

LEGO Fonden

(Municipality of registration: Billund, Denmark)

CVR no. 12 45 83 39

Annual report for 2013

27th financial year

The annual report has been presented and approved on the Annual Meeting 6 May 2014

Conductor

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Information about the Foundation

LEGO Fonden (The LEGO Foundation)

Koldingvej 2

7190 Billund, Denmark

Executive Management

Randa Grob-Zakhary

Board of Directors

Kjeld Kirk Kristiansen (Chairman)

William Ervin Hoover

Jørgen Vig Knudstorp (Vice chairman)

Thomas Kirk Kristiansen (Vice chairman)

Sofie Kirk Kiær Kristiansen

Mette Morsing

Foundation Structure

LEGO Foundation

Koldingvej 2, Billund A/S, 7190 Billund, Denmark, 100%

LEGO A/S, 25%

CoC Company A/S, 50%

Auditors

Deloitte Revisionspartnerselskab

Aarhus, Denmark

Management's statement

The Board of Directors and Executive Management have today considered and adopted the annual report for the LEGO Foundation for the financial year 1 January - 31 December 2013.

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's assets, equity and liabilities and financial position at 31 December 2013 and of the results of the Foundation's activities in the financial year 1 January - 31 December 2013.

We believe that the management's review gives a true and fair review of the matters dealt with in the review.

Billund, 6 May 2014

Executive Management:

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Randa Grob-Zakhary

Board of Directors:

.....
Kjeld Kirk Kristiansen
(Chairman)

.....
William Ervin Hoover

.....
Jørgen Vig Knudstorp

.....
Thomas Kirk Kristiansen

.....
Sofie Kirk Kiær Kristiansen

.....
Mette Morsing

Independent auditor's reports

To the Board of Directors and Executive Management of the LEGO Foundation

Report on the financial statements

We have audited the financial statements of the LEGO Foundation for the financial year 1 January - 31 December 2013, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Responsibility of the Board of Directors and the Executive Management for the financial statements

The Board of Directors and Executive Management are responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Further, the Board of Directors and Executive Management are responsible for such internal control as the Board of Directors and Executive Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view 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 Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Executive Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Foundation's assets, equity and liabilities and financial position at 31 December 2013, and of the results of the Foundation's activities for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on the management's review

In accordance with the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the Danish Financial Statements Act.

Aarhus, 6 May 2014

Deloitte

Statsautoriseret Revisionspartnerselskab

Thomas Rosquist Andersen
State Authorised Public Accountant

Management's review

Main activities

The LEGO Foundation shares the mission of the LEGO Group: To inspire and develop the builders of tomorrow. Building on the strong values that have characterised the LEGO Group for 80 years we have set our sights on a global challenge: Opening minds to the transformative power of play in learning.

The Foundation is dedicated to build a future where learning through play empowers children to become creative, engaged, lifelong learners. Our work is about re-defining play and re-imagining learning. In collaboration with thought leaders, influencers, educators and parents the LEGO Foundation aims to equip, inspire and activate champions for play.

The continued success of the LEGO Group has resulted in a significant contribution towards the LEGO Foundation in recent years, and the LEGO Foundation now seeks to apply these resources in new and ambitious ways towards improving the lives of children.

In 2013, the LEGO Foundation has been deeply involved in a process of strategy development. Specifically, we are working to raise awareness of the value of hands-on, minds-on learning, with an emphasis on learning through play, and to spread knowledge about how to engage children in these kinds of activities across levels of society - homes, classrooms, workplaces and communities.

Our ambitious aim has initiated a scaling-up of our team to establish a new organisation that is capable of developing and running initiatives across four functional areas: Research & Learning, Programs & Partnerships, Communication & Engagement and Operations. A new Leadership Team has joined the Foundation to lead these four areas. Also, we have complemented our Danish head office in Billund with a branch office in Baar, Switzerland. Because of the high degree of our externally facing activities, this step increases our accessibility to global collaboration and talent networks. Furthermore, our new colleagues contribute to growing our diversity agenda.

A few LEGO Foundation highlights

One lever in our efforts to inspire action and create social impact is thought leadership. We are expanding our global network, engaging in dialogues exploring and promoting learning through play, and through these initiatives we are becoming involved in influencing early childhood education policies.

