



*On the
right road!*

Annual Accounts 1999



The LEGO Company's global net turnover rose by DKK 2,128 million in 1999 – equivalent to 28%. Total net turnover were DKK 9,808 million. Result before tax was DKK 516 million after restructuring costs of DKK 555 million. In other words, the primary result was just over DKK 1.071 million, an improvement of DKK 1,353 million compared to 1998.

This result was, in particular, attributable to three factors.

First, 1999 was the year in which we really experienced the effect of the investment that has been made in recent years in product and business development. Thus, sales of Play Materials rose by 16% and turnover in our new business areas doubled.

Secondly, we put into action the ideas on organisation and management that we have been developing in recent years. The Fitness Programme was implemented at record speed and resulted in a much simpler, reactive and - above all - more global business system.

Thirdly, the strategy that we began to implement in the early '90s is now beginning to show results. We are developing a much broader commercial foundation and a wider platform for our brand values. We have created new business areas that, as well as being business in their own right, have created synergy across product groups and provided us with new interfaces with our consumers.

Creativity, play, learning and development - the values that our brand represents - have never been more relevant than they are today. Our goal, for the LEGO brand to be the strongest among families with children in 2005 - is within our grasp. But we shall only achieve it with a continued joint effort and a continuing focus on our three

strategic priorities: the LEGO Brand, People and Culture, and Profitable Growth.

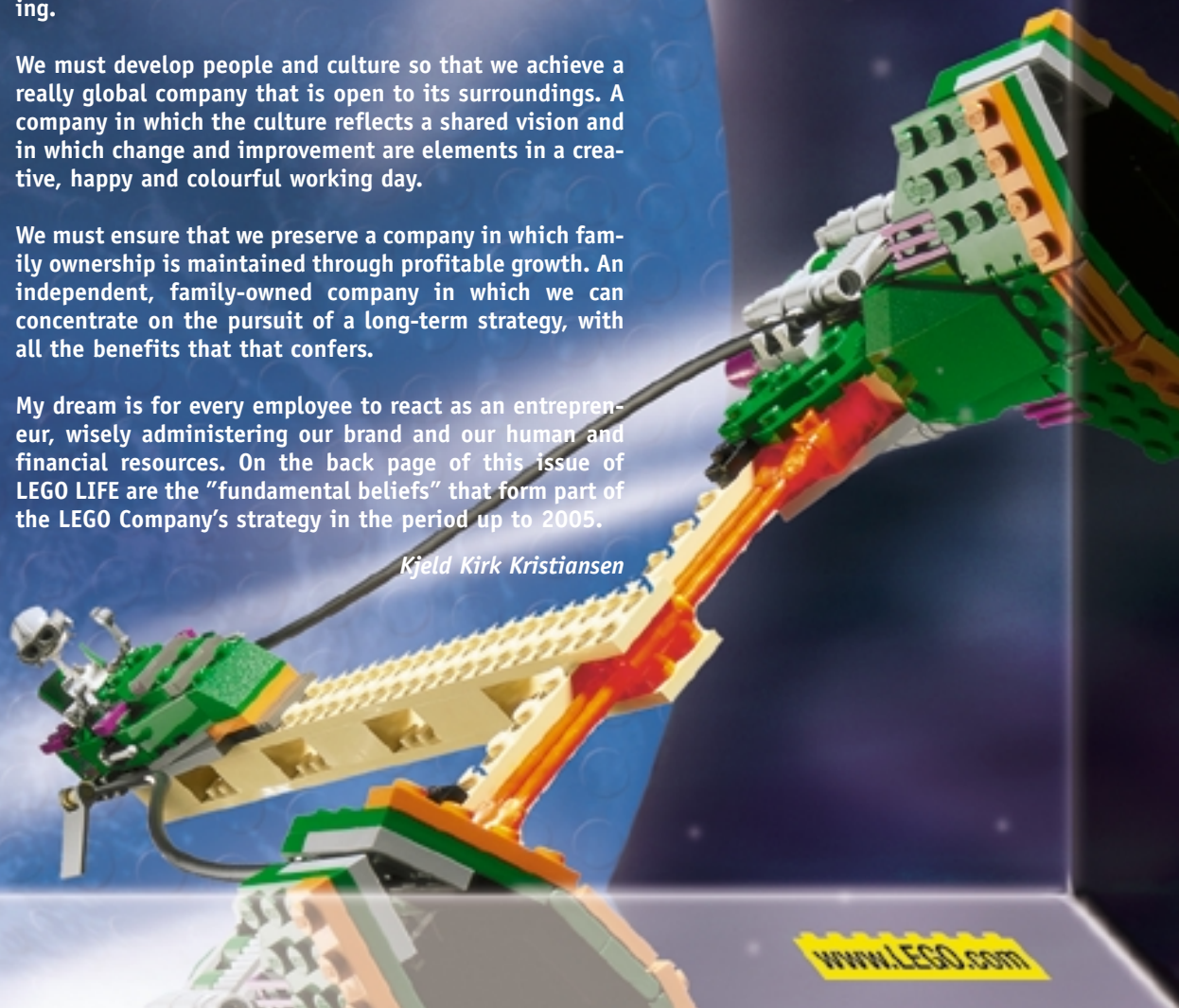
We must increasingly sell brand experiences that stimulate creativity and imagination. Our brand must be linked with the development of people through lifetime learning.

