Annual Report 09

The LEGO Group

www.LEGO.com

Read about the **Progress Report**
and the magazine **The Brick** on the back cover.

Financial Highlights

The LEGO Group

(mDKK)

	2009	2008	2007	2006	2005
Income Statement:					
Revenue	11,661	9,526	8,027	7,798	7,027
Expenses	(8,659)	(7,522)	(6,556)	(6,393)	(6,605)
Operating profit before special items	3,002	2,004	1,471	1,405	423
Impairment of non-current assets	(85)	(20)	24	270	86
Restructuring expenses and other special items	(15)	116	(46)	(350)	(129)
Financial income and expenses	(15)	(248)	(35)	(44)	(51)
Profit before income tax	2,887	1,852	1,414	1,281	329
Profit, continuing activities	2,204	1,352	1,028	1,290	214
Net profit for the year	2,204	1,352	1,028	1,290	214
Balance Sheet:					
Total assets	7,788	6,496	6,009	6,907	7,058
Equity	3,291	2,066	1,679	1,191	563
Liabilities	4,497	4,430	4,330	5,716	6,495
Cash Flow Statement:					
Cash flows from operating activities	2,655	1,954	1,033	1,157	587
Investment in property, plant and equipment	1,042	368	399	316	237
Investment in intangible assets	216	75	34	-	-
Cash flows from financing activities	(906)	(1,682)	(467)	597	(656)
Total cash flows	501	128	592	1,925	1,570
Employees:					
Average number (full-time), continuing activities	7,058	5,388	4,199	4,908	5,302
Average number (full-time), discontinuing activities	-	-	-	-	1,322
Financial ratios (in %):					
Gross margin	70.3	66.8	65.0	64.9	58.0
Operating margin (ROS)	24.9	22.0	18.1	17.0	5.4
Net profit margin	18.9	14.2	12.8	16.5	3.0
Return on equity (ROE)	82.3	72.2	71.6	147.1	44.2
Return on invested capital (ROIC I)	139.5	101.8	69.7	63.6	16.2
Return on invested capital (ROIC II)	138.0	113.8	77.1	67.4	15.2
Equity ratio	42.3	31.8	27.9	17.2	8.0
Equity ratio (incl. subordinate loan)	42.3	39.5	46.2	33.2	8.0

Financial ratios have been calculated in accordance with the “Guidelines and Financial Ratios 2005”, issued by the Danish Society of Financial Analysts. For definitions, please see the section on accounting policies.

Parentheses denote negative figures.

Annual Report 09

Annual Report 2009
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Tel: +45 79 50 60 70
CVR-no: 54 56 25 19
Incorporated: 19 December, 1975
Residence: Billund
Financial Year: 1 January – 31 December
Internet: www.LEGO.com

Company Information

Management Board

Jørgen Vig Knudstorp
Chief Executive Officer and President

Sten Daugaard
Chief Financial Officer

Corporate Management

Christian Iversen
Executive Vice President,
Corporate Center

Mads Nipper
Executive Vice President,
Markets and Products

Iqbal Padda
Executive Vice President,
Global Supply Chain

Lisbeth Valther Pallesen
Executive Vice President,
Community, Education and Direct

Board of Directors

Niels Jacobsen
Chairman of the Board since 2008.

CEO & President of William Demant Holding A/S.
Deputy Chairman of the Board of KIRKBI A/S.
Member of the Board of A.P. Møller-Mærsk A/S.
Member of the Central Board of the Confederation of Danish Industries.

Kjeld Kirk Kristiansen
Deputy Chairman of the Board since 1996. Member of the Board since 1975.

Chairman of the Board of KIRKBI A/S, the LEGO Foundation and Ole Kirk's Foundation.
President and CEO for the LEGO Group 1979-2004.
Majority shareholder of KIRKBI A/S.

Thomas Kirk Kristiansen
Member of the Board since 2007.

Shareholder and representing the fourth generation of the owner family.
Member of the Board of KIRKBI A/S.

Kåre Schultz
Member of the Board since 2007.

Executive Vice President and COO of Novo Nordisk A/S, Denmark.

Caroline Søeborg Ahlefeldt-Laurvig-Bille
Member of the Board since 2008.

CEO of CASALBI ApS.
Chairman of the Board of 2BM A/S and deputy chairman of Odense Theatre.
She is also a director of a number of other companies, including NOIR.Illuminati II A/S, DYRBERG/KERN, COOP A/S and Vækstfonden.

Torben Ballegaard Sørensen
Member of the Board since 2005.

Chairman of the Board of Pandora Holding A/S and CAT Forskerpark A/S.
Deputy Chairman of the Board of Systematic Software Engineering A/S and Monberg-Thorsen A/S.
Member of the Board of the Egmont Foundation and Egmont International A/S, AB Electrolux, AS3-Companies A/S, Tajco A/S and Årstiderne Arkitekter A/S.

Auditors

PricewaterhouseCoopers,
Statsautoriseret Revisionsaktieselskab

Management's Statement

The Management Board and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January – 31 December 2009.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Financial Statements are prepared in accordance with additional Danish disclosure requirements for Financial Statements. Management's Review is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2009 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January - 31 December 2009.

In our opinion, Management's Review includes a true and fair account of the issues it addresses as well as a description of the Group's most significant risks and elements of uncertainty.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Billund, 24 February 2010

Management Board

Jørgen Vig Knudstorp
President and CEO

Sten Daugaard
CFO

Board of Directors

Niels Jacobsen
Chairman

Kjeld Kirk Kristiansen
Deputy Chairman

Thomas Kirk Kristiansen

Kåre Schultz

Caroline Søeborg Ahlefeldt-Laurvig-Bille

Torben Ballegaard Sørensen

Independent Auditor's Report

To the Shareholders of LEGO A/S

We have audited the Consolidated Financial Statements, the Financial Statements and Management's Review of LEGO A/S for the financial year 1 January - 31 December 2009. The Consolidated Financial Statements and the Financial Statements comprise Income Statement, Assets, Liabilities and Equity, Statement of Changes in Equity and Notes for both the Group and the Company as well as Statement of Comprehensive Income and Cash Flow Statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Financial Statements, and the 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.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements in accordance with the above-mentioned legislation and disclosure requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements and Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Review that includes a true and fair account in accordance with the Danish Financial Statements Act.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Financial Statements and Management's Review based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements, the Financial Statements and Management's Review are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group at 31 December 2009 and of the results of the Group operations and cash flows for the financial year 1 January - 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Financial Statements.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2009 and of the results of the Company operations for the financial year 1 January - 31 December 2009 in accordance with the Danish Financial Statements Act, and Management's Review includes a true and fair account in accordance with the Danish Financial Statements Act.

Billund, 24 February 2010

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Lars Holtug
State Authorised Public Accountant

Henrik Kragh
State Authorised Public Accountant

Management's Review

Throughout 2009, the LEGO® products continued their global success resulting in a significant increase in global sales. At the same time, the LEGO Group realised considerably higher earnings than the previous year.
The LEGO Group's profit before tax amounted to DKK 2,887 million in 2009 against DKK 1,852 million in 2008. The result is considered highly satisfactory.

Sales
The LEGO Group's revenue increased by 22.4% from DKK 9,526 million in 2008 to DKK 11,661 million in 2009.
Nearly all the LEGO Group's markets saw major sales increases in 2009. Growth has been realised in a stagnant global toy market. The highest growth rates continue to materialise on the English-speaking markets, but almost all markets achieved two-digit growth rates.
In 2009, the classic product lines such as DUPLO, LEGO City, LEGO Creator and LEGO *Star Wars* were once again the most successful lines, but the two new product lines LEGO Power Miners and LEGO Games also generated significantly higher sales than expected.

License and royalty expenses
License and royalty expenses increased in 2009 to DKK 694 million from DKK 639 million in 2008.
The item primarily includes royalty to the KIRKBI group for the use of trademarks, including the LEGO trademark, but also includes licence agreements with inventors, designers and other licensees for the use of intellectual rights.
Licence income from other companies' use of the LEGO Group's trademarks decreased in 2009 by DKK 33 million to DKK 112 million.

Profit before special items, financial income and expenses and tax
The LEGO Group's profit before special items, financial income and expenses and tax amounted to DKK 3,002 million in 2009 against DKK 2,004 million in 2008.
In 2009, the operating margin (ROS) was 24.9% against 22.0% in 2008.
The highly satisfactory results are mainly attributable to the significantly increased sales.

Special items
The LEGO Group has performed an impairment assessment of the Group's licenses, patents and other rights as of 31 December 2009. Consequently, the Group has recognised a write-down amounting to DKK 85 million.

Financial income and expenses
Net financials amounted to an expense of DKK 15 million against DKK 248 million in 2008.

Corporation tax
Corporation tax amounts to DKK 683 million against DKK 500 million the previous year. The effective tax rate for the year is 24% which is a decrease compared with 2008.

Profit for the year
The LEGO Group's profit for the year amounted to DKK 2,204 million in 2009 against DKK 1,352 million in 2008.