An example of this is our engagement in Ukraine, where we are working directly in partnership with the Ukrainian Ministry of Education to mobilise teachers and kindergartens and roll out curriculum content recommended by the LEGO Foundation. We are currently working on a new version with an increase on the play values to be submitted by the end of 2014. Already now, 20,000 children have been impacted by our work in 75 kindergartens in the Kiev area and in 5 other cities in the country that have received LEGO Education sets, methodological materials, and teacher training focusing on learning through play.

STRATEGIC PARTNERING FOR SOCIAL IMPACT

- In line with our strategy, one of our new partnerships is with Ashoka, the largest network of social entrepreneurs worldwide, with nearly 3,000 Ashoka Fellows in 70 countries putting their system changing ideas into practice on a global scale. The LEGO Foundation enters into this partnership to identify, support and accelerate leading social entrepreneurs and their innovative work to transform learning and to map the landscape of innovation and build a network of changemakers in the sector of learning through play.

ADVOCATING CHILDHOOD AS THE INSPIRATION FOR LIFELONG CREATIVITY

- In 2013, the LEGO Foundation published the Cultures of Creativity report that promotes the significant role that culture plays in children's ability to stay creative throughout their lives. The report highlights that playing, thinking, making and sharing are key components in defining a culture that accepts, acknowledges and nurtures creativity. It also emphasises the importance of recognising playfulness and creativity as prerequisites to help societies prepare and accommodate for the rapid changes associated with technology and globalisation.

Management's review continued

THE CAPITAL OF CHILDREN – PLACE FOR, WITH, AND ABOUT CHILDREN

- As part of a unique public-private partnership with a shared vision to develop Billund into the Capital of Children - an outstanding place for, with, and about children - one of many LEGO Foundation initiatives is the International School of Billund. The school combines the best Danish learning traditions with a creative approach to learning through play. In August 2013, the school opened its doors to 75 children in the 3-9 age group. By August 2015, it is anticipated that the school will welcome students aged up to sixteen years, providing both the IB Primary and Middle Year Programmes

DEVELOPING TALENTS THROUGH CREATIVE PLAY IN SOUTH AFRICA

- Thanks to a strong partnership between Optimus Foundation, Hands on Technologies and the LEGO Foundation, children from 25 elementary schools in Pretoria's Atteridgeville township are now being provided with creative tools to find solutions through play. Having reached approximately 40,000 students already, this project focuses on sparking creativity, enabling children to develop into entrepreneurial, critical thinkers while keeping them engaged in further education. Preliminary indicators of the sustainable impact include a significant decrease in student absence, stronger communication and collaboration skills, improved performance in subjects such as math and science, and feedback from teachers who feel the project has reinvigorated joy in their job of teaching. As the first phase of this project is now nearing its conclusion, we are now evaluating how to take this successful work to scale. Ultimately, the LEGO Foundation ambition is to help the South African education system produce creative solution-seekers who feel empowered to take charge of their own educational future as a means to stimulate social and economic development across the country.

2013 also saw the LEGO Foundation contributing USD 3 million to UNHCR and its Educate A Child initiative to improve access to quality education for over 200,000 refugee children. The donation will contribute to funding UNHCR's education programme in Chad, Ethiopia, Iran, Kenya, Malaysia, Pakistan, Rwanda, Sudan, South Sudan, Syria, Uganda and Yemen. These 12 countries have some of the largest refugee populations in the world and a primary school age population of over 1.25 million children with as many as 50% out of school. We will also support UNHCR by providing a training programme for UNHCR staff and by donating LEGO products to refugee children to enhance their play and learning.

Development in activities and financial affairs

The profit for the year for the LEGO Foundation totalled DKK 1,529 million, compared to DKK 1,479 million in 2012. This includes profit from the subsidiary in the amount of DKK 1,562 million, compared to DKK 1,486 million in 2012.

Profit for the year is considered satisfactory.

The Foundation's subsidiary Koldingvej 2, Billund A/S owns 25% of the LEGO Group, and the increase in the LEGO Foundation's profits is attributable to the positive development of the LEGO Group.

The increase in the Foundation's expenses and project costs is due to a combination of a significant increase in the size of the LEGO Foundation team, resources allocated to our strategic development, and our first steps towards engaging in significant, long-term partnerships.

