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ANNUAL REPORT 2020

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* Pages 16 – 33 comprise KIRKBI's communication on progress in implementing the ten UN Global Compact principles.



FINANCIAL HIGHLIGHTS

KIRKBI Group

(m DKK)

	2020	2019	2018	2017	2016
Income statement:					
Operating profit from LEGO Brand Group activities	11,271	11,791	12,220	11,944	14,136
Operating profit/(loss) from investment activities	(1,646)	9,326	(551)	4,398	3,078
Total operating profit	9,256	20,601	11,352	16,002	16,885
Profit for the year	6,371	16,774	8,681	12,679	13,285
Balance sheet:					
Total assets	123,835	119,902	103,132	95,456	85,667
KIRKBI Group's share of equity	99,322	96,807	82,514	76,305	66,407
Non-controlling interests	6,015	5,672	5,553	5,285	5,105
Liabilities	18,498	17,423	15,065	13,866	14,155
Cash flow statement:					
Cash flows from operating activities	16,000	11,144	11,191	10,253	12,516
Investment in property, plant and equipment, net	(2,913)	(3,345)	(2,394)	(2,233)	(7,572)
Investment in intangible assets	(64)	(360)	(57)	(143)	(92)
Employees:					
Average number (full-time)	17,980	16,631	15,523	16,909	17,136
Financial ratios (in %):					
Equity ratio	85.1%	85.5%	85.4%	85.5%	83.5%
Return on equity	4.0%	16.4%	8.4%	15.0%	17.8%

The Financial Highlights for 2019 and 2020 are impacted by the implementation of IFRS 16 Leases as from 1 January 2019. Comparative figures for 2016 to 2018 have not been restated.

Comparative financial information for 2016 to 2018 has been adjusted for reclassifications implemented in 2019 in the income statement.

Financial ratios

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

Return on equity (ROE):

Profit for the year (excl. non-controlling interests) x 100

Average equity (excl. non-controlling interests)

Equity ratio:

Equity (incl. non-controlling interests) x 100

Total liabilities and equity

2020 AT A GLANCE

2020 has been an extraordinary year where the global pandemic impacted every aspect of how people live and work. **KIRKBI's focus was on being a responsible owner while concentrating on the health and safety of our employees and society.** Under the exceptional circumstances, the KIRKBI Group delivered a satisfactory result for the year.

2020 has been an extraordinary year. The pandemic spread globally during first quarter of 2020 and we were met with multiple effects on the LEGO Group, Merlin Entertainments, and the Investment Activities in the KIRKBI Group.

Throughout the year, colleagues experienced radical changes in their private and work lives, and health, safety, motivation and mental well-being became a main focus. Despite the challenging situation, we saw colleagues living our values by caring for each other, helping where needed, and finding creative solutions to all the many challenges that arose along the way. Everywhere, our people did their utmost to ensure business continuity, and we would like to thank them deeply for that.

In 2020, KIRKBI began the execution of the 2032 strategy, which is set to deliver on the purpose: *Building a sustainable future for the family ownership of the LEGO® brand through generations.* We saw good progress on the strategy. At the same time, 2020 stood out as the year where KIRKBI's priorities were clearly focused on being a responsible owner and investor during the highly uncertain period. KIRKBI's financial robustness ensured a sound foundation for continuing to invest in the long-term ambition for the LEGO branded activities.

During the year, it was gratifying to experience how many families rediscovered play during the significant changes to everyday life. Play is essential for children's well-being and development, and the LEGO mission is about bringing the power of Learning-through-Play to children and families around the globe. During the pandemic, the LEGO Group and the LEGO Foundation supported children

and families impacted by COVID-19 in multiple ways, including a USD 50 million donation from the LEGO Foundation to support children most in need and the launch of the campaign #letsbuildtogether across social channels to share building ideas, daily challenges, and live build-a-longs with LEGO fans.

In 2020, KIRKBI continued to take steps on the sustainability journey and continued to raise the bar for sustainable and responsible investing. This year, we release the second Communication On Progress (COP) report under UN Global Compact.

2020 HIGHLIGHTS

Profit for the year for the KIRKBI Group amounted to DKK 6.4 billion compared to DKK 16.8 billion last year.

In 2020, the LEGO Group delivered strong growth that showed the timeless relevance of the LEGO brick. Revenue for the year grew 13% compared to 2019 reaching DKK 43.7 billion and consumer sales grew 21% over the same period. Operating profit was DKK 12.9 billion, an increase of 19% compared with 2019. Consumer sales in all market groups grew double digits, with especially strong growth in China, the Americas, Western Europe and Asia Pacific. Net profit grew 19% to DKK 9.9 billion while operating cash flow was strong at DKK 13.4 billion.

After the take-private of Merlin Entertainments during 2019, the company entered the year ready to deliver memorable experiences to children and families at its 130 attractions in 27 countries around the world including LEGOLAND® and LEGOLAND Discovery Centres. However, the vast majority of the 130 attractions was closed or operated under restrictions for a large part of the year due to the pandemic. The company's focus turned to health,

safety, and well-being of the employees and visitors around the globe and to ensuring a disciplined approach to cost and liquidity. The total number of visitors as well as visitors in LEGOLAND Parks in 2020 was one-third compared to 2019 and revenue declined accordingly. In 2020, Merlin continued the construction of LEGOLAND New York where the opening has been postponed to 2021 due to the pandemic. The construction of LEGOLAND Korea continued with planned opening in 2022. Merlin announced a formal co-operation agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI to develop a LEGOLAND Resort in the Jinshan District of Shanghai, China. The LEGOLAND Shanghai Resort is anticipated to open in 2024.

As part of the 2032 strategy, KIRKBI continued the focus on Thematic Capital activities with further investments in the USA solar energy developer Adapture Renewables (formerly Enerparc Inc.) which expanded its operational energy production capacity from 70 MW at the time of KIRKBI's acquisition in 2019 to more than 230 MW by the end of 2020. In 2020, KIRKBI invested in the company's continued growth including an 81 MW solar park in Texas, which was operational at year-end. KIRKBI's Energy Transition investments also include ownership stakes in the two offshore wind farms Burbo Bank Extension and Borkum Riffgrund 1, which both performed in line with expectations for the year.

Further, KIRKBI completed an investment within recycling of plastics by acquiring 10.2% of the shares in Quantafuel, a Norwegian technology-based energy company that converts plastic waste into low-carbon synthetic oil products and new high-value quality materials.



↑ Kjeld Kirk Kristiansen, Chairman of the Board
Søren Thorup Sørensen, CEO

Operating profit from the Investment Activities was a net loss of DKK 1.6 billion compared to a gain of DKK 9.3 billion in 2019.

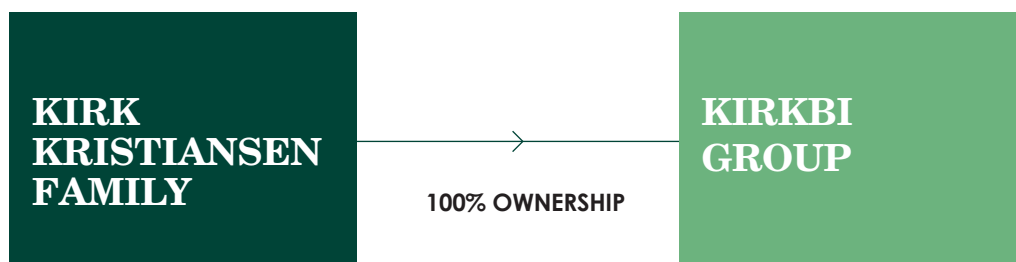
On the back of a highly exceptional year, we would like to thank all employees for their dedicated contribution and professional support. With trust and confidence, we look forward to a continued positive development of KIRKBI in 2021.

Kjeld Kirk Kristiansen
Chairman of the Board

Søren Thorup Sørensen
CEO

KIRKBI

– A family-owned company



2020 KEY FIGURES

17,980

Full-time employees

16.0 (bn DKK)

Cash flow from operating activities

6.4 (bn DKK)

Profit for the year

105.3 (bn DKK)

Total equity

ASSOCIATED FOUNDATIONS

KIRKBI provides administrative support to associated foundations:

The LEGO Foundation

Ole Kirk's Fond



LEGO Brand Group

THE LEGO GROUP

75%



Revenue 43.7 bn DKK
 Profit for the year 9.9 bn DKK
 Investments 1.9 bn DKK
 Employees (FTE) 17,431

Founded by Ole Kirk Kristiansen in 1932. Based on the LEGO® brick, the company provides unique play experiences for children of all ages.

MERLIN ENTERTAINMENTS

47.5%



Revenue 5.2 bn DKK
 Loss for the year, excluding impairments (4.1 bn DKK)
 Number of visitors 21.4 million

Europe's leading and the world's second-largest visitor attraction operator. Owns the LEGOLAND® parks which were founded by Godtfred Kirk Christiansen in 1968 and the LEGOLAND® Discovery Centres, among other activities.

TRADEMARKS

100%



Royalty 1.6 bn DKK The LEGO® and LEGOLAND® trademarks.