Equity and cash flows
Group assets have increased by DKK 1,292 million and amount to DKK 7,788 million against DKK 6,496 million at the end of 2008.
Return on invested capital (ROIC) was 139.5% in 2009 against 101.8% in 2008.
After recognition of the profit for the year and distribution of dividend, Group equity has increased by DKK 1,225 million to DKK 3,291 million in 2009.
At the end of 2009, the equity ratio of the Group was 42.3%.
Return on equity for the Group reached 82.3% in 2009 against 72.2% in 2008.
Cash flows from operating activities equals to DKK 2,655 million against DKK 1,954 million in 2008.
Cash flows to investing and financing activities are DKK 2,154 million against DKK 1,826 million in 2008.
The Group's total cash flows thus amounted to DKK 501 million against DKK 128 million in 2008.

Investments in increased production capacity
In 2009, the LEGO Group finalised the insourcing of production that was initiated in 2008. This means that all production facilities are now fully operational and that a lengthy transition has now been completed. Following the insourcing, the LEGO Group now again produces the majority of its products itself. Own production takes place in Denmark, the Czech Republic, Hungary and Mexico.
Based on the positive sales development of recent years and expectations for continued sales increases during the coming years, the LEGO Group furthermore made a number of investments in increased capacity during 2009.
First and foremost, moulding capacity has been significantly increased. The new moulding machines have been installed in Denmark, Hungary and Mexico.
In addition, construction of a new warehouse at the Czech factory was initiated in June 2009. The warehouse is expected to be completed in 2010.

Intellectual capital resources
The high competence level of the employees is a decisive factor to the continued success of the LEGO Group. Therefore, the Group is constantly focusing on employee development. This manifests itself, among other things, in the preparation of individual development plans for most of the Group's employ-

ees and ongoing follow-up on these plans. It is imperative that the plans are prepared in cooperation between manager and employee, and that the continued development of the employee is a shared responsibility between the manager and the employee. On the basis of the plans, development activities are continually initiated, be it external training or – primarily – on the job training.

During 2009, the LEGO Group increased the average number of full-time employees (FTE) by 1,670 to 7,058. The massive increase is due partly to the completion of the insourcing process during the year and partly to a major activity increase in connection with the significantly higher sales.
The increase in the number of employees has involved a huge effort in the form of welcoming and introduction of the many new employees during 2009. It is critical to the continued development that new employees are quickly brought to understand the Group's purpose, values and strategic direction.
In support of the Group culture, the basic cultural elements are described in a so-called "brand framework". A more detailed description is found in the LEGO Group's Progress Report 2009.

Sustainability
In 2003, as the first company in the toy industry, the LEGO Group signed the UN Global Compact. This was a confirmation of the many years' support of human rights, labour standards and the environment. Global Compact has later been extended to include anti-corruption. The LEGO Group confirms its support to Global Compact and accordingly issues Progress Report 2009, describing how the LEGO Group is working within the areas of human rights, labour standards, the environment and anti-corruption. The Progress Report 2009 hereby contains the statutory statement of social responsibility pursuant to section 99 a of the Danish Financial Statements Act. As a supplement to the Progress Report and this Annual Report, the Group also issues The Brick, an annual magazine describing, in an easy-to-read way, a number of the Group's activities with and relations to its major stakeholders.

Market development
The LEGO Group's main activity is the development, production, marketing and sale of play materials. The market for traditional toys, in which the company operates, has for a number of years been under pressure from new product groups, and in 2009 this market once again saw global stagnation. There are, however, major differences across the various markets, and while especially the British and Japanese markets saw major drops, the other Asian and European markets grew.

LEGO® sales
In 2009, the LEGO Group made its first move into the board game category with the launch of the LEGO Games product line. In 2009, the games were launched solely in the UK and in the German-speaking countries. The games were met with an extremely positive response on these markets, which meant that sales have exceeded expectations significantly. LEGO Games will be launched in North America and the rest of Europe in 2010.
The new product category is yet still only a small part of the LEGO Group's total sales, and in 2009 the two classic product lines, LEGO City and LEGO *Star Wars*, once again generated the largest sales.

The LEGO products realised growth on nearly all markets in 2009, and on most markets, growth rates were double-digit. The English-speaking markets have once again seen extraordinarily high growth rates in 2009. The classic product lines such as LEGO City, LEGO Creator and LEGO *Star Wars* account for the highest growth rates on these markets.
In Continental Europe, the LEGO Group realized high growth rates on all markets. Here too, growth was driven by the classic lines such as LEGO DUPLO, LEGO City, LEGO Technic and LEGO *Star Wars*.
The Japanese market, on the other hand, was under severe pressure during 2009, and that also impacted the LEGO products. On the other Asian markets, however, growth continued during 2009.
Due to the strong consumer sales, retail closing stocks at the end of 2009 were generally low, and in many outlets significantly lower than planned.
Direct sales to consumers, accounting for some 10% of the LEGO Group's sales, have also seen a major increase in 2009. Sales to the educational sector, however, have not lived up to expectations as the sector is impacted by the financial crisis.

Thanks to the growth generated during 2009, the LEGO Group's global market share at the end of 2009 amounts to approximately 4.8%.

Expectations for 2010
The global market for traditional toys is expected to be flat to slightly declining in 2010. Therefore, the market development trend of recent years is expected to continue. Based on the extremely satisfactory development in 2009, the LEGO Group nevertheless expects sales to increase in 2010. Growth is expected to come from the main markets in North America and Europe as well as from the smaller, yet rapidly growing new markets.
Based on this, satisfactory results are expected for 2010.

Income Statement 1 January – 31 December

The LEGO Group

(mDKK)	Note	2009	2008
Revenue	3	11,661	9,526
Production costs	4,6,7	(3,463)	(3,165)
Gross profit		**8,198**	**6,361**
Sales and distribution expenses	4,6,7	(3,602)	(2,969)
Administrative expenses	4,5,6,7	(855)	(645)
Other operating expenses	4,6,7,9	(739)	(743)
Operating profit before special items		**3,002**	**2,004**
Impairment of non-current assets	4,7	(85)	(20)
Restructuring expenses and other special items	4,8	(15)	116
Operating profit		**2,902**	**2,100**
Financial income	10	131	41
Financial expenses	11	(146)	(289)
Profit before income tax		**2,887**	**1,852**
Tax on profit for the year	12	(683)	(500)
Net profit for the year		**2,204**	**1,352**
Allocated as follows:			
Parent Company shareholders		2,197	1,343
Minority interests		7	9
		2,204	**1,352**

Consolidated statement of comprehensive income

Profit for the year	2,204	1,352
Cash flow hedges	-	37
Tax on cash flow hedges	-	(10)
Currency translation differences	21	17
Total comprehensive income for the year	**2,225**	**1,396**
Attributable to:		
Parent Company shareholders	2,218	1,387
Minority interests	7	9
	2,225	**1,396**

Balance Sheet at 31 December

The LEGO Group

(mDKK)

	Note	2009	2008
ASSETS			
Non-current assets			
Development projects and prepayments for intangible assets		116	90
Internally developed software		33	13
Licenses, patents and other rights		83	2
Intangible assets	**13**	**232**	**105**
Land, buildings and installations		699	549
Plant and machinery		766	500
Other fixtures and fittings, tools and equipment		246	139
Assets under construction and prepayments for property, plant and equipment		219	78
Property, plant and equipment	**14**	**1,930**	**1,266**
Deferred tax assets	20	94	132
Investments in associates	15	3	3
Other non-current assets		**97**	**135**
Total non-current assets		**2,259**	**1,506**
Current assets			
Inventories	16	1,056	870
Trade receivables	17	2,128	1,822
Other receivables		604	439
Current tax receivables		111	130
Receivables from related parties		-	600
Cash at bank and at hand	29	1,630	1,129
Total current assets		**5,529**	**4,990**
TOTAL ASSETS		**7,788**	**6,496**

Balance Sheet at 31 December

The LEGO Group

(mDKK)

	Note	2009	2008
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	20	20
Reserve for hedge accounting		49	49
Reserve for exchange adjustments		(281)	(302)
Retained earnings	19	3,488	2,291
LEGO A/S' share of equity		3,276	2,058
Minority interests		15	8
Total equity		**3,291**	**2,066**
LIABILITIES			
Non-current liabilities			
Subordinate loan capital	26	-	500
Borrowings	26	832	839
Deferred tax liabilities	20	82	98
Pension obligations	21	56	50
Provisions	23	20	63
Other long-term debt	22	71	72
Total non-current liabilities		**1,061**	**1,622**
Current liabilities			
Borrowings	26	5	4
Trade payables		1,336	1,036
Current tax liabilities		94	83
Provisions	23	100	138
Other short-term debt	22	1,901	1,547
Total current liabilities		**3,436**	**2,808**
Total liabilities		**4,497**	**4,430**
TOTAL EQUITY AND LIABILITIES		**7,788**	**6,496**

Statement of Changes in Equity

The LEGO Group

(mDKK)