We must develop people and culture so that we achieve a really global company that is open to its surroundings. A company in which the culture reflects a shared vision and in which change and improvement are elements in a creative, happy and colourful working day.

We must ensure that we preserve a company in which family ownership is maintained through profitable growth. An independent, family-owned company in which we can concentrate on the pursuit of a long-term strategy, with all the benefits that that confers.

My dream is for every employee to react as an entrepreneur, wisely administering our brand and our human and financial resources. On the back page of this issue of LEGO LIFE are the "fundamental beliefs" that form part of the LEGO Company's strategy in the period up to 2005.

Kjeld Kirk Kristiansen





Annual Accounts

1999



Key figures

The key figures from the annual accounts cover the 57 subsidiaries of the LEGO Company. The companies are owned by the Kirk Kristiansen family.

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

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

The treatment of accounting entries in the accounts is in full accordance with the International Company Accounts Act and the guidelines for Danish accounts.

The annual accounts for the LEGO Company are a composition of the accounts for individual LEGO Company entities with elimination of amounts relating to transactions within the company. The annual accounts are thus structured as if the LEGO Company were a single company, with all accounting items the result of the LEGO Company's business activities with the wider world.

DEFINITIONS:

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

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

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

TAX ON THE YEAR'S RESULT is the forecast tax payable on the result for the year.

FIXED ASSETS comprises mainly tangible fixed assets, consisting of land and buildings, plant and machinery, and office and IT equipment.

These assets are valued at acquisition price with deduction of depreciation over the years. Depreciation is calculated on the basis of the asset's expected useful life, which for buildings is 25 years and for other assets between 2 and 10 years.

CURRENT ASSETS relates primarily to stock, trade receivables from the sale of goods and cash at banks.

PROVISIONS comprises mainly tax liability - taxation for which, in accordance with applicable legislation, payment can be deferred to later years.

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

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

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

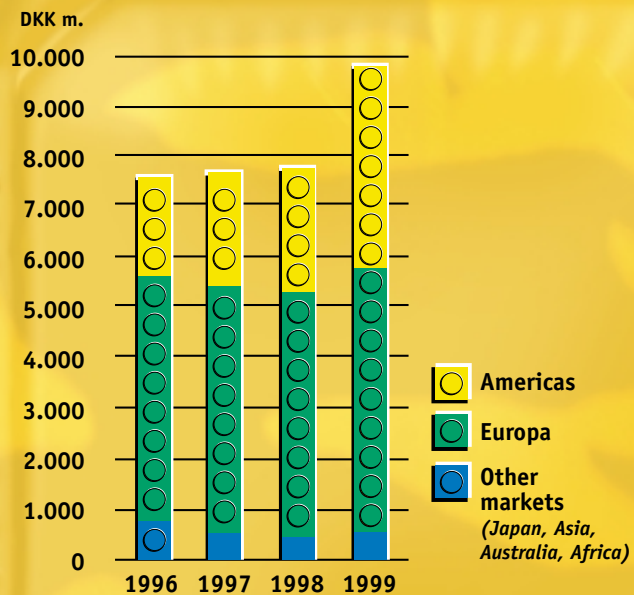
PROFIT MARGIN is the net result for the year (after tax) expressed as a percentage of net turnover.

