as well as purchases of goods in MXN, HUF and CZK.

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.

(mDKK)	Contract amount	Positive fair value	Negative fair value	Weighted average contract rate	Period covered
2023					
USD	8,108	133	13	6.848	12 months
JPY	276	14	2	0.051	12 months
GBP	770	2	7	8.432	12 months
CNY	304	19	-	1.014	6 months
CAD	1,106	4	9	5.026	12 months
AUD	898	6	14	4.513	12 months
Other currencies	958	8	17		12 months
	12,420	186	62		



4.5 Derivative financial instruments (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.

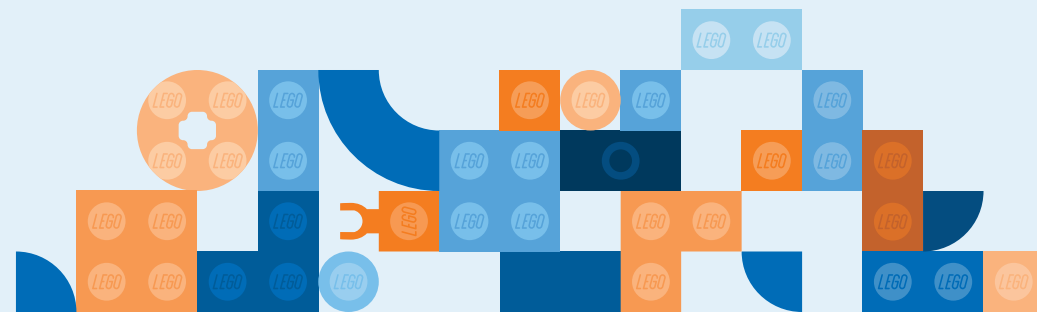
For derivative financial instruments that do not meet the criteria to be classified as hedging instruments, the changes in fair value are recognised immediately in the Statement of Profit or Loss.

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.

5.1 Fees to independent auditor

(mDKK)	2023	2022
Statutory audit	14	13
Other assurance engagements	1	1
Total audit related services	15	14
Tax consultancy	6	6
Other services	5	5
Total non-audit services	11	11
Total fees to independent auditor	26	25

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



5.2 Remuneration of Group Management

Remuneration to Executive Management and the Board of Directors

(mDKK)	2023	2022
Salaries and other remuneration	57	65

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)	2023	2022
Salaries	71	68
Pensions	1	1
Short-term incentive plans	41	64
Long-term incentive plans	60	47
	173	180
Severance payments and other one-offs	1	5
Total remuneration	174	185
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.

5.3 Contingent assets, contingent liabilities and other obligations

(mDKK)	2023	2022
Guarantees	297	260
Purchase contract commitments of property, plant and equipment	8,448	6,698
Other purchase contract commitments	445	440
Lease commitments	1,538	39
Other obligations	1,452	2,472
	12,180	9,909

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

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

Purchase contract commitments have a maturity of maximum 5 years.

Lease commitments are contracts that have not yet commenced, but where the LEGO Group is committed. Commencement dates are within a 2-year period.

The future lease payments for these non-cancellable lease contracts are DKK 36 million within 1 year, DKK 290 million within 1-5 years, and DKK 1,212 million thereafter.

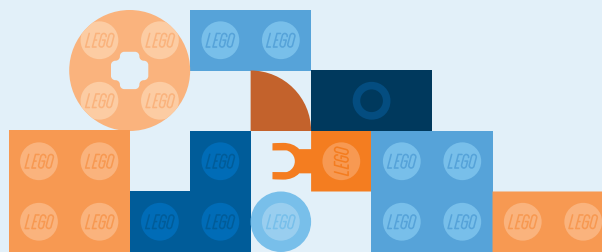
Included in lease commitments are leases towards related parties of DKK 294 million.

Other obligations primarily consist of licence and service agreements, including obligations towards related parties of DKK 33 million.

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

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 2022). 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.