	Share capital	Reserve hedge accounting	Reserve for exchange adjust.	Retained earnings	LEGO Group's share of equity	Minority interests	Total equity
Balance at 1 January 2008	20	22	(319)	1,948	1,671	8	1,679
Comprehensive income/ (expenses) for the period	-	27	17	1,343	1,387	9	1,396
Dividend relating to prior year	-	-	-	(1,000)	(1,000)	(9)	(1,009)
Balance at 31 December 2008	**20**	**49**	**(302)**	**2,291**	**2,058**	**8**	**2,066**
Balance at 1 January 2009	**20**	**49**	**(302)**	**2,291**	**2,058**	**8**	**2,066**
Comprehensive income/ (expenses) for the period	-	-	21	2,197	2,218	7	2,225
Dividend relating to prior year	-	-	-	(1,000)	(1,000)	-	(1,000)
Balance at 31 December 2009	**20**	**49**	**(281)**	**3,488**	**3,276**	**15**	**3,291**

Cash Flow Statement 1 January – 31 December

The LEGO Group

(mDKK)

	Note	2009	2008
Cash flows from operating activities:			
Profit before income tax		2,887	1,852
Interest paid etc.		(146)	(289)
Interest received etc.		131	41
Income tax (paid)/received		(619)	(487)
Other reversals with no effect on cash flows	27	406	480
Changes in working capital	28	(4)	357
Net cash generated from operating activities		2,655	1,954
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,042)	(368)
Purchases of intangible assets		(216)	(75)
Proceeds from sale of property, plant and equipment		10	299
Net cash generated from investing activities		(1,248)	(144)
Cash flows from financing activities:			
Dividend paid to shareholders		(1,000)	(1,009)
Deposits repaid to related parties		600	(600)
Proceeds from borrowings		-	600
Repayments of borrowings and subordinated loan capital		(506)	(673)
Net cash (used in)/generated from financing activities		(906)	(1,682)
Total cash flows		**501**	**128**
Cash and cash equivalents at 1 January		1,129	1,001
Cash and cash equivalents at 31 December	**29**	**1,630**	**1,129**

Notes

The LEGO Group

Note 1. Significant accounting policies

The Consolidated Financial Statements of the LEGO Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

The Financial Statements have been prepared in accordance with the historical cost conversion, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including financial instruments) at fair value.

Effects of new accounting standards

At the time of the announcement of this Annual Report, a number of new or amended standards and interpretations which are not yet effective have been issued. The following are applicable to the Group and may have impact on the financial statements:

Implemented:

- Changes to IAS 1, Presentation of financial statements
- Changes to IAS 23, Borrowing costs. Borrowing costs attributable to the construction of quafilying assets whose commencement date is on or after 1 January 2009 form part of the cost price of the assets.
- Changes to IFRS 7, Effective 1 January 2009, the Group adopted the amendment to IFRS 7. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
  - 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 asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
  - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

During 2009 following standards and changes to existing standards have been issued with effect of 2010, which could be relevant for the Group but not yet implemented by the Group:

- Changes to IAS 39, Financial instruments, regarding recognition of timevalue of options.

Management is currently assessing the potential impact. It is the Management's immediate assessment that the above mentioned changes in Reporting Standards and interpretations will not have any significant impact on recognition and measuring.

Consolidation practice

The Consolidated Financial Statements comprise LEGO A/S (Parent Company) and the companies in which LEGO A/S directly or indirectly holds more than 50% of the votes or otherwise exercises control (subsidiaries). LEGO A/S and these companies are referred to as the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.
Associates are all entities over which the Group has significant influence but not control, and are generally represented by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Intercompany transactions, balances and unrealised gains on transactions between group companies 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 Group. Minority interests include third party shareholders' share of the equity and the results for the year in subsidiaries which are not 100% owned.

The part of the subsidiaries' results that can be attributed to minority interests forms part of the profit or loss for the year. Minority interests' share of the equity is stated as a separate item in equity.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the Parent Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Notes
The LEGO Group

Note 1. Significant accounting policies, continued

Group companies
The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each subsidiary are translated into DKK at the closing rate at the balance sheet date.
- Income and expenses for each subsidiary are translated at average exchange rates.
- Differences deriving from translation of the foreign subsidiaries' opening equity to the exchange rates prevailing at the balance sheet date, and differences owing to the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognised in other comprehensive income and classified as a separate reserve for exchange adjustments under equity.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently measured at fair value. Derivative financial instruments are recognised in other receivables and other short-term debt.

Changes to the fair value of derivative financial instruments which meet the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

The effective portion of changes to the fair value of derivative financial instruments which meet the criteria for hedging future cash flows are recognised in other comprehensive income and in a separate reserve under equity. Income and expenses relating to these hedge transactions are transferred from equity when the hedged item affects the income statement. The amount is recognised in financial income or expenses.

Fair value changes on options designated as cash flow hedging instruments comprise changes attributable to changes in the spot rate. Fair value changes attributable to the time value are recognised in the income statement.

In case of settlement of a derivative designated as a cash flow hedge, the accumulated fair value adjustment remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to take place, any accumulated fair value adjustment is transferred from equity to the income statement under financial income or expenses.

Income Statement
Recognition of sales and revenues
Sales represent the fair value of the sale of goods excluding value added tax and after deduction of provisions for returned products, rebates and trade discounts relating to the sale.

Provisions and accruals for rebates to customers 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.

Revenues from the sale of goods are recognised when all the following specific conditions have been met and the control over the goods has been transferred to the buyer and no continuing involvement exists:
- Significant risks and rewards of ownership of the goods have been transferred to the buyer.
- The revenues can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to LEGO Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are usually met by the time the products are delivered to the customers.

Licence fees are recognised on an accrual basis in accordance with the relevant agreements.
Revenues are measured at the fair value of the consideration received or receivable.

Taxes
Current income tax, based on taxable income for the year, is expensed together with changes in deferred tax for the year.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full in the Consolidated Financial Statements, using the liability method.

The provision of deferred tax reflects the effect of any tax losses carried forward etc. to the extent it is considered likely that such items can be utilised against future taxable income. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

Notes
The LEGO Group

Note 1. Significant accounting policies, continued

Balance Sheet
Intangible assets

Development projects and prepayments for intangible assets
Research expenses are charged to the income statement as incurred. Development projects that are clearly defined and identifiable and which are expected to generate future economic profit are recognised as intangible non-current assets at historical cost less accumulated amortisation and any impairment loss. Amortisation is provided on a straight-line basis over the expected useful life which is normally 3-6 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible fixed assets is performed.

Borrowing costs related to financing development projects that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

Licenses, patents and other rights
Acquired licenses, patents and rights are capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

Property, plant and equipment
Land and buildings comprise mainly factories, warehouses and offices. Property, plant and equipment (PPE) are measured at cost, less subsequent depreciation and impairment losses, except for land, which is measured at cost less impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	40 years
Installations	10-20 years
Plant and machinery	5-15 years
Moulds	2 years
Furniture, fittings and equipment	3-10 years

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in the income statement.

Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self constructed assets comprises direct expenses for wage consumption and materials. Borrowing costs related to financing self constructed assets that take a substantial period of time to complete and whose commencement date is on or after 1 January 2009 are included in the cost price.

Leases
Leases of assets where the Group has substantially all risks and rewards of ownership are capitalised as finance leases under property, plant and equipment and depreciated over the estimated useful lives of the assets, according to the periods listed under the section Property, plant and equipment. The corresponding finance lease liabilities are recognised in liabilities.

Operating lease expenses are recognised in the income statement on a straight-line basis over the period of the lease.

Impairment of assets
Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under development are tested for impairment at each reporting date.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less expenses to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-current assets held for sale
Non-current assets held for sale are measured at carrying amount at the time of classification as held for sale or at a lower net realisable value.

Notes
The LEGO Group

Note 1. Significant accounting policies, continued

Inventories
Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of raw materials, consumables and purchased goods comprises the invoice price plus delivery expenses. The cost of finished goods and work in progress comprises the purchase price of materials and direct labour costs plus indirect production costs. Indirect production costs include indirect materials and wages, maintenance and depreciation of plant and machinery, factory buildings and other equipment as well as expenses for factory administration and management.

Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provisions for losses. Provisions for losses are made on the basis of an individual assessment of the risk relating to each receivable.

Equity

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

Reserve for exchange adjustments
The reserve for exchange adjustments consists of 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 reserve for exchange adjustments of that foreign subsidiary is recognised in the income statement.

Dividend distribution
Dividends are recognised as a liability in the period in which they are adopted at the Annual General Meeting.

Borrowings
Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Compound financial instruments
The proceeds from the issuance of convertible debt instruments which contain an equity component are allocated between equity and a liability component. The liability component is determined on the basis of the fair value of a loan provided on similar terms that does not have the equity component. The residual amount is allocated to the equity component.

Employee benefits
Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary employee benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long-term employee benefits, the costs are accumulated to match the rendering of the services by the employees concerned.

Retirement benefit obligation
The LEGO Group has a number of both defined contribution and defined benefit plans.

Costs regarding defined contribution plans are recognised in the income statement in the periods in which the related employee services are delivered.

Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates are based on the market yield of high quality corporate bonds in the country concerned approximating to the terms of the Group's pension obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method. When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement. To the extent that the benefits are vested, the expense is recognised in the income statement.

Actuarial gains and losses are recognised in the income statement in the period in which they occur.

Net pension assets are recognised to the extent that the Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

Notes

The LEGO Group

Note 1. Significant accounting policies, continued

Provisions

Provisions are recognised when the Group identifies legal or constructive obligations 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 LEGO Group 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.