LEGO VENTURES

100%



Operating profit 0.0 bn DKK
 Investments 0.2 bn DKK

LEGO Ventures explores investment opportunities at the intersection of Play, Learning and Creativity to leverage and develop the original LEGO® Idea and support the LEGO® brand mission 'to inspire and develop the builders of tomorrow'.

Investment Activities

CORE CAPITAL

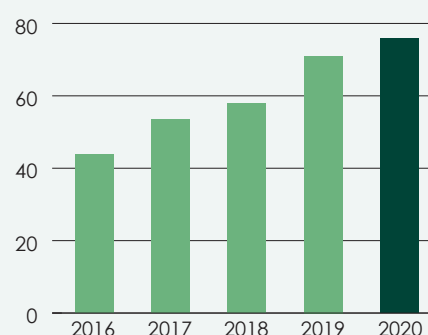
- Long-term Equity



- Real Estate
- Private Equity
- Opportunities
- Quoted Equities
- Bonds and Corporate Debt

Operating loss (2.0 bn DKK)
 Portfolio value 75.9 bn DKK

Core Capital portfolio (bn DKK)



THEMATIC CAPITAL

- Energy Transition
- Circular Plastics
- Land Preservation
- Building Billund

Operating profit 0.4 bn DKK
 Portfolio value 11.1 bn DKK

Ownership share



Burbo Bank Extension
 Offshore Wind Farm

31.5%



25.0%



91.8%

10.2%

ANNUAL REVIEW

INCOME STATEMENT

The KIRKBI Group's profit for the year 2020 amounted to DKK 6,371 million against DKK 16,774 million in 2019. The parent company shareholder's portion of the profit was DKK 3,885 million compared with DKK 14,682 million last year.

KIRKBI's financial result is mainly influenced by the performance of the LEGO Group, Merlin Entertainments and the financial return from the Investment Activities.

The LEGO Group had a very satisfactory year 2020 with double-digit growth in revenue, consumer sales and profit in all major markets. The LEGO Group had a 13% revenue growth and 21% growth in consumer sales, which outpaced the global toy industry growth. The growth was especially strong in China, the Americas, Western Europe and Asia Pacific. The LEGO Group continued to make significant investments in strategic initiatives designed to drive long-term growth. Profit before tax of DKK 12,500 million was a growth of 16% compared to DKK 10,752 million in 2019. Cash flow from operating activities remained strong at DKK 13.4 billion compared with DKK 9.6 billion in 2019.

Merlin Entertainments was significantly impacted by the COVID-19 pandemic as the company's 130 attractions, 21 hotels and six holiday villages were either closed, partly closed or limited in number of visitors. In general, the hospitality and leisure sector was significantly impacted by the pandemic due to the combination of mandatory closures, capacity restrictions created by social distancing requirements, and lower consumer demand in many markets. For Merlin Entertainments, this new reality led to a reduction of around two-thirds with regards to number of visitors and revenue compared to 2019. Despite a disciplined approach to cost and liquidity, the financial result was significantly impacted. In 2020, revenue was reduced to GBP 629 million compared to GBP 1,740 million last

year, and profit for the year excluding goodwill impairment was negative with GBP 499 million compared with a profit of GBP 124 million last year. KIRKBI's share of profit for 2020 was a loss of DKK 2,031 million compared with a profit of DKK 135 million in 2019.

Royalties from the trademarks LEGO® and LEGOLAND® grew 7% from DKK 1,495 million to DKK 1,594 million in 2020 driven by the increase in revenue in the LEGO Group.

LEGO Ventures invested in five start-ups and divested one investment. The result from the activities was negative with DKK 36 million compared to DKK -114 million in 2019. In 2020, LEGO Ventures updated its strategy and aims at expanding its portfolio through a renewed focus on Digital Play and Education.

Trademark costs and LEGO Brand Group costs have increased from DKK 514 million in 2019 to DKK 748 million in 2020. The increase is mainly due to a further contribution to the global brand campaign "Rebuild the World" and strategic initiatives related to LEGOLAND trademarks.

The Investment Activities were exposed to a challenging environment in 2020, where companies faced sudden supply chain interruptions and changing demand characteristics due to the pandemic. Following a significant portfolio decline in the first half of 2020, the investment portfolio recovered partly in the second half of 2020 resulting in an overall negative return of 2.7% for the Core Capital portfolio compared to 14.9% in 2019. In addition to a market environment that has been categorised by a high degree of uncertainty due to COVID-19, intensified geopolitics also became the reality with the implementation of various new legislative trade measures between USA and China as well as UK leaving the EU. In light of the tumultuous events in 2020, KIRKBI has focused on actively engaging with portfolio companies to

provide support and guidance when needed. The negative return for 2020 for Core Capital and Thematic Capital activities amounted to DKK 1,646 million compared to a gain of DKK 9,326 million in 2019.

Throughout 2020, KIRKBI has made donations to, among others, Ole Kirk's Fond, WWF (World Wildlife Fund) and DIF (Danmarks Idrætsforbund). Total donations and sponsorships amounted to DKK 56 million in 2020 compared to DKK 72 million in 2019.

Under the exceptional circumstances of a global pandemic, the KIRKBI Group delivered a satisfactory result for the year.

It is proposed to distribute dividends of DKK 400 million.

BALANCE SHEET

Total assets for the KIRKBI Group amounted to DKK 124 billion in 2020 compared to DKK 120 billion in 2019.

During 2020, DKK 2.5 billion has been invested in property, plant and equipment of which DKK 1.8 billion has been invested within the LEGO Group.

The investments in real estate in Billund continued including the construction of LEGO Campus and Billund Town Centre.

As a result of the loss for the year, KIRKBI's carrying amount of Merlin Entertainments decreased from DKK 4.4 billion in 2019 to DKK 2.7 billion in 2020.

KIRKBI's portfolio of Securities increased to DKK 69.0 billion from DKK 62.4 billion last year.

The equity ratio remained high at 85.1% compared to 85.5% end of 2019.

PEOPLE RESOURCES

In KIRKBI, employees are the single most important resource. The KIRKBI performance is accomplished thanks to the motivation and commitment of

its employees. As part of the overall corporate strategy, employees and management work together to continuously secure job satisfaction and a healthy working environment.

In 2020, the average number of full-time employees in the KIRKBI Group was 17,980 against 16,631 in 2019 (excluding the employees in Merlin Entertainments). 97% of the employees work in the LEGO Group.

The majority of employees in KIRKBI and the LEGO Group is subject to a Performance Management Programme, which aims to link business objectives with individual employee objectives. This programme includes a tiered bonus scheme.

RISKS

The KIRKBI Group's risks primarily relate to developments within the global toy markets where the LEGO Group operates, the market for family entertainment and other leisure activities as well as the financial markets.

RESEARCH AND DEVELOPMENT ACTIVITIES

The KIRKBI Group enterprises conduct research and development within their respective business areas.

EXPECTATIONS FOR 2021

Expectations for the KIRKBI Group's financial performance for 2021 are subject to uncertainties related to the development in the global economy, including the COVID-19 pandemic. The overall expectations set out below are therefore to a large extent subject to uncertainties and risks which are beyond KIRKBI's control and which may cause the actual development and results to differ materially from expectations.

LEGO BRAND GROUP ACTIVITIES

The LEGO Group expects single-digit growth in 2021, ahead of the global toy market. This is expected to be achievable due to continued focus on product

innovation and growth in established and strategic markets, such as China.

The LEGO Group also plans to continue investing in initiatives to address evolving trends, including sustainability, and drive long-term sustainable growth. The financial performance of Merlin Entertainments is highly dependent on the development of the COVID-19 pandemic and to what extent operations will be closed or operate under restrictions. Royalties are expected to increase due to the expected revenue growth in the LEGO Group. KIRKBI expects results before tax from LEGO Brand Group activities to be in the level of DKK 12 billion.

INVESTMENT ACTIVITIES

KIRKBI is a long-term investor, and a one-year view on the Investment Activities is highly dependent on the development in the financial markets, and hence it is difficult to predict the financial return for the Investment Activities. A normalised investment return for the KIRKBI Group would be an investment return between DKK 3.5 billion and DKK 5 billion, equal to an annual investment return between 5% and 7%.

PROFIT BEFORE TAX

Based on the assumptions above, profit before tax for the KIRKBI Group for 2021 is expected to be in the level of DKK 15-17 billion.





ABOUT KIRKBI

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* Pages 16 – 33 comprise KIRKBI's communication on progress in implementing the ten UN Global Compact principles.

WHO WE ARE

KIRKBI is the Kirk Kristiansen family's* private holding and investment company **founded to build a sustainable future** for the family ownership of the LEGO® brand through generations.

The activities in KIRKBI are focused on three fundamental objectives all contributing to enabling the owner family to succeed with the mission to inspire and develop the builders of tomorrow.

The purpose and objectives define KIRKBI's 2032 strategy, which has sustainability as a foundation for everything we do.

KIRKBI FUNDAMENTALS

The LEGO brand mission is to *Inspire and develop the builders of tomorrow*. The owner family aims to fulfil the mission, helping all children grow and develop to their full potential through creative play by dedicated efforts driven by the LEGO branded entities.

This shared foundation for the family enterprises is reflected in the LEGO Idea Paper – a short internal document written by the Kirk Kristiansen family.