In 2013, the LEGO Foundation's donations totalled DKK 126.1 million - of which DKK 45 million is a donation to Ole Kirk's Foundation - for a range of projects all over the world. In addition, the foundation donated products with an estimated value of DKK 31.5 million through LEGO Charity.

Since 2009, 620,000 students have been involved in learning with LEGO products through LEGO

Management's review continued

Foundation activities, and 233,000 children received product donations through LEGO Charity in 2013 alone.

Important events occurring after the end of the financial year

After the end of the financial year it has by mutual agreement been agreed that Randa Grob-Zakhary is stepping down as CEO of the LEGO Foundation, effective July 11, 2014.

No further important events have occurred after the end of the financial year affecting the foundation's financial position at 31 December 2013.

Outlook

Our mission, desired outcomes and focus are conveyed through our Theory of Change which sums up the difference we want to make in the world and how we will achieve it. The Theory of Change defines the building blocks required to reach our long-term goal and forms the basis for our strategic planning, on-going decision-making and evaluation. Equipped with this, the LEGO Foundation is now prepared to take the first steps to execute along the strategic direction.

To make learning through play a reality in homes, classrooms, workplaces and communities, the LEGO Foundation will focus on three activities designed to catalyse social impact:

- **Build and share evidence** that underpins our activities with knowledge of what works and why.
- **Support, develop and test models** that demonstrate successful approaches that others can build on.
- **Develop buy-in that engages others** in this cause and advocate for a global learning agenda that embraces play.

The emphasis on each of these activities - and the synergies between them - will vary from project to project.

Re-defining play and re-imagining learning is a complex, global, systemic challenge. We believe we will have the greatest impact if we build on existing efforts and catalyse change through coalitions that can advance this agenda. Children regularly engaged in quality learning through play will be a token of our emerging success.

This is a long-term strategy. In 2014, while continuing to build organisational capacity, we will focus on three key priorities:

- **Strengthening the Capital of Children.** Billund, Denmark is the birthplace of the LEGO Group and home for a unique engagement and public-private partnership to establish a Capital of Children. Founded and funded by the LEGO Foundation, the International School of Billund is the perfect place to showcase approaches to quality and playful learning.
- **Starting to establish play as a pedagogy.** This year we will expand and deepen our work in South Africa. Our goal is to scale our successful model in South Africa, working with new local, national and global partners.
- **Sparking a new global dialogue on learning through play.** Starting with the LEGO Idea Conference and our presence at global events, we want to position the concept of learning through play at the centre of global discussions on education and secure its place on international agendas to transform learning.

Accounting policies

The LEGO Foundation's annual report for 2013 has been prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class B enterprises.

The accounting policies are consistent with those of prior years.

No consolidated financial statements have been prepared, see section 110 of the Danish Financial Statements Act, which concerns small groups.

Reporting currency

The annual report is presented in Danish kroner.

Translation of foreign currency

Transactions in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable at the transaction date. Monetary assets and liabilities in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable at the balance sheet date. Realised and unrealised foreign exchange gains and losses are recognised in the income statement under net financials.

Recognition and measurement

Recognition and measurement in general

Income is recognised in the income statement as earned. Furthermore, all expenses incurred to generate the year's earnings, including depreciation and amortisation, impairment losses and write-downs and provisions, are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the entity, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the entity and the value of such liabilities can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each individual item below.

On recognition and measurement, allowance is made for foreseeable losses and risks arising before the time at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Income statement

Investments in Subsidiaries

Income from investments in subsidiaries consists of the proportional share of its profit after tax and any adjustment of internal profit/loss and deduction of amortisation of goodwill on consolidation.

Depreciation

Depreciation of and impairment losses on property, plant and equipment are based on an ongoing assessment of the useful lives of the entity's assets. Non-current assets are depreciated on a straight-line basis based on cost, based on the following estimated useful lives and residual value of the assets:

	Useful life	Residual value
Buildings	25 years	0%

No depreciation is made on the antique collection.

Accounting policies continued

Gains and losses from the disposal of non-current assets are recognised in the income statement under other operating income and expenses.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts related to the financial year. Financial income and expenses include interest income and interest expenses, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies.

Tax

Tax for the year comprises current tax on the expected taxable income for the year and changes in deferred tax, less the portion of tax for the year attributable to changes in equity. Current and deferred tax pertaining to changes in equity are recognised directly in equity. The Foundation and its subsidiary are jointly taxed. Danish income tax is allocated between the jointly taxed Danish entities in proportion to their taxable incomes (full allocation).