Further provisions for restructuring expenses are only recognised when the decision is made and announced before the balance sheet date. Provisions are not made for future operating losses.

Provisions are measured at the present value of the estimated obligation at the balance sheet date.

Other liabilities

Other liabilities are measured at amortised cost unless specifically stated otherwise.

Cash Flow Statement

The consolidated cash flow statement shows cash flows for the year broken down by operating, investing and financing activities, changes for the period in cash and bank overdrafts and cash and bank overdrafts at the beginning of the year.

Cash flows from operating activities are calculated indirectly as the profit for the year adjusted for non-cash items, financial expenses paid, income taxes paid and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisitions and disposals of activities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments. Furthermore they comprise interest and dividends received.

Cash flows from financing activities comprise proceeds from borrowings, repayment of interest-bearing debt and dividend paid to shareholders.

Cash and cash equivalents comprise cash and bank overdrafts etc. that can readily be converted into cash reduced by short-term bank debt.

Notes
The LEGO Group

Note 1. Significant accounting policies, continued

Financial ratios

Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios 2005", issued by the Danish Society of Financial Analysts.

Gross margin: $\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$

Operating margin (ROS): $\dfrac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$

Net profit margin: $\dfrac{\text{Net profit for the year x 100}}{\text{Revenue}}$

Return on equity (ROE): $\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$

ROIC I: $\dfrac{\text{EBITA before special items x 100}}{\text{Average invested capital}}$

ROIC II: $\dfrac{\text{EBITA after special items x 100}}{\text{Average invested capital}}$

Equity ratio: $\dfrac{\text{Equity (incl. minority interests) x 100}}{\text{Total liabilities and equity}}$

Average invested capital is calculated as property, plant and equipment, inventories and receivables excluding tax receivables less provisions, excluding provisions relating to restructuring and deferred tax, and less short-term debt, excluding mortgage loans and tax. At the statement of ROIC II, provisions relating to restructuring are moreover deducted.

Notes
The LEGO Group

(mDKK)

Note 2. Significant accounting estimates and judgements

When preparing the Annual Report it is necessary that Management makes a number of accounting estimates and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses.

Estimates and judgements used in the determination of reported results are continuously evaluated. Management bases the judgements 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.

The following accounting estimates and judgements are those that Management assesses to be material for the Annual Report:

Inventories
Calculation of indirect production costs requires estimates and judgements regarding various assumptions. The sensitivity of the measurement to these assumptions can be significant. It is the assessment of Management that the assumptions and estimates made are reasonable.

Trade receivables
As a consequence of the global crisis, there is increased risk in respect of the Group's trade receivables. Based on available information, Management has assessed the impact of the crisis on the Group's trade receivables. In Management's opinion, the assumptions and estimates made are reasonable.

Provisions and contingent liabilities
Provisions and contingent liabilities are by nature uncertain. The classification as provisions or contingent liabilities and the measurement of provisions in the Financial Statements are based on the expected outcome. It is the assessment of Management that the estimates and assumptions are reasonable.

Note 3. Revenue

Revenue contains sale of goods and licence income. Sale of goods amounts to DKK 11,549 million (DKK 9,381 million in 2008), and license income amounts to DKK 112 million (DKK 145 million in 2008).

Note 4. Expenses by nature

	2009	2008
Raw materials and consumables used	1,820	1,887
Employee expenses (notes 6 and 8)	2,500	2,063
Depreciation, amortisation and impairment (note 7)	429	290
Licence and royalty expenses	694	639
Other external expenses	3,316	2,528
Total operating expenses and restructuring expenses	**8,759**	**7,407**

Note 5. Auditors' fees

	2009	2008
Fee to PricewaterhouseCoopers:		
Statutory audit of the Financial Statements	8	
Other assurance engagements	1	
Tax assistance	8	
Other services	5	
	22	**23**

Notes
The LEGO Group

(mDKK)

Note 6. Employee expenses

	2009	2008
Wages and salaries	2,232	1,834
Pension costs, defined benefit plans (note 21)	10	1
Pension costs, defined contribution plans	110	100
Other expenses and social security expenses	113	86
	2,465	**2,021**
Classified as:		
Production costs	846	606
Sales and distribution expenses	954	834
Administrative expenses	475	404
Other operating expenses	190	177
	2,465	**2,021**
Including Key Management Personnel:		
Salaries	23	17
Short-term incentive plans	10	9
Long-term incentive plans	8	8
	41	**34**
Including fee to Board of Directors:	**1**	**1**

Incentive plans comprise a short-term incentive plan based on yearly performance and a long-term incentive plan related to long-term goals regarding value creation.

	2009	2008
Average number of full-time employees	**7,058**	**5,388**

Note 7. Depreciation, amortisation and impairment

	2009	2008
Licenses, patents and other rights	86	2
Software	3	2
Buildings and installations	34	43
Plant and machinery	250	203
Other fixtures and fittings, tools and equipment	56	40
	429	**290**
Classified as:		
Production costs	276	201
Sales and distribution expenses	27	25
Administrative expenses	40	41
Impairment losses on non-current assets	85	20
Other operating expenses	1	3
	429	**290**

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(mDKK)

Note 8. Restructuring expenses and other special items

	2009	2008
Employee related expenses	35	42
Reversal of provisions for restructuring	(25)	(81)
Other	5	(77)
	15	**(116)**

Note 9. Research and development costs

	2009	2008
Research and development costs charged during the year	292	247
	292	**247**

Note 10. Financial income

	2009	2008
Change in present value of provisions (note 23)	-	4
Interest income from related parties	11	19
Interest income from credit institutions	8	18
Gains from derivative financial instruments	112	-
	131	**41**

Note 11. Financial expenses

	2009	2008
Interest expenses on mortgage loans	9	14
Interest expenses to related parties	29	58
Interest expenses to credit institutions	18	-
Loss from derivative financial instruments	-	41
Exchange loss, net	88	153
Other interest expenses	2	23
	146	**289**

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The LEGO Group

(mDKK)

Note 12. Tax on profit for the year

	2009	2008
Current tax on profit for the year	627	313
Deferred tax on profit for the year	94	190
Other	(2)	(1)
Value adjustment on deferred tax	(37)	-
Adjustment of tax relating to previous years, current tax	10	62
Adjustment of tax relating to previous years, deferred tax	(9)	(64)
	683	**500**

Income tax expenses are specified as follows:		
Calculated 25% tax on profit for the year before income tax	722	463
Tax effect of:		
Higher/lower tax rate in subsidiaries	(1)	13
Non-taxable income	(2)	(4)
Non-deductible expenses	17	26
Adjustment of tax relating to previous years	1	(2)
Changed valuation of deferred tax asset and liability	(37)	1
Other	(17)	3
	683	**500**
Effective tax rate	24%	27%

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(mDKK)

Note 13. Intangible assets

	Licenses, patents and other rights	Internally developed software	Development projects and prepayments	Total
Cost at 1 January 2008	4	-	30	34
Exchange rate adjustment to period-end rate	-	-	-	-
Additions	-	11	64	75
Disposals	-	-	-	-
Transfer	-	4	(4)	-
Cost at 31 December 2008	4	15	90	109
Amortisation and impairment losses at 1 January 2008	-	-	-	-
Amortisaton for the year	2	2	-	4
Impairment losses for the year	-	-	-	-
Amortisation and impairment losses at 31 December 2008	2	2	-	4
Carrying amount at 31 December 2008	**2**	**13**	**90**	**105**

	Licenses, patents and other rights	Internally developed software	Development projects and prepayments	Total
Cost at 1 January 2009	4	15	90	109
Exchange rate adjustment to period-end rate	-	-	-	-
Additions	167	-	49	216
Disposals	-	-	-	-
Transfer	-	23	(23)	-
Cost at 31 December 2009	171	38	116	325
Amortisation and impairment losses at 1 January 2009	2	2	-	4
Amortisaton for the year	1	3	-	4
Impairment losses for the year	85	-	-	85
Amortisation and impairment losses at 31 December 2009	88	5	-	93
Carrying amount at 31 December 2009	**83**	**33**	**116**	**232**

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(mDKK)

Note 14. Property, plant and equipment

	Land, buildings & installations	Plant & machinery	Other fixtures & fittings, tools and equipment	Fixed assets under construction and prepayments	Total
Cost at 1 January 2008	958	2,806	641	54	4,459
Exchange adjustment to year-end rate	(5)	10	3	1	9
Additions	8	231	54	75	368
Disposals	(1)	(331)	(23)	(5)	(360)
Transfers	130	46	1	(47)	130
Cost at 31 December 2008	1,090	2,762	676	78	4,606
Depreciation and impairment losses at 1 January 2008	415	2,375	515	-	3,305
Exchange adjustment to year-end rate	(4)	5	2	-	3
Depreciation for the year	43	203	40	-	286
Disposals	(1)	(321)	(20)	-	(342)
Transfers	88	-	-	-	88
Depreciation and impairment losses at 31 December 2008	541	2,262	537	-	3,340
Carrying amount at 31 December 2008	**549**	**500**	**139**	**78**	**1,266**
Including assets under finance leases	**71**	**-**	**14**	**-**	**85**

Notes

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(mDKK)

Note 14. Property, plant and equipment, continued

	Land, buildings & installations	Plant & machinery	Other fixtures & fittings, tools and equipment	Fixed assets under construction and pre-payments	Total
Cost at 1 January 2009	1,090	2,762	676	78	4,606
Exchange adjustment to period-end rate	-	(11)	(2)	-	(13)
Additions	9	483	131	419	1,042
Disposals	(19)	(86)	(136)	-	(241)
Transfers	175	47	56	(278)	-
Cost at 31 December 2009	1,255	3,195	725	219	5,394
Depreciation and impairment losses at 1 January 2009	541	2,262	537	-	3,340
Exchange adjustment to period-end rate	(1)	-	(1)	-	(2)
Depreciation for the year	34	250	56	-	340
Disposals	(18)	(83)	(113)	-	(214)
Depreciation and impairment losses at 31 December 2009	556	2,429	479	-	3,464
Carrying amount at 31 December 2009	**699**	**766**	**246**	**219**	**1,930**
Including assets under finance leases	**65**	**-**	**-**	**-**	**65**

Property, plant and equipment in general

An obligation regarding the purchase of property, plant and equipment of DKK 45 million exists at 31 December 2009 (DKK 10 million at 31 December 2008).