5.4 Related parties

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 owned by the Kirk Kristiansen family (Denmark) and K2 Fonden af 2023. Koldingvej 2, Billund A/S is fully owned by the LEGO Foundation

Being an associated company of KIRKBI A/S, Motion JVco Limited is considered a related party. Due to shared controlling shareholder, KIRKBI Invest A/S 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)	2023	2022
KIRKBI A/S		
Sale of goods	1	1
Other transactions	(112)	(53)
Dividend	(6,750)	(7,500)
Receivables at 31 December	10	17
Debt at 31 December	-	(1)
Lease liability 31 December	(1,808)	(1,760)
Koldingvej 2, Billund A/S		
Sale of goods	3	2
Other transactions	(59)	(29)
Dividend	(2,250)	(2,500)
Receivables at 31 December	-	2
Debt at 31 December	(32)	(14)



(mDKK)	2023	2022
KIRKBI Invest A/S		
Trademark royalty	(2,350)	(2,340)
Other transactions	649	417
Receivables at 31 December	84	540
Loans at 31 December	7,577	10,896
Debt at 31 December	(227)	(212)
Lease liability 31 December	(157)	(178)
Motion JVco Limited		
Sale of goods	753	798
Royalty	45	41
Other transactions	1	(12)
Receivables at 31 December	79	103
Debt at 31 December	(3)	(1)
Transactions with other related parties		
Sale of goods	5	-
Other transactions	34	28
Donations	182	144
Receivables at 31 December	107	61
Debt at 31 December	-	(5)



5.4 Related parties (continued)

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

(mDKK)	2023	2022
Loan at 1 January	10,896	12,748
Loans advanced	12,749	14,182
Repayments	(16,250)	(16,010)
Interest	182	(24)
Loan at 31 December	7,577	10,896

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.

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.

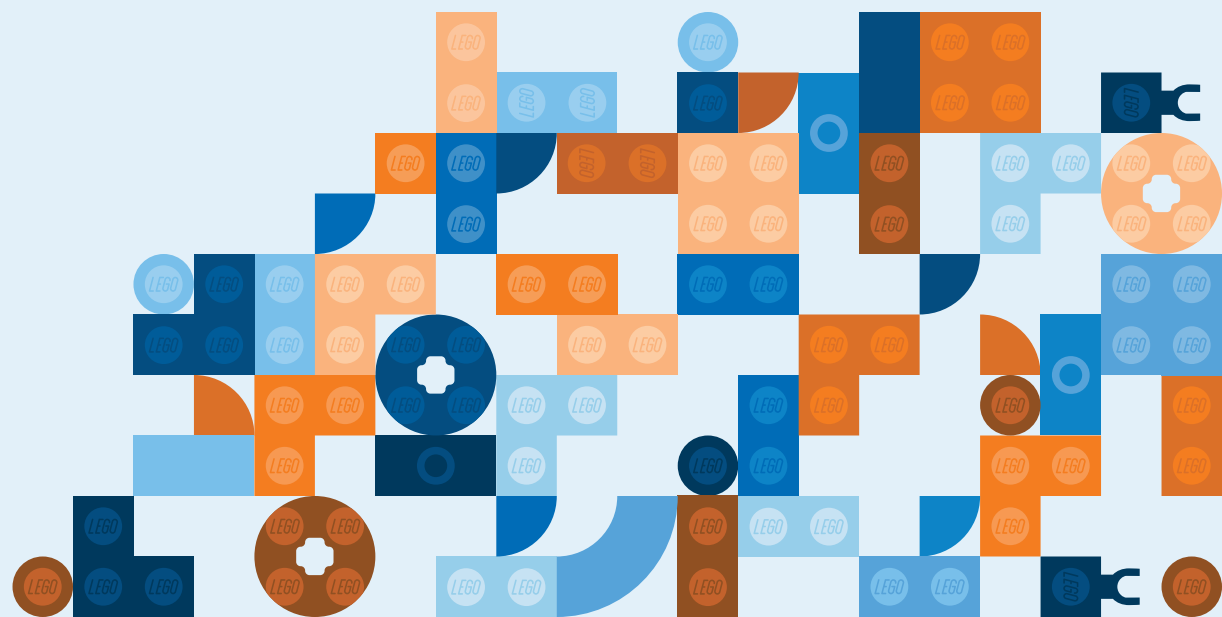
§ Accounting policies

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

The carrying amounts of receivables and payables to related parties are considered to be the same as their fair values, due to their short-term nature.