The LEGO Idea Paper describes the family's fundamental belief that "Children are our role models" as well as the mission, the vision, the LEGO Idea, the values and the promises.

The KIRKBI Fundamentals reflect the LEGO Idea Paper and serve as the compass in all business activities and outline how we are contributing to enabling the owner family to succeed with the mission.

ACTIVE AND ENGAGED FAMILY OWNERSHIP THROUGH GENERATIONS

The LEGO Group ownership has been with the Kirk Kristiansen family for four generations. Active and engaged family ownership of the LEGO brand has always been viewed as not only a task, but also as an obligation to make a meaningful difference in children's lives. The ownership is rooted in the family heritage, the family's values, and the greater purpose of enabling children to learn, grow and develop through play, which is also reflected in the LEGO company name: 'LEg GOdt' – meaning play well.

FUNDAMENTAL OBJECTIVES



LEGO BRAND

We work to protect, develop and leverage the LEGO brand across all the LEGO branded entities.



INVESTMENT ACTIVITIES

We are committed to a long-term and responsible investment strategy to ensure a sound financial foundation for the family's activities as well as contributing to a sustainable development in the world.



FAMILY SUPPORT

We are dedicated to support the family members as they prepare for future generations to continue the active and engaged ownership as well as supporting their private activities, companies and philanthropic work.

Ole Kirk Kristiansen, the founder of the LEGO Group, was focused on providing quality play materials for children from the very beginning in the 1930s. He had a saying: 'Only the best is good enough', which he used to explain how one should always strive to do better because children deserve the best. The saying is still used and referred to by our colleagues across all LEGO branded entities as the 'LEGO spirit'.

Being an active and engaged owner of the LEGO brand today is defined by the owner family as having a deep interest and engagement in how the enterprises develop and engage with children of all ages as well as stakeholders in general. And also, what the company culture is like and how the values are lived across all enterprises.

In each generation, the owner family has decided that one person should take the role as the most active owner. The most active owner will, on behalf of the whole family, be close to KIRKBI and the LEGO branded entities. The family has agreed that Thomas Kirk Kristiansen represents the fourth generation. All family members are ambassadors and culture carriers of the family values and engaged in different ways in the business of the LEGO branded entities, KIRKBI and the associated foundations – acting as members of the Board of Directors or undertaking representative duties.

* Camilla and Kjeld Kirk Kristiansen and their descendants

THE ORIGIN OF THE KIRKBI NAME

The company name KIRKBI reflects the family ownership and heritage as it is a combination of the family name 'Kirk' and the town 'Billund' in Denmark. In 1932, Ole Kirk Kristiansen started making wooden toys in his workshop in Billund, Denmark, and from 1934, he sold them as LEGO toys.

THE KIRKBI FUNDAMENTALS

MISSION	Inspire and develop the builders of tomorrow			
PURPOSE	Building a sustainable future for the family ownership of the LEGO® brand through generations			
FUNDAMENTAL OBJECTIVES	We work to protect, develop and leverage the LEGO brand across all the LEGO® branded entities	We are committed to a long-term and responsible investment strategy to ensure a sound financial foundation for the owner family's activities as well as contributing to a sustainable development in the world	We are dedicated to support the owner family members as they prepare for future generations to continue the active and engaged ownership as well as supporting their private activities, companies and philanthropic work	
VALUES	Imagination — Creativity — Fun — Learning — Caring — Quality			
PROMISES	Play Promise Joy of building, pride of creation	People Promise Succeed together	Partner Promise Mutual value creation	Planet Promise Positive impact
SPIRIT	Only the best is good enough — always strive to do better			

HOW WE WORK WITH SUSTAINABILITY

As a signatory to the United Nations Global Compact – the world's largest voluntary network for sustainable business conduct – we are committed to the Ten Principles of The Global Compact. We wish to increase transparency towards all our stakeholders on how we progress the sustainability efforts. This annual report includes our Communication on Progress report to the UN Global Compact.

KIRKBI's sustainability commitment – and the commitment to live up to the Ten Principles of the UN Global Compact – is defined by the KIRKBI Fundamentals. The KIRKBI Fundamentals serve as the compass for all business activities (see page 15).

As an integral part of the Fundamentals, the Promises define how we regard play, people, partner and planet as integrated and equal parts of operating businesses and succeeding with the mission.

Although this year's Communication on Progress report focuses on KIRKBI's sustainability efforts for 2020, the 2032

strategy focuses on how we continue to raise the bar for the sustainability efforts in the very long term. Sustainability is a foundation – a layer for all business activities both within own operations as well as investment and ownership activities. The sustainability ambition includes 16 requirements for how KIRKBI becomes a sustainable company and how we raise the bar for responsible ownership and investing (see page 19).

In 2020, we took important steps within own operations to further develop our ambition on each of the 16 sustainability requirements.

Within the investment activities, KIRKBI continues to integrate environmental, social and governance factors into the investment approach and active ownership practices.

Furthermore, we continue to pursue thematic impact investing focused on increasing KIRKBI's contribution to a sustainable development in the world.

KIRKBI has to date invested approximately DKK 8 billion in solar and wind energy, which has created a capacity in excess of 400 MW of renewable energy.

One of the major sustainability shifts that need to take place in the global economy is its electrification in which renewable energy plays an important role.

In practice, we make a never-ending effort to ensure that the Promises are lived throughout our actions and behaviour every day. The Promises to play, people, partners and the planet are therefore also our response and promise to the Ten Principles.

Søren Thorup Sørensen
CEO



THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

The pages 16-33 of this annual report comprise our 'Communication on Progress' report and have been submitted to the UN Global Compact.

As a signatory to the UN Global Compact, we will continue to demonstrate our progress toward sustainable business operations and responsible ownership and investments.

KIRKBI's commitment to sustainability is integrated into our purpose as the owner family's private holding and

investment company founded to build a sustainable future for the family ownership of the LEGO® brand through generations.

Our ability to positively affect sustainable development is embedded in our own operations and investments – both financial investments and LEGO Brand Group entities – and through the work of the associated foundations.

2020 HIGHLIGHTS



8 bn DKK

invested in solar and
wind energy to date



Despite an extraordinary time, KIRKBI
colleagues were more engaged and
motivated than in 2019



20%

increase in recycling rates at four
of the properties in Copenhagen

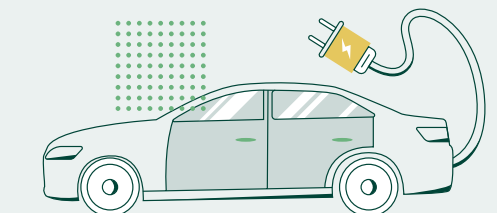


KIRKBI voted at 100%
of general meetings



16%

reduced food waste in
the canteen in Billund



34%

of the vehicles in the company car
fleet is either plug-in or electric

OUR APPROACH

KIRKBI's approach to sustainability is comprised by the following elements

UN GLOBAL COMPACT 10 PRINCIPLES

KIRKBI CODE OF CONDUCT

HUMAN RIGHTS



- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

All employees are expected to take steps to protect human rights wherever we do business.

While the KIRKBI Fundamentals describe the foundation of all business activities, the KIRKBI Employee Code of Conduct serves as a guide to make the right ethical decision at all times, and is applicable to all activities – both own operations and investment activities. Introduced in 2018, it is an integrated part of the onboarding material for new KIRKBI employees to ensure that everyone is familiar with its contents. An internal whistleblower line allows any non-compliance with the KIRKBI Code of Conduct to be reported. The Employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment and anti-corruption.

The description of activities and results on the following pages is divided into own operations and responsible investing and ownership. KIRKBI's own operations include the KIRKBI offices in Denmark and Switzerland, the vehicle fleet and business travel.

LABOUR



- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

The KIRKBI Group will provide a professional, inspiring, and safe workplace in accordance with mandatory legislation and will show respect for all individuals and make active efforts to ensure a good and inclusive working environment, characterised by equality and diversity. We ensure freedom of association and respect our employees' right to collective bargaining. The KIRKBI Group does not accept child labour, forced labour, or any form of human trafficking.

As a family-owned holding and investment company, the risk of human rights breaches and corruption within own operations is assessed to be low and covered by the implementation of the Code of Conduct, while the risks and opportunities related to labour and environment are managed as described in the relevant sections. Within the investment activities, risks related to all areas of the UN Global Compact are managed via the approach to responsible investing and ownership described on page 26-27.

ENVIRONMENT



- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

The KIRKBI Group promotes environmentally responsible business conduct in our investment management and ownership practices. All employees must support our Planet Promise by encouraging steps to be taken to prevent and mitigate the environmental impact of activities and products.

ANTI-CORRUPTION



- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

All employees must comply with local and international anti-corruption laws, principles, standards and codes, and ensure transparency in all interaction. Abuse or misuse of entrusted power for private gains are not accepted.

KIRKBI PROMISES

The four promises are derived from the KIRKBI Fundamentals and set the direction for the specific sustainability requirements.

OUR PROMISES

PLAY PROMISE



JOY OF BUILDING. PRIDE OF CREATION

The Play Promise is closely integrated with the People Promise. As owners of the LEGO® brand, we wish to guard and nurture the essential role of play in children's and adults' well-being and development.