Assets under finance leases

Assets under finance leases consist of buildings (in 2008 assets under finance leases consisted of buildings and hardware).

Notes
The LEGO Group

(mDKK)

Note 15. Investments in associates

	2009	2008
Cost at 1 January	4	4
Additions	-	-
Cost at 31 December	4	4
Value adjustment at 1 January	(1)	(1)
Share of profit/(loss)	-	-
Value adjustment at 31 December	(1)	(1)
Carrying amount at 31 December	**3**	**3**

The LEGO Group's share of net profit for the year and total assets (including goodwill and liabilities) of associates, of which none are publicly listed amounts to:

						LEGO Group's share of:	
	Revenue	Net profit for the year	Total assets	Total liabilities	Total equity	Equity	Net profit for the year
Kabooki A/S, Denmark (19.8%)	**120**	**(4)**	**39**	**22**	**17**	**3**	**-**

The financial information regarding Kabooki A/S is based on estimates.

Investments in associates comprise Kabooki A/S, Denmark. The LEGO Group owns 19.8% of the share capital, and is considered to have significant influence in Kabooki A/S as the LEGO Group is represented on the Board of Directors of Kabooki A/S. The company is therefore classified as investment in associate.

Note 16. Inventories

	2009	2008
Raw materials and components	106	84
Work in progress	383	291
Finished goods	567	495
	1,056	**870**
Cost of sales recognised in production costs	2,679	2,454

Notes

The LEGO Group

(mDKK)

Note 17. Trade receivables

	2009	2008
Trade receivables (gross)	2,268	2,016
Provisions for bad debts:		
Balance at the beginning of the year	(194)	(137)
Exchange adjustment to year-end rate	2	(4)
Change in provisions for the year	47	(73)
Realised losses for the year	5	20
Change for the year recognised in the income statement	52	(53)
Balance at the end of the year	(140)	(194)
Trade receivables (net)	2,128	1,822

All trade receivables fall due within one year. The nominal value is considered equal to the fair value of receivables falling due within one year from the balance sheet date.

The age distribution of trade receivables is as follows:

	2009	2008
Not overdue	1,938	1,682
0 - 60 days overdue	212	208
61 - 120 days overdue	5	3
121 - 180 days overdue	1	-
More than 180 days overdue	112	123
	2,268	2,016

64% of total trade receivables are covered by insurance (73% in 2008) and therefore this part of the credit risk is reduced to the risk relating to the insurance companies concerned. DKK 826 million (DKK 544 million in 2008) corresponding to 36% of trade receivables (27% in 2008) are not covered by insurance.

The LEGO Group has no single significant trade debtor, nor are the trade receivables concentrated in specific countries. The LEGO Group has fixed procedures for the determination of the LEGO Group's granting of credit. The Group's risk relating to trade receivables is considered to be moderate. For more information, see note 25.

Note 18. Share capital

The share capital consists of:

1	A-shares of DKK 1,000 or multiples hereof (2008: 1)
9	B-shares of DKK 1,000 or multiples hereof (2008: 9)
10	C-shares of DKK 1,000 or multiples hereof (2008: 10)
20	**Total shares at 31 December 2009 (2008: 20)**

The total number of shares is 205 (205 in 2008). All issued shares are fully paid up.

Each ordinary A-share of DKK 1,000 gives 10 votes, while each ordinary B-share of DKK 1,000 gives 1 vote, and each ordinary C-share of DKK 1,000 gives 1 vote. C-shares can maximum receive an annual dividend of 8%.

Shareholders that own more than 5% of the share capital:
KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark
LEGO Invest A/S, Koldingvej 2, 7190 Billund, Denmark

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(mDKK)

Note 19. Dividend per share

Dividends of DKK 1,000 million has been paid in May 2009, corresponding to DKK 4.9 million in average per share (DKK 1,000 million in 2008, DKK 4.9 million in average per share).

Note 20. Deferred tax

	2009	2008
Deferred tax, net at 1 January	34	153
Exchange adjustment to year-end rate	-	3
Income statement charge	(22)	(126)
Charged to other comprehensive income	-	4
	12	**34**

2008	Deferred tax assets	Provision for deferred tax	Deferred tax net
Non-current assets	84	(1)	83
Receivables	57	-	57
Inventories	1	(38)	(37)
Provisions	53	(1)	52
Other liabilities	19	-	19
Other	11	(163)	(152)
Offset	(105)	105	-
Tax loss carry-forwards	12	-	12
Deferred tax, net at 31 December 2008	**132**	**(98)**	**34**

2009	Deferred tax assets	Provision for deferred tax	Deferred tax net
Non-current assets	60	(17)	43
Receivables	11	-	11
Inventories	45	(113)	(68)
Provisions	76	(1)	75
Other liabilities	54	-	54
Other	1	(113)	(112)
Offset	(162)	162	-
Tax loss carry-forwards	9	-	9
Deferred tax, net at 31 December 2009	**94**	**(82)**	**12**

Tax loss carry-forwards

Tax assets relating to tax loss carry-forwards are capitalised based on an assessment of whether they can be utilised in the future. DKK 5 million of the Group's capitalized tax losses expires after 3 years, DKK 5 million expires after 5 years (DKK 5 million in 2008 does not expire before 5 years).

Notes

The LEGO Group

(mDKK.)

Note 21. Pension obligations

Defined contribution plans:
In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (eg a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish company and some of the foreign companies are all defined contribution plans. In the Group, DKK 110 million (DKK 100 million in 2008) has been recognised in the income statement as costs relating to defined contribution plans.

Defined benefit plans:
In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the Group include employees in Germany, the USA and the UK. In the Group, a net obligation of DKK 31 million (DKK 27 million in 2008) has been recognised relating to the Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the Group, DKK 10 million (DKK 1 million in 2008) has been recognised in the income statement.

There are no active working employees in the defined benefit plans.

	2009	2008
The amounts recognised in the balance sheet are calculated as follows:		
Present value of funded obligations	(97)	(88)
Fair value of plan assets	114	96
	17	8
Present value of unfunded obligations	(48)	(35)
Net liability recognised in the balance sheet	(31)	(27)
Of which included as part of the liabilities	(56)	(50)
Of which included as part of the assets	25	23

The change in present value of defined benefit obligations over the year is as follows:		
Present value at 1 January	(123)	(160)
Exchange adjustment to year-end rate	(17)	14
Pension costs relating to current financial year	(1)	(2)
Interest expenses	(7)	(7)
Actuarial losses/(gains)	(5)	7
Benefits paid	8	16
Disposals in connection with cancellation of pension scheme	-	8
Curtailments in connection with resignations	-	1
Present value at 31 December	(145)	(123)

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(mDKK)

Note 21. Pension obligations, continued

	2009	2008
The change for the year in fair value of plan assets is as follows:		
Plan assets at 1 January	96	112
Exchange adjustment to year-end rate	12	(12)
Expected return on plan assets	4	4
Actuarial (losses)/gains	4	(4)
Employer contributions	1	-
Employee contributions	-	6
Benefits paid	(3)	(10)
Plan assets at 31 December	114	96

Plan assets are specified as follows:

		2009		2008
Shares	5	4%	4	4%
Debt instruments	78	68%	64	67%
Other	31	28%	28	29%
	114	100%	96	100%

	2009	2008
The amount recognised in the income statement is specified as follows:		
Pension costs relating to current financial year	1	2
Interest expenses	7	7
Expected return on plan assets	(4)	(6)
Actuarial losses, net	6	(2)
	10	1
Classified as:		
Administrative expenses	10	1
	10	1
Movements in the net liability recognised in the balance sheet are as follows:		
Net liability at 1 January	27	48
Exchange adjustment to period-end rate	7	-
Total expenses charged to the income statement	10	1
Contributions paid	(13)	(22)
Net liability at 31 December	31	27
The actual return on plan assets amounts to	-	(2)

Notes

The LEGO Group

(mDKK)

Note 21. Pension obligations, continued

The actuarial assumptions applied in the calculations vary from country to country due to local economic and social conditions. The average assumptions applied are specified as follows:

	2009	2008
Discount rate	3% - 6%	3% - 6%
Expected return on plan assets	3% - 6%	4% - 6%
Future salary increases	2% - 4%	2% - 4%
Future pension increases	1% - 3%	2% - 3%

Note 22. Other debt

	2009	2008
Wage-related payables and other charges	679	649
Debt to related parties	183	127
Finance lease obligations	71	86
Other current liabilities	1,039	757
	1,972	1,619
Specified as follows:		
Non-current	71	72
Current	1,901	1,547
	1,972	1,619

Finance lease obligations

The fair value of obligations regarding assets under finance leases corresponds to the carrying amount.
The fair value is estimated to equal the present value of expected future cash flows at a market interest rate for similar leases.