5.5 Events occurring after the reporting period

No events of importance to the Consolidated Financial Statements have occurred after the reporting period.



5.6 Group structure

LEGO A/S

at 31 December 2023

Manufacturing, administration, sales and distribution

Denmark LEGO System A/S

Manufacturing

China LEGO Toy Manufacturing (Jiaxing) Co., Ltd
Czech Republic LEGO Production s.r.o.
Hungary LEGO Manufacturing Kft.
Mexico LEGO Operaciones de México, S.A. de C.V.
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 Brinquedos Ltda
Canada LEGO Canada, Inc.
China LEGO Education Technology (Shanghai) Co., Ltd.
China LEGO Commerce (Shanghai) 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.
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
United Kingdom LEGO Company Limited
United States LEGO Systems, Inc.

Sales and distribution (continued)

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
Denmark LH af 29. november 2023 A/S
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.
Russian Fed. LEGO Ltd.
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, which is the ultimate Parent Company.





Parent Company Financial Statements

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

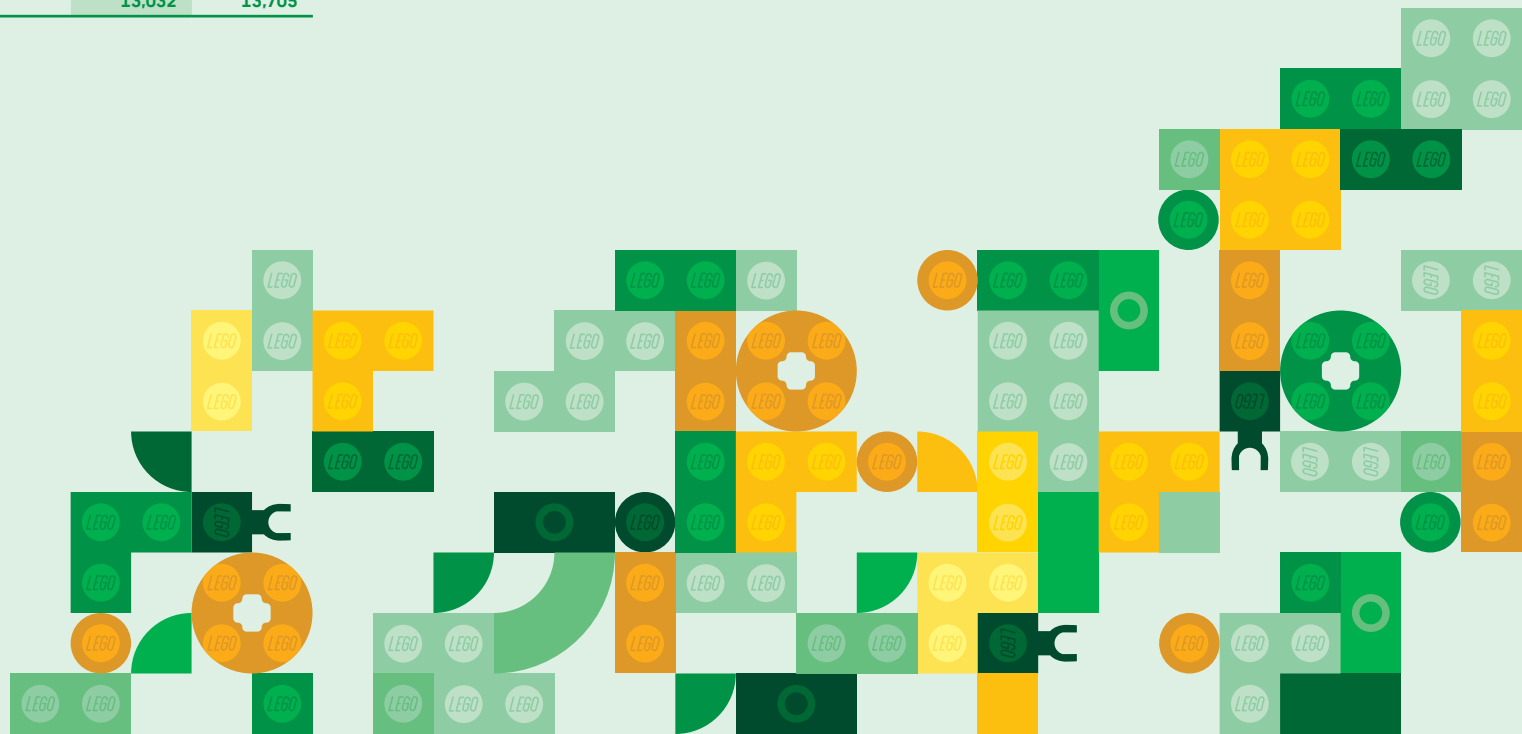
Statement of Profit or Loss

1 January – 31 December

(mDKK)	Note	2023	2022
Revenue		596	582
Gross profit		596	582
Administrative expenses		(386)	(378)
Operating profit		210	204
Net profit from subsidiaries	3.3	12,826	13,586
Financial income	2.2	221	89
Financial expenses	2.2	(132)	(102)
Profit before tax		13,125	13,777
Income tax expenses	2.3	(93)	(72)
Net profit		13,032	13,705

You guessed it!

The navigation works the same way in this chapter.

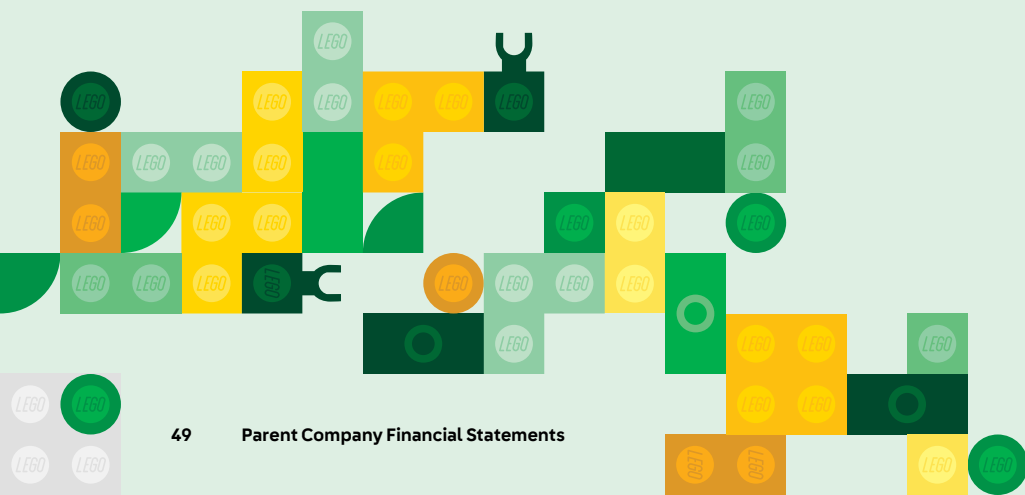


Statement of Financial Position

at 31 December

(mDKK)	Note	2023	2022
Intangible assets	3.1	62	131
Property, plant and equipment	3.2	5	4
Deferred tax assets	3.5	40	38
Investments in subsidiaries	3.3	32,730	29,465
Receivables from subsidiaries		136	191
Total non-current assets		32,973	29,829
Receivables from subsidiaries		4,833	3,823
Receivables from related parties		8	24
Other receivables		1	36
Total current assets		4,842	3,883
Total assets		37,815	33,712