PEOPLE PROMISE



SUCCEED TOGETHER

To enable execution of the business strategy and to build the long-term health of the company. We believe people and values make the difference.

PARTNER PROMISE



MUTUAL VALUE CREATION

To build partnerships that enhance mutual value creation, entail openness and trust. Partners should feel energised and inspired from their involvement with KIRKBI.

PLANET PROMISE



POSITIVE IMPACT

To create a positive impact on the planet through responsible investments and ownership – a commitment to society to keep earning a trusted position.

16 SUSTAINABILITY REQUIREMENTS

Mindset

Community Engagement

Company Culture

Learning

Employee Well-being

Leadership

Business Ethics

Responsible Investing

Advocacy

Tax

Procurement

Renewable Energy

Resources

Emissions

Waste

Sustainable Real Estate

OWN OPERATIONS

ENVIRONMENT

The Planet Promise is an integral part of the KIRKBI Fundamentals. As a part of the Planet Promise, we are dedicated to minimising the environmental footprint.

In mid-2020, KIRKBI published its Carbon Inventory for 2018-2019, thus creating a baseline against which to measure future progress.

The 2018-2019 inventory, while including both direct and indirect emissions, was focused on 'own operations'. This scope was selected as we have more direct and complete control of the activities behind these emissions. However, we recognise that as a holding and investment company, we also have an obligation to focus on the emissions from the companies that we own and invest in. Consequently, we prepare for including emissions from the investment activities in the future Carbon Inventory. The 2020 Carbon Inventory will be released mid-2021.

Efforts to manage the emissions have included activities in the following areas:

BUSINESS TRAVEL

In 2020, we adjusted the company car policy, offering subsidies to employees who select a plug-in hybrid or electric vehicle. As of the end of 2020, 19 of the 56 vehicles in the fleet are either plug-in hybrid or electric vehicles, compared to just 2 prior to the subsidy. To further support the uptake of electric vehicles, the KIRKBI office in Billund now offers 15 charging stations in its parking lot.

FLIGHTS

The majority of KIRKBI's carbon footprint comes from the KIRKBI Group's private

aviation. KIRKBI has chosen private aviation to meet certain security and efficiency needs.

The travel restrictions and COVID-19 mitigation recommendations have affected the KIRKBI Flight department with a notable reduction in the number of flights; however, progress on managing the emissions from the aircraft has still been made.

In 2019, KIRKBI decreased the default flight speed of its aircraft as a means of reducing fuel use and related emissions. While data is limited due to COVID-19 travel restrictions, the data indicates a decrease in fuel use of approximately 7% per flight hour. This lower speed will be maintained as standard.

There was a 14% decrease in emissions from 2018 to 2019. The bulk of this reduction came from a decrease in the downstream emissions from the chartering of aircraft to third parties.

ONLINE MEETINGS

In 2019, we indicated that we would assess the possibility of online meetings replacing some part of business travel. While KIRKBI has been upgrading its online video conferencing systems since 2018, the travel restrictions imposed by the COVID-19 pandemic supercharged the adoption of online meetings, with an increase of 250%. The 2020 carbon inventory will therefore show a decrease in the carbon emissions from business travel. We expect that some of these savings will continue as this experience will help recognise when an in-person meeting can be as effectively held online, thereby reducing the environmental impact of business travel.

PROCUREMENT

In 2020, we assessed the procurement practices in terms of sustainability – reviewing spend on goods within 'own operations', and selecting the categories with the largest spend for further assessment. While we continue to work on managing these impacts, some highlights include:

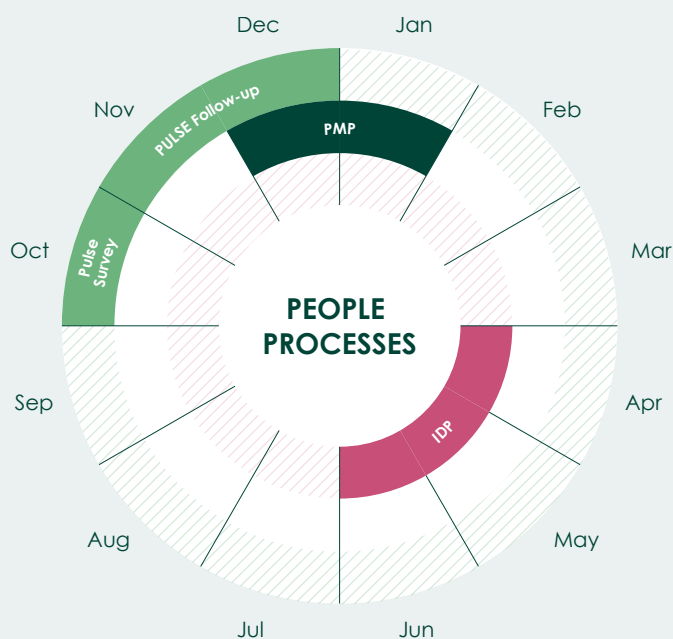
- In the canteen in Billund, we are working closely with ISS, the canteen operator, to develop an approach that will emphasise local, in-season products and make the sustainable impact of the food more visible. Furthermore, the canteen has introduced an initiative to reduce food waste by allowing colleagues to purchase left-overs. This gives access to economical, healthy, easy solutions for dinner, while at the same time reducing the food waste generated in the canteen by 16%.
- The IT department has processes in place to ensure that the lifetime of IT equipment is extended for as long as possible. In addition, the IT department ensures that, when IT equipment reaches the end of life, it is handled in a secure and responsible way by a third-party contractor.



KIRKBI GROUP CO₂ EMISSIONS 2018 & 2019 – OWN OPERATIONS

	2019 * Tonnes CO ₂ equivalents	2018 Tonnes CO ₂ equivalents	+/- Change
SCOPE 1 Reflects direct emissions from owned or controlled sources, such as office buildings and vehicles.	3,937.5	3,907.5	+1%
SCOPE 2 Reflects indirect emissions from the generation of purchased electricity, steam, district heating and cooling.	105.4	157.3	-33%
SCOPE 3 Includes all other indirect emissions that occur in a company's value chain.	2,019.7	3,005.7	-33%
TOTAL ALL SCOPES	6,062.7	7,070.5	-14%

* Number of employees increased by 22% from 2018 to 2019.



PULSE SURVEY

We measure motivation, satisfaction and engagement across the organisation in the PULSE survey.

The responses are used to identify possible areas of improvement at both team and organisational level.

INDIVIDUAL DEVELOPMENT PLAN (IDP)

The IDP is the personal and professional development plan for all employees.

We believe that focusing on what motivates people, as well as the competencies each person needs to reach individual personal goals and strategic business targets, is critical to achieve motivation and satisfaction – and ultimately, to support our overarching purpose.

PERFORMANCE MANAGEMENT PROGRAMME (PMP)

Individual targets are defined for each employee and aligned with team targets and KIRKBI's overall targets for the year.

After an evaluation process at the end of the year, the employee gets awarded a bonus based on the performance versus targets to encourage and reward successful performance.

PEOPLE

A diverse group of people is supporting the owner family to succeed with the mission to *inspire and develop the builders of tomorrow*. KIRKBI employs specialised and experienced professionals in a diverse set of fields. They are all dedicated to supporting the overarching purpose. With KIRKBI's People Promise and our strong set of values, we want to unleash the full potential of all KIRKBI employees. We focus on enabling and developing our employees' competencies and ensuring that the people leaders have the right leadership capabilities and continuously act as strong role models.

In KIRKBI, we do this to enable execution of the strategy and to secure the long-term health of the company.

In addition, like LEGO® builders around the world, KIRKBI thrives on making things happen, and we know that there is often more than one solution to a challenge. The Play Promise in KIRKBI is closely integrated with the People Promise, and it is about finding inspiration and pride in our LEGO brand heritage and embracing the characteristics of playful learning i.e. being joyful, social, engaging, meaningful, and iterative in our everyday lives.

PROFESSIONAL AND PERSONAL GROWTH

The KIRKBI Human Resource Annual Cycle represents a framework that enables and maintains professional and personal competencies through a focus on continuous development. We continuously aim at creating the best possible conditions for lifelong learning. We want to make lifelong learning opportunities available to all – thereby ensuring a motivating workplace where KIRKBI employees can continue to develop and perform.





Once a year, we measure the motivation, satisfaction and engagement across the organisation in the PULSE Survey. The responses are used to identify possible areas of improvement both at team and organisational level.

Given that 2020 was an extraordinary year, we also had regular check-ins to assess if our employees were thriving.

Inspiring sessions with external inspirators, such as an occupational psychologist, were offered within the teams and across the organisation to boost motivation, corporate belonging, and social cohesion.

Despite the challenges related to COVID-19, we found that KIRKBI employees were as motivated and engaged as in 2019. In 2020, the PULSE survey showed that KIRKBI maintains high motivation and satisfaction across the organisation with a score of 83 out of 100. This gives us a strong position against the external benchmark, which has an average score of 75.

KIRKBI also uses the E-NPS (Employee Net Promoter Score) as an indicator of engagement and motivation. The E-NPS is based on the response to the PULSE question; "I would recommend KIRKBI as an employer to other people." Here,

the KIRKBI score is 76% – 7 points ahead of last year – indicating that we have loyal, motivated and engaged people. The average external benchmark score is 34%.