Donations

Donations are recognised if they are committed before the end of the financial year. Non-disbursed donations are recognised as non-current liabilities.

Commitments concerning donations that are conditional upon the fulfilment of certain conditions are recognised as conditional donations under non-current liabilities.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost plus any revaluations and less accumulated depreciation and impairment losses. Cost comprises the acquisition price and directly related costs up until such time as the asset is ready for use.

Impairment testing of property, plant and equipment is performed if indications of impairment exist. The impairment test is performed for each individual asset or group of assets. Assets are impaired to the higher of the capital value of the individual asset or asset group and the net sales price (recoverable amount) if this is lower than the carrying amount.

Investments in Subsidiaries

Investments in subsidiaries are measured according to the equity method based on the proportionally owned share of the subsidiaries equity plus any consolidated goodwill and less intra-group gains and negative goodwill. Entities with negative equity are recognised at zero with the negative value corresponding to the proportionate share being offset against any receivables. Any amounts over and above this are recognised under provisions if a legal obligation or other obligation to cover the deficit exists.

Securities

Securities are measured at fair value. For listed equities at market value and at estimated fair value for unlisted equities.

Other receivables

Other receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provisions for expected losses.

Accounting policies continued

Cash

Cash comprises cash at bank and in hand.

Deferred tax

Deferred tax and changes in deferred tax are recognised using the balance sheet liability method on the basis of the tax value of all temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at their expected usable value; either by elimination in tax on future earnings or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to become payable.

Liabilities

Liabilities are measured at amortised cost, which usually corresponds to nominal value.

Current tax liabilities

Current tax liabilities are recognised in the balance sheet at the amounts calculated on the expected taxable income for the year adjusted for tax on taxable income for prior years and for taxes paid on account.

Committed donations

Committed donations comprise donations that are conditional upon fulfilment of certain conditions.

Income statement

1 January - 31 December

	Note	2013 DKK '000	2012 DKK '000
Other operating income		<u>943</u>	<u>1,260</u>
Gross profit/(loss)		943	1260
Expenses related to projects and donations			
Employee expenses	1	-16,020	-9,315
Operating expenses	2	<u>-19,684</u>	<u>-16,101</u>
		<u>-35,704</u>	<u>-25,416</u>
Expenses related to administration			
Employee expenses	1	-9,069	-4,772
Operating expenses	2	-12,446	-10,147
Depreciation		<u>-419</u>	<u>-419</u>
		<u>-21,934</u>	<u>-15,338</u>
Operating profit/(loss)		-56,695	-39,494
Net profit from subsidiaries		1,561,543	1,486,031
Financial income		40,490	58,368
Financial expenses		<u>-16,144</u>	<u>-25,733</u>
Profit before tax		1,529,194	1,479,172
Tax on profit for the year		<u>-109</u>	<u>0</u>
Profit for the year		<u>1,529,085</u>	<u>1,479,172</u>
Distribution of profit			
Donation Ole Kirk's Foundation		45,000	20,000
Other donations		81,143	24,649
Reserve from the use of the equity method		1,561,543	1,486,031
Change in capital available for distribution		<u>-158,601</u>	<u>-51,508</u>
		<u>1,529,085</u>	<u>1,479,172</u>

Balance sheet
at 31 December

	Note	2013 DKK '000	2012 DKK '000
Assets			
Non-current assets			
Land and buildings		7,407	7,826
Antique collection		<u>3,000</u>	<u>3,000</u>
Property, plant and equipment	3	<u>10,407</u>	<u>10,826</u>
Investments in subsidiaries	4	5,511,522	4,050,729
Securities		<u>757,802</u>	<u>883,754</u>
Other non-current assets		<u>6,269,324</u>	<u>4,934,483</u>
Total non-current assets		<u>6,279,731</u>	<u>4,945,309</u>
Current assets			
Other receivables		11,486	12,276
Prepayments		0	105
Cash		<u>21,828</u>	<u>14,323</u>
Total current assets		<u>33,314</u>	<u>26,704</u>
Total assets		<u>6,313,045</u>	<u>4,972,013</u>