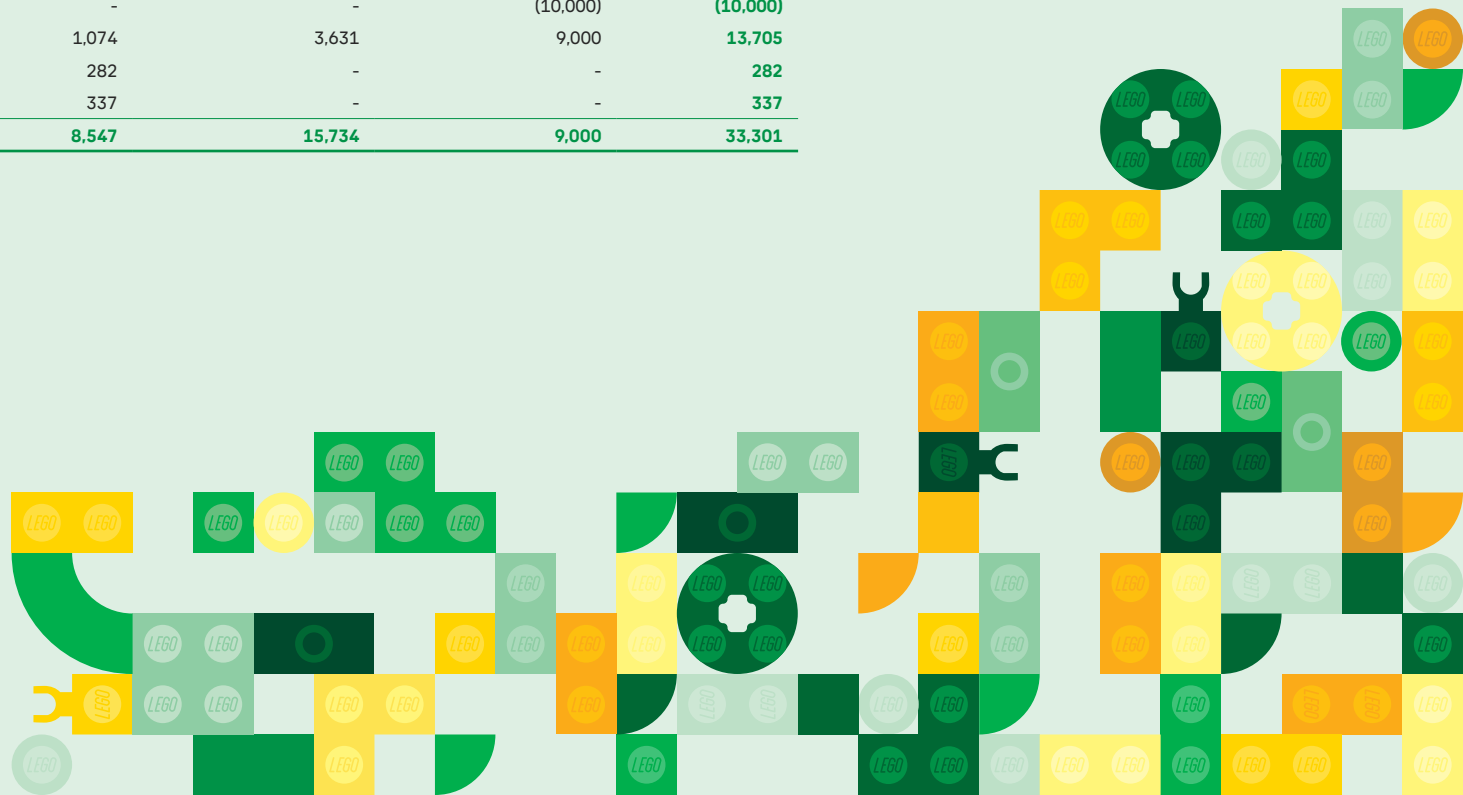
(mDKK)	Note	2023	2022
Share capital	3.4	20	20
Equity method reserve		9,903	8,547
Retained earnings		18,424	15,734
Proposed dividend		9,000	9,000
Total equity		37,347	33,301
Provisions		-	13
Other debt		160	169
Total non-current liabilities		160	182
Provisions		7	-
Trade payables		13	7
Income tax liabilities		75	42
Debt to subsidiaries		4	1
Other debt		209	179
Total current liabilities		308	229
Total liabilities		468	411
Total equity and liabilities		37,815	33,712