KIRKBI's scores in the PULSE survey bring KIRKBI in the 'Top 5% in class' category according to the vendor Ennova.

Despite the strong scores, and in line with our spirit, we always strive to do better.

The PULSE survey indicated that we should focus even more on learning and development opportunities as well as maintaining the level of engagement

and motivation among employees – for example by allowing for continued work-life flexibility and by continuing to focus on social cohesion. These will be continued priorities during 2021.

A WELL-BALANCED WORKLIFE

We want to make sure that KIRKBI offers a safe and healthy mental and physical working environment focussing on people's well-being and ensuring that work-life is well-balanced with life after work.

KIRKBI's Environmental, Health and Safety Committee ensures a focus on the environmental, health and safety aspects of the workplace and identifies areas of potential improvement. In addition to the work done by this committee, offers like access to fitness facilities, social sports initiatives, healthcare specialists and healthy food in the canteens help ensure that KIRKBI provides all employees with the best opportunities to take care of their physical and mental health.

STRONG ROLE MODELS

It is important that leaders with people responsibility in KIRKBI have the right leadership capabilities and continuously act as strong role models, who are

inspirational, build strong relations and execute and support the KIRKBI 2032 Strategy.

In 2021, we will work to define and implement the "KIRKBI Way of Leading" based on the KIRKBI Fundamentals, the 2032 Strategy, and the values, which are shared across the LEGO branded entities.

PEOPLE DIVERSITY

In KIRKBI, we believe that a diverse organisation and an inclusive working environment represent an opportunity to succeed in the long term.

In 2020, the gender composition showed that women accounted for 44% of people leader positions. This gender balance is generally reflected across the organisation.

In 2019, Marie-Louise Aamund joined the Board of Directors as the first female member. The Board of Directors plans to appoint yet another woman to the KIRKBI Board of Directors before the end of 2024.

Acknowledging that gender is only one aspect of diversity, we will continue the efforts to ensure a diverse workforce at all levels of the organisation, including a further strengthening of the internal diversity and inclusion agenda and understanding.

FACTS ABOUT KIRKBI

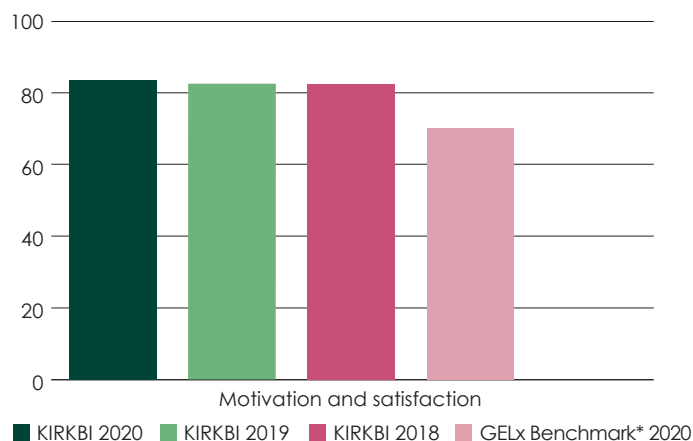
The number of people in the KIRKBI organisation is 208 (KIRKBI A/S, KIRKBI AG and KIRKBI Invest A/S).

KIRKBI's headquarter is in Billund.

KIRKBI also has offices in Copenhagen (Denmark) and in Baar (Switzerland).

PULSE SURVEY

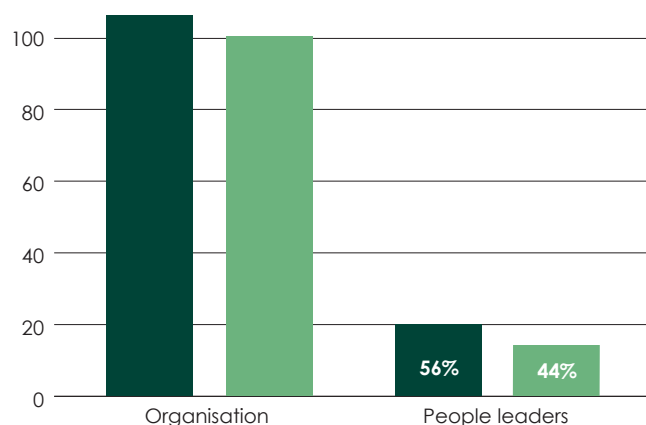
100 as the highest score. Response rate 2020: 99%



*GELx (Ennova Employee Index) is an international benchmark survey.

GENDER COMPOSITION IN KIRKBI

Number of employees



RESPONSIBLE INVESTING AND OWNERSHIP

The contribution of KIRKBI's Investment Activities to KIRKBI's overarching purpose of building a sustainable future for the family ownership of the LEGO® brand through generations is two-fold:

Through the Core Capital investment portfolio, we are committed to ensuring a sound financial foundation for the family's activities via Equity investments, Real Estate and Fixed Income investments. The investment approach is based on the belief that companies that act long-term and responsibly are also the ones that are sustainable and value-creating over time. We execute responsible investing principles by integrating environmental, social and governance (ESG) factors into the investment approach and active ownership practices.

Secondly, in 2020, KIRKBI initiated the implementation of its 2032 strategy, which – based on the wish to contribute to a sustainable development in the world – entails a new investment area in KIRKBI called, Thematic Capital.

Thematic Capital defines a set of themes in which KIRKBI intends to complete investments to increase its impact on specific societal areas.

The sustainability themes under Thematic Capital are:

- Energy Transition
- Circular Plastics
- Land Preservation
- Building Billund

While Energy Transition is an extension of KIRKBI's former Renewables investments area, Circular Plastics and Land Preservation are two new areas, which will be further defined and developed over the coming years. Building Billund represents KIRKBI's efforts to invest in the development of the town Billund where we are – and always have been – based to support the ambition of Billund as the Capital of Children.

In the following sections, we will refer to Equity, Real Estate and Fixed Income investment activities as 'Core Capital' and investment activities into sustainability themes as 'Thematic Capital'.



KIRKBI'S APPROACH TO INVESTING RESPONSIBLY

The below outline of how we integrate environmental, social and governance (ESG) considerations into the investment process and how active ownership practices apply to all of KIRKBI's investment activities. A set of guidelines ensuring that these principles are practiced has been set with the appropriate flexibility and recognition of differences among strategies and managers.

NEGATIVE SCREENING AND ESG INTEGRATION

In collaboration with external partners, KIRKBI assesses its potential investments and monitors its portfolio for the following:

- Involvement with activities on KIRKBI's negative list;
- Company performance in areas of material ESG risks and ability to manage these risks relative to industry peers;
- Company involvement in notable ESG controversies related to the company's operations and/or products, possible breaches of international norms and principles, such as the UN Global Compact, and performance with respect to these norms and principles

ACTIVE OWNERSHIP

As a responsible long-term owner and investor, we regularly monitor and track financial data as well as key performance indicators on material sustainability-related risks related to each investment. Moreover,

to underpin the long-term focus and to contribute positively to the strategic direction and the management of material ESG-related risks, we engage actively with the companies and investment partners. This includes actively supporting the pursuit of new business opportunities and the mitigation of material risks within the focus areas of our Promises.

As an example, we piloted a sustainability engagement programme in 2020 with Armacell as a new long-term equity investment.

As an active owner, KIRKBI engages in a number of ways, including:

- Board representation
- Shareholder communication with board of directors and management
- Voting at the annual general meetings

We will engage with companies in case of controversies or breaches of internationally agreed conventions and norms (e.g. those of UN Global Compact). For Quoted Equities, we, in collaboration with an external partner, choose to first communicate with the company to understand what remedies are in place and what types of enhanced controls the company has implemented to prevent further breaches. If these efforts fail, KIRKBI will divest the investment in the company. In 2020, we conducted one such engagement via an external partner.

Another important way in which KIRKBI applies its influence is by exercising shareholder voting rights at the annual general meetings of companies. KIRKBI has voted at 100% of all annual general meetings during 2020. KIRKBI is represented on the Board of Directors of all six of its Long-term Equity investments.

Through board representation, KIRKBI seeks to influence the strategic direction and contribute to creating sustainable growth in portfolio companies. The primary focus areas as an active owner and representatives on the Board of Directors are:

- **STRATEGY:** Robustness and positioning for sustainable, long-term growth
- **FINANCIAL DISCIPLINE:** Efficiency around capital allocation and structure as well as progress on selected KPI's
- **CORPORATE GOVERNANCE:** The right people and processes in place
- **SUSTAINABILITY:** Continuous improvement on sustainability measures is key for sustainable growth

For specific elaboration on the integration of ESG in the Real Estate investments, see page 29.

RESPONSIBLE INVESTMENT PROCESS IN KIRKBI



ENERGY TRANSITION

Since 2012, the Renewables investment area – now referred to as Energy Transition – has developed into a solid long-term business area that is aligned with the sustainability and financial ambitions. As part of the 2032 Strategy, KIRKBI has increased its focus on Energy Transition investments.