Balance sheet

at 31 December

	Note	2013 DKK '000	2012 DKK '000
Equity and liabilities			
Equity			
Basic capital		262,453	262,453
Reserve from the use of the equity method		4,852,530	3,391,737
Capital available for distribution		<u>1,150,121</u>	<u>1,290,722</u>
Total equity		<u>6,265,104</u>	<u>4,944,912</u>
Liabilities			
Non-current liabilities			
Committed donations		<u>37,829</u>	<u>16,770</u>
Total non-current liabilities		<u>37,829</u>	<u>16,770</u>
Current liabilities			
Trade payables		2,151	4,073
Other payables		<u>7,961</u>	<u>6,258</u>
Total Current liabilities		<u>10,112</u>	<u>10,331</u>
Total liabilities		<u>47,941</u>	<u>27,101</u>
Total equity and liabilities		<u>6,313,045</u>	<u>4,972,013</u>
Contingent liabilities and other obligations	5		

Statement of changes in equity

	2013 DKK '000	2012 DKK '000
Basic capital		
Balance at 1 January	<u>262,453</u>	<u>262,453</u>
	<u>262,453</u>	<u>262,453</u>
Reserve from the use of the equity method		
Balance at 1 January	3,391,737	1,860,206
Income from subsidiaries	1,561,543	1,486,031
Dividend distributed	-18,000	-29,000
Other comprehensive income	<u>-82,750</u>	<u>74,500</u>
	<u>4,852,530</u>	<u>3,391,737</u>
Capital available for distribution		
Balance at 1 January	1,290,722	1,313,230
Dividend received	18,000	29,000
Change for the year	<u>-158,601</u>	<u>-51,508</u>
	<u>1,150,121</u>	<u>1,290,722</u>
Total equity	<u><u>6,265,104</u></u>	<u><u>4,944,912</u></u>

Notes

	2013 DKK '000	2012 DKK '000
Note 1. Employee expenses		
Employee expenses related to projects and donations	16,020	9,315
Employee expenses related to administration	<u>9,069</u>	<u>4,772</u>
	<u><u>25,089</u></u>	<u><u>14,087</u></u>
Wages and salaries	22,603	13,068
Pension costs	415	385
Other staff and social security expenses	<u>2,071</u>	<u>634</u>
	<u><u>25,089</u></u>	<u><u>14,087</u></u>
Salaries and remuneration for the Executive Management and Board of Directors amount to:		
Executive Management and Board of Directors	<u><u>4,171</u></u>	<u><u>3,881</u></u>
Average number of employees	<u><u>19</u></u>	<u><u>13</u></u>
Note 2. Operating expenses		
Operating expenses related to projects and donations	19,684	16,101
Operating expenses related to administration	<u>12,446</u>	<u>10,147</u>
	<u><u>32,130</u></u>	<u><u>26,248</u></u>
Note 3. Property, plant and equipment		
(DKK '000)	Land and buildings	Antique collection
Cost		
Balance at 1 January 2013	<u>10,885</u>	<u>3,000</u>
Cost at 31 December 2013	<u><u>10,885</u></u>	<u><u>3,000</u></u>
Depreciation		
Balance at 1 January 2013	3,059	0
Depreciation for the year	<u>419</u>	<u>0</u>
Depreciation at 31 December 2013	<u><u>3,478</u></u>	<u><u>0</u></u>
Carrying amount at 31 December 2013	<u><u>7,407</u></u>	<u><u>3,000</u></u>

Notes

Note 4. Investments in subsidiaries

(DKK '000)

Cost at 1 January 2013	<u>658,992</u>
Cost at 31 December 2013	<u>658,992</u>

Value adjustment at 1 January 2013	3,391,737
Share of profit for the year	1,561,543
Dividend distributed	-18,000
Other comprehensive income	<u>-82,750</u>
Value adjustment at 31 December 2013	<u>4,852,530</u>

Carrying amount at 31 December 2013	<u><u>5,511,522</u></u>
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Information about subsidiaries:

Name	Municipality	Ownership
Koldingvej 2, Billund A/S	Billund	100%

Through Koldingvej 2, Billund A/S there is an indirect ownership of:

LEGO A/S 25%
CoC Company A/S 50%

Note 5. Contingent liabilities and other obligations

The Foundation has lease obligations of DKK 1,330 thousand.