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

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



Net turnover



Profit and Loss Account (DKK m.)

	1999	%	1998	%
Net turnover	9,808	100.0	7,680	100.0
Operating costs	-8,615	-87.8	-7,852	-102.2
Restructuring costs	-555	-5.7		0
Operating profit	638	6.5	-172	-2.2
Financial items	-122	-1.2	-110	-1.4
Result before tax	516	5.3	-282	-3.6
Tax on the year's result	-242	-2.5	88	1.1
Result for the year	274	2.8	-194	-2.5

Balance Sheet (DKK m.)

	1999	%	1,998	%
Fixed assets	6,035	47.5	5,515	52.0
Current assets	6,659	52.5	5,094	48.0
Total assets	12,694	100.0	10,609	100.0
Equity	6,976	55.0	5,506	51.9
Provisions	435	3.4	375	3.5
Long-term debt	1,992	15.7	1,868	17.6
Short-term debt	3,291	25.9	2,860	27.0
Liabilities & Equity	12,694	100.0	10,609	100.0

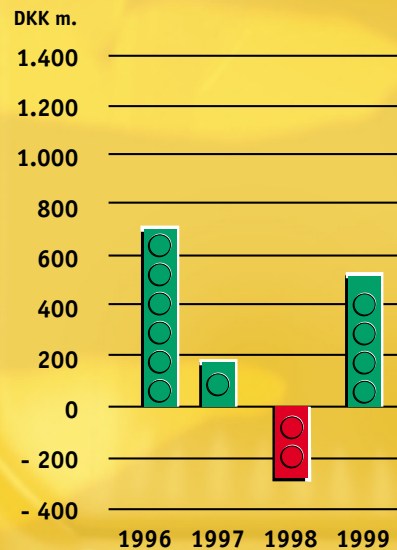
Financial Key Figures (DKK m.)

	1999	1998	1997	1996	1995
Net turnover	9,808	7,680	7,616	7,534	6,844
Result before tax	516	-282	171	699	676
Result for the year	274	-194	62	470	431
Investment in fixed assets	968	1,397	745	1,490	748
Equity	6,976	5,506	5,437	5,913	5,961
Total assets	12,694	10,609	9,767	10,061	9,535
Number of employees	7,821	8,670	8,668	8,178	8,535

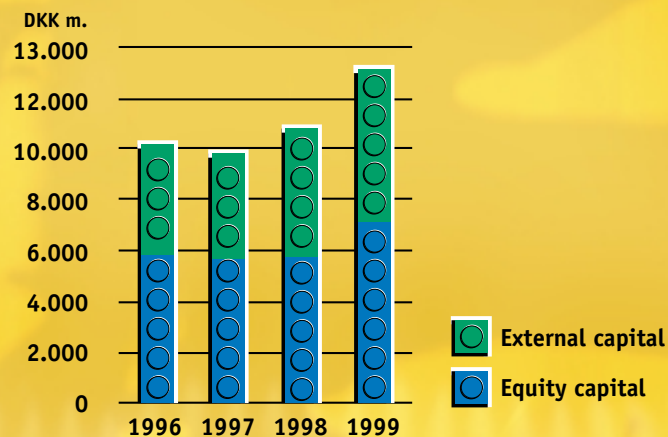
Financial key figures (%)

	1999	1998	1997	1996	1995
Profit margin	2.8	-2.5	0.8	6.2	6.3
Return on equity	3.8	-3.5	1.1	7.9	7.2
Solvency	55.0	51.9	55.7	58.8	62.5