	2009	2008
Obligations regarding finance leases are as follows:		
0-1 year	10	14
1-5 years	41	44
> 5 years	20	28
	71	86

Finance lease obligations, continued

Reconciliation of carrying amount and gross liability:		
Carrying amount of the liability	71	86
Interest expenses not yet accrued	4	5
Gross liability	75	91

No contingent leases have been recognised in expenses in 2009 or 2008. None of the assets under finance leases have been subleased.

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The LEGO Group

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Note 23. Provisions

2008	Restructuring	Other	Total
Provisions at 1 January	180	87	267
Exchange adjustment to year-end rate	(8)	3	(5)
Additions	20	82	102
Change for the year in calculation of present value	4	-	4
Used	(41)	(17)	(58)
Reversed	(89)	(20)	(109)
Provisions at 31 December	66	135	201

Specified as follows:	
Non-current	63
Current	138
	201

2009	Restructuring	Other	Total
Provisions at 1 January	66	135	201
Exchange adjustment to year-end rate	-	7	7
Additions	12	20	32
Used	(30)	(27)	(57)
Reversed	(15)	(48)	(63)
Provisions at 31 December	33	87	120

Specified as follows:	
Non-current	20
Current	100
	120

Provisions for restructuring obligations relate primarily to close-down and reduction of production facilities and redundancy programmes. The majority of these obligations is expected to result in cash outflows in the period 2010-2011.

Other provisions consist of various types of provisions, including provisions for legal disputes. The majority of other provisions is expected to be used within the next 2 years.

Notes

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Note 24. Contingent assets, contingent liabilities and other obligations

Contingent liabilities and other obligations

	2009	2008
Guarantees	93	84
Operating lease obligations	709	719
Other obligations	11	46
	813	849

The Group leases various offices, warehouses and plant and machinery under non-cancellable operating leases. The leases have varying terms, clauses and rights.

The Group also leases plant and machinery under cancellable operating leases. The Group is required to give various notices of termination of these agreements.

	2009	2008
Lease expenses for the year charged to the income statement amount to:	225	142

	2009	2008
Future minimum lease payments under non-cancellable operating leases are specified as follows:		
0-1 year	188	194
1-5 years	357	359
> 5 years	164	166
	709	719

Security has been given in land, buildings and installations with a net carrying amount of DKK 155 million (DKK 223 million in 2008) for the Group's mortgage loans.

The Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 102 million, of which DKK 27 million has been recognised as provision for deferred tax. The remaining amount of DKK 75 million is not expected to be recaptured.

Notes
The LEGO Group

(mDKK)

Note 25. Financial risks

Credit risk
Financial instruments are entered into with counterparties with a credit rating of A1/Aaa or higher from Standard & Poor's or Moody's Investor Service.
Similarly, the Group only uses insurance companies with a credit rating of A1/Aaa or higher from Standard & Poor's og Moody's Investor Service. The Group does not use credit ratings when hedging electricity consumption.

Credit risk regarding trade receivables is disclosed in note 17.

The maximum credit risk corresponds to the carrying amount of loans granted and receivables, cf note 26. No significant risks are recognised.

The credit risks of the LEGO Group are considered to be moderate.

Foreign exchange risk
The LEGO Group has significant net inflows in EUR, USD and JPY, while CZK, HUF and MXN account for the most significant exposure on the outflow side.

The Group's foreign exchange risk is managed centrally based on a foreign exchange policy approved by the Board of Directors. Forward contracts and options are used to cover purchases and sales in foreign currencies. These forward contracts are mainly classified as hedging and meet the accounting requirements for hedging of future cash flows.

Isolated effects of currency increase against DKK at 31 December 2009 which Management considers probable are specified as follows:

	%-change	2009	2008
EUR:			
Equity	2%	(12)	-
Net profit for the year	2%	7	5
USD:			
Equity	10%	(103)	(83)
Net profit for the year	10%	(35)	(17)
JPY:			
Equity	10%	(14)	(20)
Net profit for the year	10%	5	3
CZK:			
Equity	10%	59	-
Net profit for the year	10%	(7)	(6)
MXN			
Equity	10%	18	-
Net profit for the year	10%	6	-
HUF			
Equity	10%	16	-
Net profit for the year	10%	(5)	-

Notes
The LEGO Group

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Note 25. Financial risks, continued

Interest rate risk

The Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The Group's interest-bearing assets consist mainly of liquid funds. Liquid funds yield interest on the short-term money market. An increase in the interest level of 1.0% for 2009 would have had a negative impact on the Group's profit before tax of approx. DKK 8.4 million (DKK 8.4 million in 2008). The Group's interest rate risk is considered insignificant and is not expected to have a significant impact on the Group's results.

Other market risk

Electricity derivatives

The Group has entered into electricity derivatives in order to hedge part of the Group's electricity consumption for 2010-2011. The Group does not use hedge accounting on electricity derivatives. As a consequence the result has been affected negatively with 3.4 million. An increase / decrease in the electricity price of DKK 0.05 per kWh would have increased/reduced the net income with DKK 3.6 million.

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 liquidity problems. The liquidity risk is therefore not significant. Furthermore excess liquidity is placed at the parent company KIRKBI A/S why the counterparty risk is assessed to be low.

Capital risk management

Dividend of DKK 1,000 million has been paid in 2009 (DKK 1,000 million in 2008). The 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 Parent Company KIRKBI A/S.

Notes
The LEGO Group

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Note 26. Financial instruments recognised

The maturity profile of financial liabilities is disclosed according to category and class distributed on period to maturity. All interest payments on and repayments of financial assets and liabilities are based on contracts. Interest payments on floating-rate instruments are fixed by means of a zero coupon interest stucture. None of the cash flows are discounted.

At 31 December 2009 forward contracts have been applied for hedging of cash flows covering future financial periods. The hedging mainly relates to the LEGO Group's sales of goods and services in USD, GBP, CAD and JPY as well as purchases of goods in CZK, MXN and HUF. Moreover, part of the Group's purchases of electricity is hedged. Besides forward contracts, the LEGO Group has at 31 December 2009 dedicated options for the hedging of sales in USD, AUD, GBP and JPY for the financial year 2010. All contracts are expected to expire - and thus affect results - in the financial year 2010.

The following table shows the timing of cash flows related to financial liabilities and hedging instruments.

	31 December 2008					
	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	Total cash flows
Measured at amortised cost						
Debt to credit institutions	843	843	48	776	385	1,209
Subordinate loan capital	500	500	36	143	607	786
Trade payables	1,036	1,036	1,036	-	-	1,036
Other debt	1,549	1,549	1,477	44	28	1,549
	3,928	3,928	2,597	963	1,020	4,580
Derivative financial instruments used for hedging purposes						
Cash flow hedges	27	27	27	-	-	27
Fair value hedges	43	43	43	-	-	43
	70	70	70	-	-	70
Total financial liabilities	**3,998**	**3,998**	**2,667**	**963**	**1,020**	**4,650**
Measured at amortised cost						
Trade receivables	1,822	1,822	1,822	-	-	1,822
Other receivables	450	450	450	-	-	450
Receivables from related parties	600	600	600	-	-	600
Cash at bank and in hand	1,129	1,129	1,129	-	-	1,129
	4,001	4,001	4,001	-	-	4,001
Derivative financial instruments used for hedging purposes						
Cash flow hedges	93	93	93	-	-	93
Fair value hedges	26	26	26	-	-	26
	119	119	119	-	-	119
Total financial assets	**4,120**	**4,120**	**4,120**	**-**	**-**	**4,120**

Notes

The LEGO Group

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Note 26. Financial instruments recognised, continued

	31 December 2009					
	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	Total cash flows
Measured at amortised cost						
Debt to credit institutions	837	837	24	695	265	984
Trade payables	1,336	1,336	1,336	-	-	1,336
Other debt	1,842	1,842	1,781	41	20	1,842
	4,015	4,015	3,141	736	285	4,162
Derivative financial instruments used for hedging purposes						
Cash flow hedges	38	38	38	-	-	38
Fair value hedges	92	92	92	-	-	92
	130	130	130	-	-	130
Total financial liabilities	**4,145**	**4,145**	**3,271**	**736**	**285**	**4,292**
Measured at amortised cost						
Trade receivables	2,128	2,128	2,128	-	-	2,128
Other receivables	541	541	541	-	-	541
Cash at bank and in hand	1,630	1,630	1,630	-	-	1,630
	4,299	4,299	4,299	-	-	4,299
Derivative financial instruments used for hedging purposes						
Cash flow hedges	104	104	104	-	-	104
Fair value hedges	70	70	70	-	-	70
	174	174	174	-	-	174
Total financial assets	**4,473**	**4,473**	**4,473**	**-**	**-**	**4,473**

The Group has borrowed DKK 837 million, that includes debt covenants regarding the debt/equity ratio and solidity ratio, which can be redeemed on demand, in case the debt covenants are not fulfilled.