Through Energy Transition investments, KIRKBI contributes to a sustainable development in the world, while supporting the LEGO Group in furthering its environmental sustainability ambition. Furthermore, KIRKBI also invests in the green energy transition to contribute to the increase of global renewable energy production, while at the same time delivering attractive long-term returns.

KIRKBI's Energy Transition strategy targets direct minority as well as majority investments in solar and wind energy assets. The geographic focus is on Northern Europe and North America. Current investments include part-ownership of two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and majority ownership of Adapture Renewables Inc (previously named Enerparc Inc.).

Read more about the Energy Transition investments on page 54.



WIND ENERGY: In 2012, KIRKBI and William Demant Invest invested into Borkum Riffgrund 1, with KIRKBI owning 31.5%. Ørsted, the constructor and operator of the wind farm, has retained 50% ownership. The capacity of Borkum Riffgrund 1 is capable of providing green energy corresponding to the consumption of 320,000 German households.

In 2016, KIRKBI and PKA invested jointly into Burbo Bank Extension with 25% ownership each, while Ørsted, as constructor and operator, has retained 50% ownership of the wind farm. The capacity of Burbo Bank Extension can provide green energy to 230,000 UK households.



SOLAR ENERGY: In 2020, USA solar energy developer Adapture Renewables Inc. (previously named Enerparc Inc.) expanded its operational energy production capacity from 70 MW to 245 MW. In 2020, KIRKBI invested further into the company's continued growth including an 81 MW solar park located in Texas, which was operational at year-end. Furthermore, investments were made in Adapture Renewables' pipeline of solar development projects in order to bring more solar energy to the American society in the coming years.

→ In 2020, KIRKBI invested further into the Adapture Renewables' continued growth including an 81 MW solar park located in Texas. Photo: Adapture Renewables.



REAL ESTATE

KIRKBI continues to focus on ensuring a sustainable Real Estate portfolio. By focusing on building certification as well as improved data collection, KIRKBI aims to identify those initiatives that have the most significant environmental and social impact.

CERTIFICATION

Since certifying its first property to the DGNB Buildings In Use scheme in 2019, KIRKBI has gone on to certify three additional properties in 2020, including the first DGNB Buildings in Use certificate to be awarded in Switzerland. KIRKBI expects that another three properties will receive certification in early 2021 and plans to certify all relevant properties in its investment portfolio in the coming years. Certification provides a third-party evaluation of the current sustainability level of the properties, while the certification process continues to help build in-house knowledge of sustainability issues in the real estate sector.

The sustainability initiatives in the Danish real estate sector are largely overseen by Green Building Council Denmark. In order to support the council's work and as a means of streamlining the KIRKBI certification process, KIRKBI has signed up to participate in a project piloting the new DGNB requirements for Buildings

In Use. Included in these requirements is the opportunity to obtain a baseline certification of a portfolio of properties, which KIRKBI will be one of the first in Denmark to obtain.

DATA COLLECTION

In 2020, KIRKBI continued to collect data for electricity, heat, water and waste for its Real Estate investment portfolio. This data allows us to quantify the environmental impact of the properties and identify opportunities for improvement. However, this only accounts for a part of the total data, as we do not currently have access to the tenants' use data. As such, KIRKBI has begun to develop 'green leases',

which, among other things, will require the tenants to share their use data with us. KIRKBI signed its first green leases in 2020, and all future leases will include environmentally focused clauses, thereby allowing KIRKBI to work with tenants to reduce the shared environmental footprint.

The KIRKBI Real Estate department has been able to use the experience and input from its certification and data collection efforts to further refine its approach to sustainability. These efforts will ensure that the Real Estate activities within KIRKBI support the sustainability ambitions in the 2032 Strategy.



WASTE SORTING IN COPENHAGEN: In late 2019, KIRKBI initiated a project to improve the waste management at four of the investment properties in the centre of Copenhagen in order to increase recycling rates and optimise waste collection. After careful analysis and planning, the optimal solution entailed decreasing the number of containers for residual waste and doubling the number of recycling fractions collected. This solution has led to a 20% increase in recycling rates, while optimised waste pick-up has led to fewer collection trucks in the inner city. Going forward, we will use this as an opportunity to engage with the tenants and neighbours on further improving waste management practices.

→ In 2020, KIRKBI conducted a waste management project in Copenhagen, including increasing the waste collected for recycling.



BUILDING BILLUND – THE CAPITAL OF CHILDREN

The town of Billund is of great importance to KIRKBI A/S, LEGO A/S and the LEGO® brand. Billund is where it all started, and the town plays an important role in the past, present and future of the LEGO brand.

It all began in 1932 when Ole Kirk Kristiansen started making wooden toys in his workshop in Billund. The toys were sold as LEGO toys from 1934.

Today, Billund is home to almost 7,000 citizens, the workplace for thousands of people and a playful place for tourists from all over the world with attractions such as the world's first LEGOLAND Park and LEGO House - the Home of the Brick™.

KIRKBI has been actively engaged in supporting the development of the town through generations. Building Billund is one of the theme-based investment areas inspired by the owner family's wish to make a positive difference in the LEGO Group's hometown.

Together with local partners, KIRKBI is involved in realising Billund's City Vision that sets the framework for urban and cultural planning to support and strengthen Billund's unique character as the Capital of Children, where children of all ages learn through play and are creative citizens of the world.

KIRKBI's primary contributions have been several real estate projects in Billund – from new inspiring workplaces to a new downtown area. Three of KIRKBI's current projects are:



LEGO® CAMPUS: A new gathering point for the entire LEGO Group. In September 2020, the second phase of LEGO Campus in Billund was inaugurated. When the construction is completed in 2021, the campus will include 54,000 square metres and office space for approximately 2,000 LEGO colleagues. Part of the construction will be dedicated to a "People House" – an area with facilities such as workshops, sports facilities, café, accommodation and much more. The People House will be open to colleagues who work out of Billund on a daily basis as well as to colleagues who stay in Billund for a shorter or longer period of time.



BUTIKSTORVET: The city centre of Billund has been transformed to a new downtown area with stores, offices, flats, urban nature and a 'Playline' connecting the buildings. In October 2020, the area was inaugurated, and the new residents could move in.



KASTANIEHJØRNET: A residential property of 6,300 square metres in Billund's midtown, comprising dementia flats in connection to Billund Municipality's care home, council apartments to the non-profit housing association, and flats that will be administered by KIRKBI. The construction of Kastaniehjørnet started in 2019 and will be finalised in 2021.







IN BILLUND, WE SHARE A VISION: Billund is the Capital of Children. Here children learn through play and are creative world citizens.

KIRKBI is a proud partner of the Capital of Children, and we share the same bold vision as the rest of the town.



↑ In October 2020, Billund's new downtown area named 'Butikstorvet' was inaugurated.

FOLLOW-UP ON PROMISES

	2020 TARGETS	2020 PERFORMANCE
 PLAY	Take actions to strengthen a company culture that is rooted in the statement "Joy of Building, Pride of Creation" and a playful mindset	<ul style="list-style-type: none"> Plans within the Play Promise delayed due to COVID-19
 PEOPLE	Strengthen employee engagement and satisfaction	<ul style="list-style-type: none"> PULSE Score increased from 82 to 83 E-NPS increased from 69% to 76%
	Further define leadership in a KIRKBI context and review the professional development program	<ul style="list-style-type: none"> First steps for defining Leadership model initiated Individual Development Plan (IDP) tool developed, updated and training provided to all employees
 PARTNER	Further standardise active ownership approach within the investment area by voting and via sustainability engagement in Long-term Equity investments	<ul style="list-style-type: none"> Sustainability engagement program of a new long-term equity investment piloted Voted at 100% of all annual general meetings
 PLANET	Further compile consistent use data in the real estate portfolio	<ul style="list-style-type: none"> Collection of use data continued First green leases signed
	Continue working with sustainable building certifications	<ul style="list-style-type: none"> 3 buildings certified in 2020 Commitment to pilot the new DGNB Buildings In Use requirements
	Manage the carbon emissions from our buildings and travel	<ul style="list-style-type: none"> 19 of 56 company cars are electric or plug-in hybrid 15 charging stations installed 7% decrease in aircraft fuel used per flight hour 250% increase in online meetings achieved
	Assess procurement practices for sustainability	<ul style="list-style-type: none"> Procurement practices assessed 60% of the food in the Billund canteen is organic Procedures in place to prolong lifetime of IT products and responsible handling of IT equipment that reaches end of life
	Further develop the scope for impact investments	The sustainability themes under Thematic Capital are: <ul style="list-style-type: none"> Energy Transition Circular Plastics Land Preservation Building Billund

FUTURE FOCUS AND TARGETS 2021

In the beginning of 2020, KIRKBI launched a new strategy towards 2032, **in which sustainability is an essential element**. While the implementation of the strategy was initiated in 2020, further development and roll-out will be the focus for 2021.

OWN OPERATIONS

PLANET

With the 16 requirements of a sustainable company now defined (see page 19), we start on the path to meeting the ambitions. Many of KIRKBI's efforts within the Planet Promise to date have focused on reducing carbon emissions. In 2021, we will define a specific carbon reduction target, which will set the direction for future efforts. However, we will not put our efforts to minimise the effects of our operations on the climate on hold – this year, we will also work to increase the amount of renewable energy used to heat and power KIRKBI's own operations and continue to grow the renewable energy capacity through solar energy investments.