Result before tax

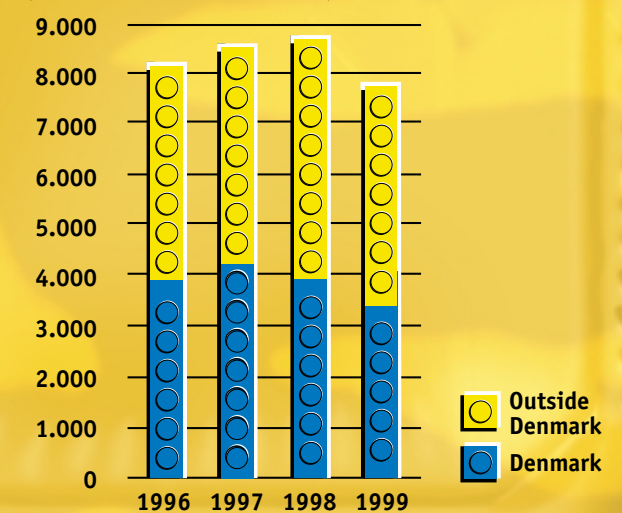


Balance



Number of employees

(converted to full-time employees)





LEGO Company's beliefs and mission

Fundamental beliefs:

Children are our role models.

They are curious, creative and imaginative. They embrace discovery and wonder. They are natural learners. These are precious qualities that should be nurtured and stimulated throughout life.

Lifelong creativity, imagination and learning are stimulated by playful activities that encourage hands-on and minds-on creation, fun, togetherness, and the sharing of ideas.

People who are curious, creative and imaginative - who have a childlike urge to learn - are best equipped to thrive in a challenging world and be the builders of our common future.

Mission:

To nurture the child in each of us.

We will do this as the world leader in providing quality products and experiences that stimulate creativity, imagination, fun and learning.

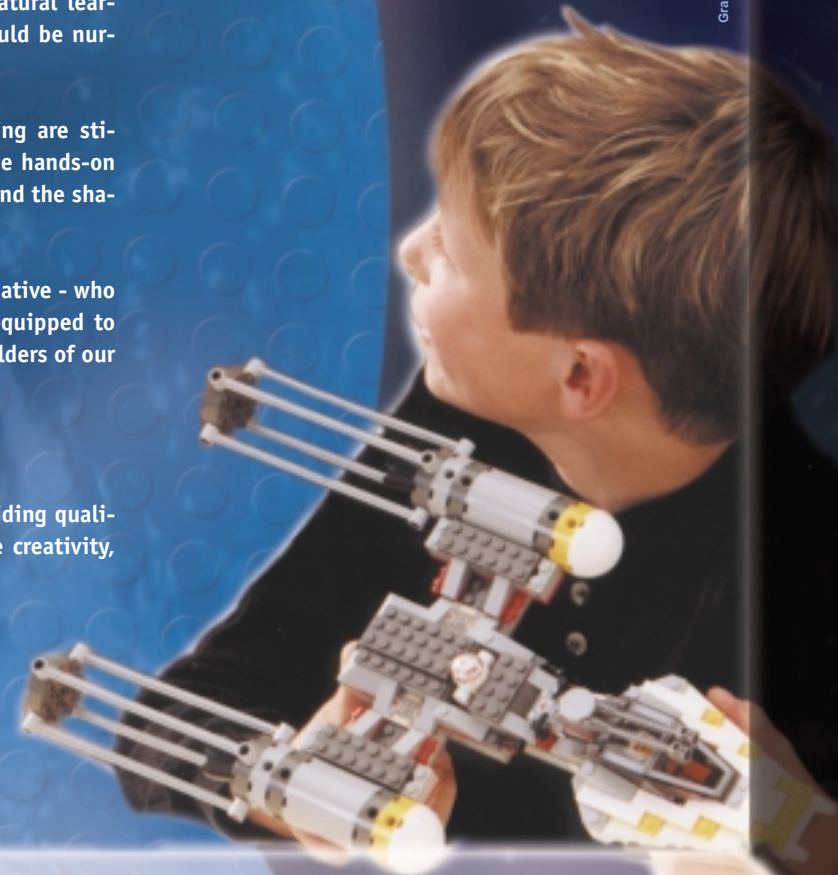
Brand statement:

just imagine...



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