Statement of Changes in Equity

at 31 December

(mDKK)	Share capital	Equity method reserve	Retained earnings	Proposed dividend	Total equity
2023					
Equity at 1 January	20	8,547	15,734	9,000	33,301
Dividend paid to shareholders	-	-	-	(9,000)	(9,000)
Net profit	-	1,342	2,690	9,000	13,032
Currency translation adjustments	-	112	-	-	112
Items recognised on equity in subsidiaries	-	(98)	-	-	(98)
Equity at 31 December	20	9,903	18,424	9,000	37,347
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





Notes

Basis of preparation

1.1 Basis of preparation	52
--------------------------------	----

Statement of Profit or Loss

2.1 Employee costs	52
2.2 Financial items	53
2.3 Income tax expenses	53

Statement of Financial Position and other disclosures

3.1 Intangible assets	54
3.2 Property, plant and equipment	54
3.3 Investments in subsidiaries	55
3.4 Share capital	55
3.5 Deferred tax	55
3.6 Contingent assets, contingent liabilities and other obligations	56
3.7 Related parties	56
3.8 Proposed distribution of net profit	56



1.1 Basis of preparation

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 22](#). 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.

Provisions at 31 December 2023 consist of uncertain obligations.

Non-current liabilities

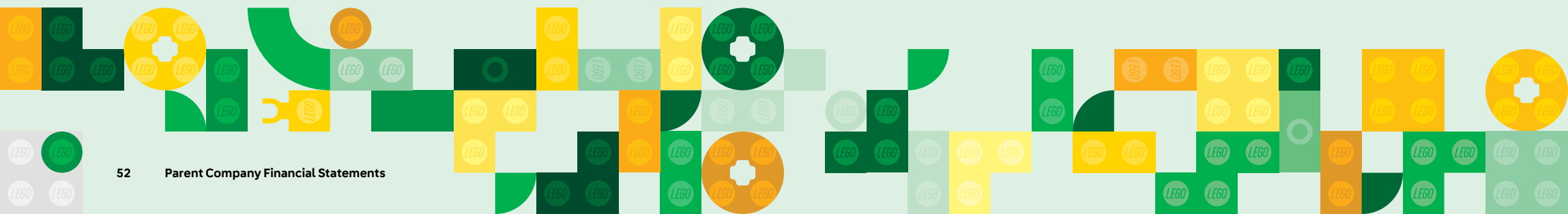
Other debt classified as non-current falls due within 1-5 years.

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

2.1 Employee costs

(mDKK)	2023	2022
Salaries	117	128
Pension costs	-	-
Social security and other costs	1	1
	118	129
Recognised as follows:		
Administrative expenses	118	129
	118	129
Average number of full-time employees	5	5
Remuneration to Executive Management and the Board of Directors		
Salaries and other remuneration	57	65

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.



2.2 Financial items

(mDKK)	2023	2022
Interest income from subsidiaries	221	89
Financial income	221	89

(mDKK)	2023	2022
Interest expenses to subsidiaries	86	90
Other interest expenses	4	4
Foreign exchange losses, net	42	8
Financial expenses	132	102