PEOPLE & PLAY

With KIRKBI's People Promise and the strong set of values, we want to unleash the full potential of KIRKBI employees. In 2021, we will finalise and implement the KIRKBI Leadership model to ensure that all leaders have the right leadership capabilities to continuously be strong role models. One emphasis of the Leadership Model is the importance of inclusion and diversity, because we believe that a diverse organisation and an inclusive working environment represent an opportunity to succeed in the long

term. In 2021, we will focus on defining the KIRKBI approach to a diverse and inclusive company culture.

KIRKBI's commitment to the People Promise, and the motivation, satisfaction and engagement of its employees, is reflected in the ongoing ambition to maintain our PULSE survey score well above the benchmark.

Like LEGO® builders around the world, KIRKBI thrives on making things happen and we know that there is often more than one solution to a challenge. The Play Promise in KIRKBI is about finding inspiration and pride in the LEGO brand heritage and in 2021, we will explore how to embrace the characteristics of playful learning, i.e., being joyful, social, engaging, meaningful and iterative in our everyday lives.

PARTNER

The Employee Code of Conduct formalises KIRKBI's policies related to human rights, labour, environment and anti-corruption and serves as a guide to making the right ethical decision at all times. To ensure that the policies remain aligned with our ambitions, we will update both the Employee and Supplier Code of Conduct in 2021.

RESPONSIBLE INVESTMENTS

In 2021, we will continue to integrate ESG into all investment and ownership activities. Building on the experience of compiling the carbon inventory of the investment portfolio, we will also improve transparency and enhance the portfolio's move towards greater sustainability by mapping the performance of significant portfolio companies against material sustainability topics. In addition, KIRKBI will continue to further develop the chosen investment segments under Thematic Capital in 2021.

Regarding KIRKBI's Real Estate activities, we will continue to increase the use data on the Real Estate portfolio engaging with tenants and property managers to continuously improve access to data and thereby identify opportunities to reduce the shared environmental footprint. Furthermore, the Real Estate team will take the sustainability priorities defined in 2020 and translate them into sustainability plans for each of our relevant properties. One specific property – the KIRKBI headquarters in Billund – will serve as a learning playground, as we seek to minimise its environmental impact over the course of the year.

ASSOCIATED FOUNDATIONS

The LEGO Foundation[↑]

Learning-through-Play empowers children to become creative, engaged, lifelong learners and develop the holistic skills that serve them, their communities and society throughout a lifetime. **The LEGO Foundation** is working to change the hearts and minds of those who influence children's lives, through its programmes, evidence and advocacy to make sure that they embrace and act upon the transformative power of play.

As part of the ongoing commitment to giving children better opportunities to reach their full potential, the owner family has entrusted the LEGO Foundation with 25% ownership of the LEGO Group and it is primarily through this ownership that the LEGO Foundation funds its activities.

Examples of the LEGO Foundation's work in 2020 include: The LEGO Foundation announced a grant of USD 50 million to urgently reach children affected by the COVID-19 pandemic with essential supplies and provide support to continue learning through play. The donation was split between three groups of partners: One that provides education for children caught in emergencies and protracted crises; another of existing LEGO Foundation partners whose work with children and families is under additional pressure from COVID-19; and lastly, charity partners serving communities where the LEGO Group has a significant presence.

In addition, the LEGO Foundation also partnered with a social learning platform

called FutureLearn to deliver a new course designed to help teachers, parents and educational systems provide social-emotional learning support to children aged 0-16 affected by COVID-19 disruption.

The LEGO Foundation and the LEGO Group also rolled out the first wave of the programme named 'LEGO® Braille Bricks' in seven countries in partnership with local sight loss organisations in order to help children with vision impairment learn critical thinking, problem solving and collaboration through play.

Total activities for the LEGO Foundation amounted to DKK 1,404 million in 2020 (2019: DKK 850 million).



[↑] Coping with Changes: Social-Emotional Learning-through-Play is a free online course exploring challenges facing children and Learning-through-Play and stress management strategies that can help.

Ole Kirk's Fond

Ole Kirk's Fond is a charitable foundation established in memory of the LEGO Group's founder, Ole Kirk Kristiansen, to fulfil the caring philosophy that he represented.

Ole Kirk's Fond supports initiatives and projects with the purpose of securing quality of life for children and their families – primarily in Denmark. A significant part of the foundation's resources are dedicated to the social area and implemented through five identified themes that reflect pressing challenges for children and their families in the Danish society.

During 2020, Ole Kirk's Fond had a specific focus on the theme called 'Children Failing to Thrive', and two large development projects were launched. One with a focus on providing children

and young people with coping tools. The second with a focus on how parents can support their children in terms of digital skills, digital safety and digital well-being.

But as the pandemic and the lockdown had serious consequences for children living in homes with violence, the foundation acted on the theme set as a priority for 2021 – 'Children Exposed to Violence' – as well.

Ole Kirk's Fond started an innovative partnership with Mødrehjælpen (Maternal Help) to help children who have been victims of domestic violence, which escalated during the lockdown in Denmark. The core of the partnership is a DKK 10 million fund that can be activated on a continuous basis by Mødrehjælpen with a focus on detecting the severe situation and providing immediate access to help.

Given the pandemic, the foundation also established a flexible fund of DKK 15 million that could be activated swiftly to help those partners who needed extra funding for initiatives being reorganised or for new urgent projects.

During 2020, 'BørneRiget' also made significant steps to be ready for the construction phase in 2021. Since 2016, Ole Kirk's Fond has joined forces with the Capital Region of Denmark and Rigshospitalet to build BørneRiget, which is a new public hospital that sets new standards for the treatment of children, adolescents, pregnant women and their families. BørneRiget is expected to open for patients in 2025.

Donations from Ole Kirk's Fond amounted to DKK 190 million in 2020 (2019: DKK 134 million).



The QATO Foundation is a charitable foundation that works to improve animal welfare – paying special attention to animals that do not thrive under human care. The QATO Foundation supports the creation of long-term and sustainable solutions to fight the problems that cause poor animal welfare.

Working internationally and with many different animal species, projects supported by the QATO Foundation are diverse. These include: Scientific studies to increase the understanding of animal behaviour and health; projects run by animal welfare organisations to support animals in urgent need of help; and projects to educate children as the

next generation of animal caretakers to create empathy for animals and a profound understanding of their needs.

In 2020, the QATO Foundation could celebrate the house-warming for four retired Danish circus elephants as they moved into their new 140,000 sqm home at the wildlife zoo, Knuthenborg Safaripark in Southern Denmark. The foundation awarded funds to the safari park's construction of a stable and an outdoor enclosure that is the largest of its kind in Europe.

The pandemic was also reflected in some of the projects supported by the QATO Foundation. For example,

the QATO Foundation supported the organisation 'Save the Orangutan' to protect more than 300 orphaned orangutans in a rehabilitation centre in Indonesia as well as taking care of the staff and the surrounding villages against the new corona virus.

The QATO Foundation also supported the organisation 'Four Paws' and its work together with local authorities in Mykolaiv in Ukraine to give stray dogs a more humane and sustainable treatment.

Donations from the QATO Foundation amounted to DKK 2 million in 2020 (2019: DKK 14 million).

BOARD OF DIRECTORS



**Kjeld Kirk
Kristiansen**

Chairman of the Board and member since 1974

Majority shareholder of KIRKBI A/S

President and CEO of the LEGO Group 1979-2004

Chairman of the Board of Koldingvej 2, Billund A/S and Ole Kirk's Fond.

Deputy Chairman of the Board of the LEGO Foundation and Board member in CoC Playful Minds A/S and four fully owned subsidiaries of KIRKBI A/S



**Niels
Jacobsen**

Deputy Chairman of the Board and member since 2008

CEO of William Demant Invest A/S

Chairman of the Board of Founders A/S, Jeudan A/S, Nissens A/S, Vision RT Ltd., Thomas B. Thrige Foundation and Össur hf.

Deputy Chairman of the Board of Demant A/S and ABOUT YOU Holding GmbH.