Notes
The LEGO Group

(mDKK)

Note 26. Financial instruments recognised, continued

The following table presents the LEGO Group assets and liabilities measured at fair value at 31 December 2009

- 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)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	16	-	16
Derivatives used for hedging	-	158	-	158
Total assets	**-**	**174**	**-**	**174**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	92	-	92
Derivatives used for hedging	-	38	-	38
Total liabilities	**-**	**130**	**-**	**130**

	2009	2008
Development in hedging reserves		
Fair value adjustment at 1 January	66	29
Change in market value	5	-
Hedges made in the year	66	66
Delivered and recognised in the income statement	(71)	(29)
Fair value adjustment at 31 December	66	66
Recognised in the income statement:		
Financial income	71	29
	71	29

Notes

The LEGO Group

(mDKK)

Note 27. Other reversals with no effect on cash flows

	2009	2008
Depreciation, amortisation and impairment	429	290
Loss on sale of property, plant and equipment	17	3
Net movements in provisions	(81)	(66)
Financial income	(131)	(41)
Financial expenses	146	289
Other adjustments	26	5
	406	480

Note 28. Changes in working capital

Inventories	(186)	76
Trade and other receivables	(471)	(83)
Trade and other payables	653	364
	(4)	357

Note 29. Cash and cash equivalents

Cash at bank and in hand	1,630	1,129
	1,630	1,129

Notes
The LEGO Group

(mDKK)

Note 30. Related party transactions

The Parent of the Group is LEGO A/S, a company incorporated in Denmark, whose shares are owned by KIRKBI A/S (75%) and LEGO Invest A/S (25%). The shares in KIRKBI A/S are wholly owned by the Kirk Kristiansen family (Billund, Denmark). Related parties are considered to be Kabooki A/S, KIRKBI A/S, subsidiaries of KIRKBI A/S and KIRKBI AG Group, in which the above-mentioned family has significant interest. None of the related party transactions are secured.

The following transactions were carried through with related parties:

	2009	2008
Transactions with KIRKBI A/S		
Service fee received	-	2
	-	2
Interest charged	(28)	(59)
Rent paid	(24)	(22)
	(52)	(81)
Total transactions with KIRKBI A/S	(52)	(79)
Transactions with associates		
Purchase of products	(4)	(4)
Trademark fee received	7	9
	3	5
Transactions with other related parties		
Sale of products	108	118
Interest received	11	14
Service fee received	9	9
Trademark fee received	8	7
	136	148
Rent expenses paid	(2)	(2)
Interest charged	(3)	(1)
Service fee charged	(33)	(25)
Trademark fee charged	(425)	(347)
	(463)	(375)
Total transactions with other related parties	(327)	(227)

Notes
The LEGO Group

(mDKK)

Note 30. Related party transactions, continued

Remuneration to Key Management Personnel is disclosed in note 6.
Transactions with related parties were carried out on an arm's length basis.

Year-End balances arising from sales/purchases of goods/services:

	2009	2008
Balances with KIRKBI A/S		
Payables	(19)	(3)
	(19)	(3)
Balances with associates		
Payables	-	(1)
	-	(1)
Balances with other related parties		
Receivables	2	15
Payables	(156)	(140)
	(154)	(125)

Loans:

	KIRKBI A/S	KIRKBI Invest A/S
Balance at 1 January 2008	(1,120)	-
Loans raised during the year	-	600
Repayments	600	-
Interest income	-	14
Interest expenses	(59)	-
Interest paid/received	70	(7)
Balance at 31 December 2008	(509)	607
Specified as follows:		
Non-current	(500)	-
Current	(9)	607
	(509)	607
Balance at 1 January 2009	(509)	607
Deposits granted during the year	-	300
Repayments	500	(912)
Interest income	-	11
Interest expenses	(18)	-
Interest paid/received	27	(6)
Balance at 31 December 2009	-	-

The Group has no loans from associates.

Income Statement 1 January - 31 December

PARENT COMPANY

(mDKK)

	Note	2009	2008
Revenue		44	46
Gross profit		**44**	**46**
Other operation income		-	2
Other operation expenses		(73)	(88)
Operating profit before special items		**(29)**	**(40)**
Dividend from subsidiaries		2,018	563
Fiancial income	2	7	-
Financial expenses	3	(120)	(193)
Profit before income tax		**1,876**	**330**
Tax on profit for the year	4	33	32
Net profit for the year		**1,909**	**362**
Proposed distribution of profit			
Dividend		1,500	1,000
Retained earnings		409	(638)
		1,909	**362**

Balance Sheet at 31 December

PARENT COMPANY

(mDKK)

	Note	2009	2008
ASSETS			
Non-current assets			
Patents		2	3
Intangible assets	6	**2**	**3**
Land, buildings and installations		6	6
Property, plant and equipment	5	**6**	**6**
Investments in subsidiaries		5,498	5,303
Investments in associates		3	3
Other non-current assets	8	**5,501**	**5,306**
Total non-current assets		**5,509**	**5,315**
Current assets			
Receivables from subsidiaries		558	65
Tax receivables		30	48
Other receivables		6	4
Total current assets		**594**	**117**
TOTAL ASSETS		**6,103**	**5,432**

Balance Sheet at 31 December

PARENT COMPANY

(mDKK)

	Note	2009	2008
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	20	20
Retained earnings		1,544	1,135
Proposed dividend		1,500	1,000
Total equity		**3,064**	**2,155**
LIABILITIES			
Non-current liabilities			
Subordinate loan capital		-	500
Borrowings	10	600	600
Deferred tax liabilities	7	34	59
Total non-current liabilities		**634**	**1,159**
Current liabilities			
Debt to subsidiaries		2,347	2,057
Other short-term debt		58	61
Total current liabilities		**2,405**	**2,118**
Total liabilities		**3,039**	**3,277**
TOTAL EQUITY AND LIABILITIES		**6,103**	**5,432**
Contingent liabilities and other obligations	11		

Statement of Changes in Equity

PARENT COMPANY

(mDKK)

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2008	**20**	**1,773**	**1,000**	**2,793**
Dividend relating to prior year	-	-	(1,000)	(1,000)
Net profit for the year	-	362	-	362
Proposed dividend	-	(1,000)	1,000	-
Equity at 31 December 2008	**20**	**1,135**	**1,000**	**2,155**
Equity at 1 January 2009	**20**	**1,135**	**1,000**	**2,155**
Dividend relating to prior year	-	-	(1,000)	**(1,000)**
Net profit for the year	-	1,909	-	1,909
Proposed dividend	-	(1,500)	1,500	-
Equity at 31 December 2009	**20**	**1,544**	**1,500**	**3,064**

Notes
PARENT COMPANY

NOTE 1. Significant accounting policies

The Annual Report of LEGO A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Income Statement

Recognition of sales and revenues
Sales represent the fair value of the sale of goods excluding value added tax and after deduction of provisions for returned products, rebates and trade discounts relating to the sale. Provisions and accruals for rebates to customers are made for 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.
Revenues are recognised when realised or realisable and earned. Revenues are considered to have been earned when LEGO A/S has substantially accomplished what it must do to be entitled to the revenues.

Taxes
Current income tax, based on taxable income for the year, is expensed together with changes in deferred tax for the year. Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full in the Consolidated Financial Statements, using the liability method.
The provision of deferred tax reflects the effect of any tax losses carried forward etc. to the extent it is considered likely that such items can be utilised against future taxable income. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value.
Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

Balance Sheet

Translation policies
Other balance sheets in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised gains and losses are recognised in the income statement.

Intangible assets
Acquired patent rights are capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

Property, plant and equipment
Land and buildings comprise mainly factories, warehouses and offices. Property, plant and equipment (PPE) are measured at cost, less subsequent depreciation and impairment losses, except for land, which is measured at cost less impairment losses.
Depreciation of other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	40 years
Installations	10-20 years
Other fixtures and fittings, tools and equipment	3-10 years

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is higher than its estimated recoverable amount.
Gains and losses on disposals are determined as the difference between selling price and carrying amount and are recognised in the income statement. Borrowing costs incurred at the construction of the qualifying asset are capitalised in the period in which the asset is made ready for use.
Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self constructed assets comprises direct expenses for wage consumption and materials. Interest related to financing self constructed assets is recognised in the income statement.

Investments in subsidiaries and associates
Subsidiaries of the Parent Company are recognised at cost less accumulated impairment losses. LEGO A/S recognises income from the investments only to the extent that LEGO A/S receives dividend from the subsidiaries.
Associates are all enterprises in which the LEGO Group exercises significant influence but not control, generally through a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognised at cost.

Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provisions for losses. Provisions for losses are made on the basis of an individual assessment of the risk relating to each receivable.