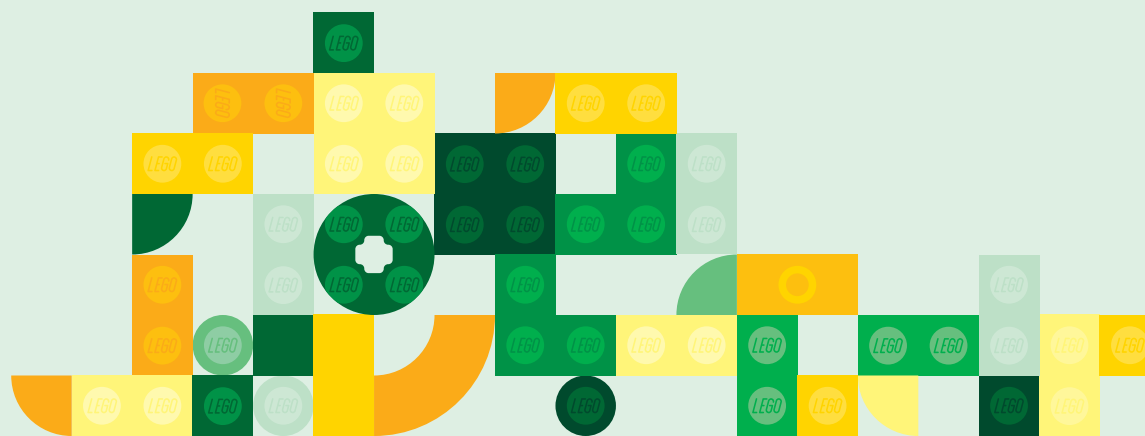
2.3 Income tax expenses

(mDKK)	2023	2022
Current income tax	83	49
Other tax	12	14
Change in deferred tax	(2)	3
Adjustment to deferred tax for prior years	-	6
	93	72

§ 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 incorporated in the Consolidated Financial Statements and up to the date on which they are no longer consolidated.



3.1 Intangible assets

(mDKK)	Goodwill	Patents, software and other rights	Total
2023			
Cost at 1 January	303	49	352
Cost at 31 December	303	49	352
Amortisation and impairment losses at 1 January	187	34	221
Amortisation	61	8	69
Amortisation and impairment losses at 31 December	248	42	290
Carrying amount at 31 December	55	7	62

§ 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 million. Useful lives are reassessed annually.

3.2 Property, plant and equipment

(mDKK)	Land, buildings and installations	Other fixtures and fittings, tools and equipment	Total
2023			
Cost at 1 January	3	2	5
Additions	-	1	1
Disposals	-	(1)	(1)
Cost at 31 December	3	2	5
Depreciation and impairment losses at 1 January	-	1	1
Depreciation	-	-	-
Disposals	-	(1)	(1)
Depreciation and impairment losses at 31 December	-	-	-
Carrying amount at 31 December	3	2	5



3.3 Investments in subsidiaries

(mDKK)	2023	2022
Cost at 1 January	11,918	10,600
Additions	1,909	1,318
Cost at 31 December	13,827	11,918
Value adjustments at 1 January	17,547	16,820
Currency translation adjustments	112	282
Share of net profit	12,826	13,586
Dividends	(11,484)	(13,478)
Items recognised on equity in subsidiaries	(98)	337
Value adjustments at 31 December	18,903	17,547
Carrying amount at 31 December	32,730	29,465

Group structure is disclosed in the Consolidated Financial Statements [note 5.6](#).

§ 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 is disclosed as net profit after tax in the Parent Company's Statement of Profit or Loss.

3.4 Share capital

	Number of shares	Nominal value (mDKK)
2023		
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 above. 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

3.5 Deferred tax

(mDKK)	2023	2022
Deferred tax at 1 January, net	38	47
Recognised in profit or loss	2	(9)
Deferred tax at 31 December, net	40	38
Recognised as follows:		
Deferred tax assets	40	38
Deferred tax liabilities	-	-
	40	38

3.6 Contingent assets, contingent liabilities and other obligations

(mDKK)	2023	2022
Guarantees	761	764
Other indemnities	95	101
	856	865

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 (DKK 80 million in 2022), 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.

3.7 Related parties

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

(mDKK)	2023	2022
KIRKBI A/S		
Other transactions	(3)	(2)
KIRKBI Invest A/S		
Other transactions	1	1
Motion JVco Limited		
Royalty	45	41
Receivables at 31 December	8	24

Remuneration to Key Management Personnel is disclosed in [note 2.1](#).