Notes
PARENT COMPANY

Borrowings
Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless LEGO A/S has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividend distribution
Dividend distribution for the year proposed by Management is disclosed as a separate equity item. Dividend is recognised as a liability in the period in which it is declared at the Annual General Meeting.

Provisions
Provisions are recognised when LEGO A/S identifies legal or constructive obligations 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, LEGO A/S 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. Further provisions for restructuring expenses are only recognised when the decision is made and announced before the balance sheet date. Provisions are not made for future operating losses.
Provisions are measured at the present value of the estimated obligation at the balance sheet date.

Other liabilities
Other liabilities are measured at amortised cost unless specifically stated otherwise.

Notes
PARENT COMPANY

(mDKK)

NOTE 2. Financial income

	2009	2008
Unrealized currency gain from subsidiaries	7	-
	7	**-**

NOTE 3. Financial expenses

Interest expenses on mortgage loans	16	1
Interest expenses to related parties	29	189
Interest expenses to subsidaries	75	-
Exchange loss, net	-	3
	120	**193**

NOTE 4. Tax on profit for the year

Current tax on profit for the year	30	52
Deferred tax on profit for the year	5	(12)
Value adjustment	20	(26)
Adjustment of tax relating to previous years, current tax	6	-
Adjustment of tax relating to previous years, deferred tax	(28)	18
	33	**32**

Notes

PARENT COMPANY

(mDKK)

NOTE 5. Property, plant and equipment

	Land, buildings & installations	Other fixures & fittings, tools and equipment	Total
Cost at 1 January 2008	6	7	13
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2008	6	7	13
Depreciation and impairment losses at 1 January 2008	-	7	7
Depreciation for the year	-	-	-
Disposals	-	-	-
Depreciation and impairment losses at 31 December 2008	-	7	7
Carrying amount at 31 December 2008	**6**	**-**	**6**

	Land, buildings & installations	Other fixures & fittings, tools and equipment	Total
Cost at 1 January 2009	6	7	13
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2009	6	7	13
Depreciation and impairment losses at 1 January 2009	-	7	7
Depreciation for the year	-	-	-
Disposals	-	-	-
Depreciation and impairment losses at 31 December 2009	-	7	7
Carrying amount at 31 December 2009	**6**	**-**	**6**

Land and buildings

According to the official property assessment, the value of the Danish land and buildings amounts to DKK 4 million (DKK 1 million in 2008). The corresponding carrying amount is DKK 6 million at 31 December 2009 (DKK 6 million in 2008).

Assets under finance leases

No assets have been recognised under finance leases.

Notes
PARENT COMPANY

(mDKK)

NOTE 6. Intangible assets

	Patents
Cost at 1 January 2008	4
Additions	-
Cost at 31 December 2008	4
Depreciation and impairment losses at 1 January 2008	-
Depreciation for the year	1
Disposals	-
Depreciation and impairment losses at 31 December 2008	1
Carrying amount at 31 December 2008	**3**

	Patents
Cost at 1 January 2009	4
Additions	-
Cost at 31 December 2009	4
Depreciation and impairment losses at 1 January 2009	1
Depreciation for the year	1
Disposals	-
Depreciation and impairment losses at 31 December 2009	2
Carrying amount at 31 December 2009	**2**

Notes

PARENT COMPANY

(mDKK)

NOTE 7. Deferred tax

	2009	2008
Deferred tax, net at 1 January	(59)	(39)
Change in deferred tax	25	(20)
Provision for deferred tax, net at 31 December	**(34)**	**(59)**
Specified as follows:		
Deferred tax asset at 31 December	-	-
Provision for deferred tax at 31 December	(34)	(59)
	(34)	**(59)**

NOTE 8. Other non-current assets

	Investment in associates	Investment in subsidiaries
Cost at 1 January 2008	4	5,303
Additions	-	-
Cost at 31 December 2008	4	5,303
Value adjustment at 1 January 2008	(1)	-
Share of net profit/(loss) for the year	-	-
Value adjustments at 31 December 2008	(1)	-
Carrying amount at 31 December 2008	**3**	**5,303**

	Investment in associates	Investment in subsidiaries
Cost at 1 January 2009	4	5,303
Additions	-	195
Cost at 31 December 2009	4	5,498
Value adjustment at 1 January 2009	(1)	-
Share of net profit/(loss) for the year	-	-
Value adjustments at 31 December 2009	(1)	-
Carrying amount at 31 December 2009	**3**	**5,498**

Notes
PARENT COMPANY

(mDKK)

NOTE 9. Share capital

The Company's share capital consists of:	
A-shares of DKK 1,000 or multiples hereof	1
B-shares of DKK 1,000 or multiples hereof	9
C-shares of DKK 1,000 or multiples hereof	10
Total shares at 31 December 2009	**20**

There have been no changes in the share capital during the last 5 years.

Shareholders holding more than 5% of the share capital:
KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark
LEGO Invest A/S, Koldingvej 2, 7190 Billund, Denmark

NOTE 10. Long-term debt

	Total debt	Due within 1 year	Due within 5 years
Banks and other credit institutions	600	-	600
	600	**-**	**600**

NOTE 11. Contingent liabilities and other obligations

Security has been given in land, buildings and installations with a carrying amount of DKK 6 million (DKK 6 million in 2008) for the Company's mortgage loans.

The Company is jointly and severally liable for tax in companies included in the joint taxation scheme.

The Company guarantees certain obligations of some of the subsidiaries.

The Company has utilised tax losses in foreign subsidiaries in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 102 million, of which DKK 45 million has been recognised as provision for deferred tax. The remaining amount of DKK 57 million is not expected to be recaptured. The Company has not chosen international joint taxation under the new Danish rules on joint taxation as from 1 January 2005.

GROUP STRUCTURE

LEGO A/S - AS OF 31 DECEMBER 2009

LEGO A/S, Denmark

Denmark
- LEGO System A/S
- LEGO ZOOM International ApS, 51%

Europe (other)
- LEGO Park Holding UK Ltd.
- – LEGO Lifestyle International Ltd. (UK)
- LEGO Company Limited (UK)
- LEGO Belgium n.v.
- LEGO Netherland B.V.
- LEGO Sverige AB
- LEGO Norge A/S
- Oy Suomen LEGO Ab (Finland)
- LEGO GmbH (Germany)
- LEGO Handelsgesells. GmbH (Austria)
- LEGO S.A.S. (France)
- LEGO S.p.A. (Italy)
- LEGO S.A. (Spain)
- LEGO Lda. (Portugal)
- LEGO Production s.r.o. (Czech Republic)
- LEGO Trading s.r.o. (Czech Republic)
- LEGO Schweiz AG
- LEGO Hungária Kft.
- LEGO Manufacturing Kft. (Hungary)
- LEGO Polska Sp. z.o.o.
- OOO LEGO (Russia)
- LLD Share verwaltungs GmbH (Germany)
- – LLD Share Gmbh & Co. KG (Germany)

Americas
- LEGO do Brazil Ltda.
- LEGO Canada Inc.
- LEGO New York Inc. (US)
- LEGO Mexico S.A. de C.V
- Adm.de Serv. LEGO de C.V. (Mexico)
- LEGO Operaciones de Mexico S.A. de C.V. (Mexico)
- LEGO Real Estate, S.A. de C.V. (Mexico)
- LEGO System Inc. (US)
- – LEGO Data Inc. (US)
  - – Dacta and Pitsco LLC, 51% (US)
- – LEGO Brand Retail Inc. (US)

Asia/Africa/Australia
- LEGO Hong Kong Limited
- LEGO Australia Pty. Ltd.
- LEGO New Zealand Ltd.
- LEGO Korea Co. Ltd.
- LEGO South Africa (Pty.) Ltd.
- LEGO Japan Ltd.
- LEGO Company Ltd. (Hong Kong)
- LEGO Singapore Pte. Ltd.

Associates:
- KABOOKI A/S 19.8% (Denmark)

Ownership is 100% unless stated otherwise.

LEGO A/S is 75% owned by KIRKBI A/S and is included in the Consolidated Annual Report of KIRKBI A/S. KIRKBI A/S is the ultimate Parent Company.

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www.LEGO.com

Annual Report

In the Annual Report you will find detailed information on the LEGO Group's financial results in 2009.

http://www.LEGO.com/eng/info/

Progress Report

In the Progress Report you will find detailed information on the progress of the LEGO Group's work within environmental, social and governance (ESG) areas in 2009. It includes data on for example consumer complaint rates, Code of Conduct audits, employee injury rate and much more.

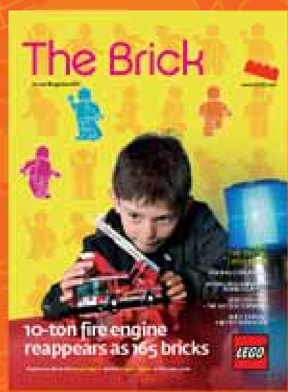
The Progress Report also serves as the annual communication on progress required by UN Global Compact.

http://www.LEGO.com/eng/info/

The Brick

The Brick is an annual magazine designed to supplement the two reports – Annual Report and Progress Report. It offers a view into the many ways in which the LEGO Group interacts with all its stakeholders, and in an easy-to-read way, it follows up on some of the data in the Progress Report.

http://www.LEGO.com/eng/info/



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