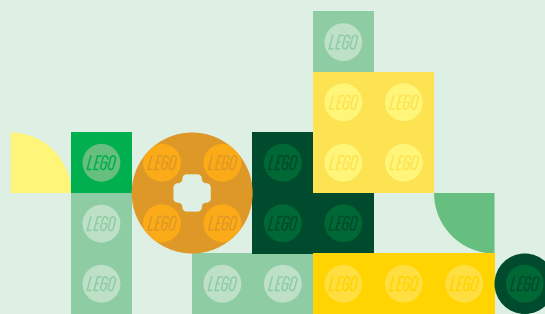
Transactions with related parties were carried out on an arm's length basis.

3.8 Proposed distribution of net profit

(mDKK)	2023	2022
Proposed dividend	9,000	9,000
Equity method reserve	1,342	1,074
Retained earnings	2,690	3,631
	13,032	13,705

§ 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 2023. 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 2023 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 2023.

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, 4 March 2024

Executive Management

Niels B. Christiansen
President and Chief Executive Officer

Board of Directors

Thomas Kirk Kristiansen
Chair

Søren Thorup Sørensen
Deputy Chair

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 2023 and of the results of the Group's operations and cash flow for the financial year 1 January to 31 December 2023 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 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 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 2023, 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

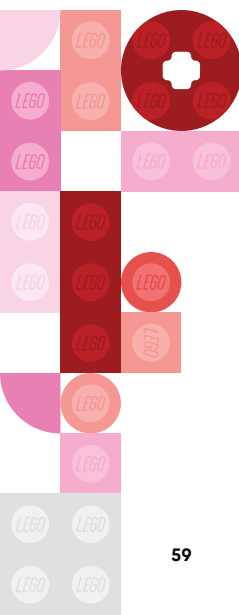
Management is responsible for Management's Review. Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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, 4 March 2024

PricewaterhouseCoopers

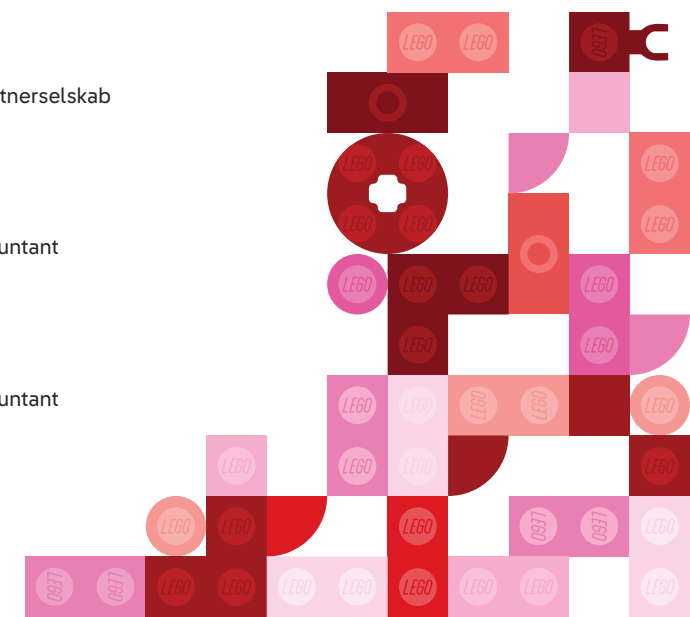
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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

CVR no 54 56 25 19

Incorporated 19 December 1975

Residence Billund

Financial Year 1 January – 31 December

Date of publication 12 March 2024

Design e-Types

2023 Annual Report is published for
the LEGO Group by Finance and Corporate
Brand Communications.

LEGO, the LEGO logo, the Minifigure, the FRIENDS logo, DREAMZzz and
NINJAGO are trademarks of the LEGO Group. ©2024 The LEGO Group.
©2024 Epic Games, Inc.

STARWARS.com © & ™ Lucasfilm Ltd.

© 2024 New Line Productions, Inc. All rights reserved. The Lord of
the Rings: The Fellowship of the Ring, The Lord of the Rings: The Two
Towers, The Lord of the Rings: The Return of the King and the names of
the characters, items, events and places therein are trademarks of The
Saul Zaentz Company d/b/a Middle-earth Enterprises under license to
New Line Productions, Inc.

™ & © 2024 Nintendo