Member of the Board of Boston Holding A/S and EKF Danmarks Eksportkredit



**Jeppe
Christiansen**

Member of the Board since 2008

CEO of Maj Invest Holding A/S

Chairman of the Board of Haldor Topsøe A/S, Emlika Holding ApS and JEKC Holding ApS

Deputy Chairman of the Board of Novo Nordisk A/S

Member of the Board of Novo Holdings A/S, Pluto Naturfonden, Randers Regnskov and BellaBeat Inc. (USA)

Member of the executive management of Maj Invest Equity A/S and Det Kgl. Vajsenhus



.....
**Thomas Kirk
Kristiansen**

Member of the Board since 2007

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

Chairman of the Board of LEGO A/S and the LEGO Foundation

Deputy Chairman of LEGO Brand Group and Board member in one fully owned subsidiary of KIRKBI A/S

Executive Manager of Kirk og Kirk Holding ApS and management roles in four subsidiaries



.....
**Marie-Louise
Aamund**

Member of the Board since 2019

Country Director, Google Denmark

Chairman of the board of Eco Innovation

Independent Board Member of DSV and Board Member of Navico

Advisory Board Member of UN Women Denmark



.....
**Michael
Halbye**

Member of the Board since 2020

Chairman of of the Board of Ludvig & Co. and Generation.org

Member of the Board of the Mary Foundation, 7N, Maternity Foundation, One Life and Penda

EXECUTIVE LEADERSHIP TEAM



Søren Thorup Sørensen
Chief Executive Officer

Employed in KIRKBI since 2010

Born: 1965

Education: MSc in Accounting and Audit. State Authorised Public Accountant

Management positions

Deputy Chairman of the Board of Directors of LEGO A/S, Chairman of the Board of Directors of Boston Holding A/S and member of the Board of Directors of ISS A/S, Merlin Entertainments Ltd., Landis+Gyr AG, Ole Kirk's Fond, ATTA Fonden, Koldingvej 2 Billund A/S and six fully-owned subsidiaries of KIRKBI A/S. Executive position in four subsidiaries of KIRKBI A/S



Irene Dahl-Hansen
Head of HR and Family Office

Employed in KIRKBI since 2014

Born: 1975

Education: Master of Laws, Aarhus University, 2003



Sidsel Marie Kristensen
General Counsel

Employed in KIRKBI since 2016

Born: 1975

Education: Master of Law, Aarhus University, 2000. Master in International and European Business Law, University of Leuven, 2007

Management positions

Member of the Board of Directors in Merlin Entertainments Ltd., Koldingvej 2, Billund A/S, the LEGO Foundation and a number of subsidiaries in the KIRKBI Group



Ulla Lundhus

Head of Communications
and Sustainability

Employed in KIRKBI since 2015

Born: 1976

Education: Master in
Communication
and Media Studies, University
of Copenhagen, 2004



Jesper Ridder Olsen

Chief Financial Officer

Employed in KIRKBI since 2021
(as per 1 February)

Born: 1970

Education: MSc in Accounting
and Audit. State Authorised
Public Accountant

Management positions

Member of the Board of
Directors in KK-Group A/S



Steen Pedersen

Head of Global Real Estate

Employed in KIRKBI since 2013

Born: 1960

Education: BSc in Civil
Engineering, Technical
University of Denmark, 1986.
Executive MBA, Scandinavian
International Management
Institute, 2003. Executive
education at INSEAD, Wharton
and London Business School

Management positions

Member of the Board of
Directors of ten fully-owned
subsidiaries of KIRKBI A/S



Thomas Lau Schleicher

Chief Investment Officer

Employed in KIRKBI since 2010

Born: 1973

Education: MSc in Finance
and Accounting, Aarhus
School of Business, 1998

Management positions

Chairman of the Board of
Directors of Vålinge AB and
Adapture Renewables Inc.
and member of the Board of
Nilfisk A/S, Falck A/S, Boston
Holding A/S and one fully-
owned subsidiary of KIRKBI A/S





BUSINESS AREAS

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LEGO BRAND GROUP

LEGO Brand Group delivers on KIRKBI's fundamental objective **to protect, develop and leverage the full potential of the LEGO® brand** and to ensure active and engaged family ownership of the LEGO branded entities through generations.

LEGO Brand Group is a chairman's office within KIRKBI. Jørgen Vig Knudstorp, Executive Chairman, and Thomas Kirk Kristiansen, most active owner on behalf of the 4th generation of the owner family, form the LEGO Brand Group in partnership supported by a small group of specialists. Together, they focus on the LEGO brand's long-term development and on ensuring that the LEGO vision is realised across the LEGO branded entities.

REALISING THE LEGO BRAND VISION

The LEGO brand vision: *A Global Force for Learning-through-Play* builds on the original LEGO Idea and its play, creativity and learning proposition, which is unique and more relevant than ever. Fully delivering on this core idea represents an opportunity to make a meaningful difference for children and families by bringing the power of Learning-through-Play to them across the world.

In pursuing the LEGO brand vision, each LEGO entity is responsible for executing

the company's or foundation's strategy. The LEGO brand strategy focuses on a number of strategic initiatives that are crucial to the long-term development of the brand across entities i.e., the building of a technology strategy, continued commitment to sustainability and the strengthening of the LEGO brand experience in the LEGOLAND Parks and LEGOLAND Discovery Centres.

Furthermore, the LEGO brand strategy consists of three prerequisites that are required to enable execution of the brand strategy at all times, which are the overarching entity governance and brand governance as well as developing a people strategy for senior executive positions across the entities.

2020 LEGO BRAND HIGHLIGHTS

The LEGO brand is developing rapidly, and overall, the brand was strengthened during 2020. At the same time, 2020 was an extraordinary year, where the global pandemic impacted the LEGO branded entities differently. Because of

the high level of uncertainty followed by the pandemic, KIRKBI and the owner family focused on taking the right decisions to ensure the health and well-being of employees, customers, partners and societies as well as securing liquidity for the LEGO Group and Merlin Entertainments.

Furthermore, an immediate response to the pandemic was initiated. The LEGO Foundation granted USD 50 million to a dedicated COVID-19 response and in collaboration with the LEGO Group, supported children and families impacted by COVID-19 in multiple ways, i.e., through the launch of the campaign #letsbuildtogether across social channels to share building ideas, daily challenges and live build-a-longs with LEGO fans.

Furthermore, the collaboration enabled the LEGO Group to reach many more children in the company's Local Community Engagement programme. Children, who would not have been reached through commercial activities.

THE LEGO BRAND VISION: A GLOBAL FORCE FOR LEARNING-THROUGH-PLAY

There are at least six different ways in which the LEGO brand should be perceived in 2032 in addition to what it is known for today. These are the six brand characteristics for the 2032 LEGO brand:



DELIVERING ESSENTIAL LIFE SKILLS FOR THE 21ST CENTURY

The LEGO brand represents a set of skills that are critical to successfully navigate and thrive in an uncertain, fast-paced and ever-changing world: creativity, curiosity, critical thinking, collaboration and engagement



PERSONALISING PLAY

The LEGO brand engages all individuals with a childlike curiosity based on our ability to personalise and adapt all interactions to skill and affinity levels



COMMITMENT TO SUSTAINABILITY

The LEGO brand is in a leading position in terms of running a zero-impact operation. This cuts across energy consumption, waste management, sustainable materials and circular use of products

↓ Jørgen Vig Knudstorp, Executive Chairman and Thomas Kirk Kristiansen, Deputy Chairman.

Despite the challenging year, **The LEGO Group** navigated extraordinarily well, and the company's consumer sales outpaced the industry growth due to its strong and diverse portfolio, resilient supply chain and robust direct-to-consumer and e-commerce platforms. Furthermore, the LEGO Group delivered strong progress on strategic priorities and received significant benefit of earlier years' investments and capability building. For more details, go to page 44-45.

The vast majority of the 130 attractions in the **Merlin Entertainments Group**, including LEGOLAND and LEGOLAND Discovery Centres, was closed for a large part of 2020, and the company's focus turned to health, safety, and the well-being of the employees and visitors around the globe, and on ensuring a disciplined approach to cost and liquidity. In 2020, LEGO Brand Group invested approximately DKK 100 million in activities and experiments designed to strengthen the LEGO brand experience in LEGOLAND Parks and LEGOLAND Discovery Centres. For more information, see pages 46-47.

The market for education declined approximately 30% due to the impact of the pandemic and school closures, which also affected **LEGO Education**. During the year, LEGO Education strengthened its organisation and global leadership team, which is set to deliver on the entity's growth plans. LEGO Education also launched the SPIKE™ Prime Set, which engages students through playful learning activities to think critically and solve complex problems, regardless of their learning level.



LEGO Ventures is founded to explore opportunities in play, learning and creativity beyond the brick supporting the LEGO brand vision. LEGO Ventures has invested in 15 start-ups to date. In 2020, LEGO Ventures updated its strategy and now looks to expand its portfolio through focus on Digital Play and Education. During the year, LEGO Ventures saw limited investment activity due to the high level of uncertainty caused by the pandemic.

Similar to players in the leisure and entertainment industry, **LEGO® House** was highly impacted by the pandemic as it had to close down during a large part of the year. The number of visitors in 2020 was reduced significantly compared to last year. Despite the lower number of visitors, LEGO House continues to build and strengthen the brand through its unique LEGO experiences and very high visitor satisfaction.

KIRKBI A/S, through its subsidiary LEGO Juris A/S, owns the **LEGO trademarks**

and **LEGOLAND trademarks**, which are licensed to the LEGO Group and Merlin Entertainments respectively. The trademark portfolio is constantly monitored and developed and misuse and infringements are addressed. In 2020, LEGO Juris A/S invested DKK 320 million in strengthening the LEGO brand with contributions to the global brand campaign "Rebuild the World".

The LEGO Foundation, which owns 25% of the LEGO Group, aims to build a future in which Learning-through-Play empowers children to become creative, engaged, lifelong learners. During the past four years, the activity level in the LEGO Foundation has tripled, and in 2020 the foundation granted DKK 1.2 billion for programmes, research and advocacy to promote the power of Learning-through-Play – including support for children affected by COVID-19. For more details, go to page 34.



A UNIFIED ECOSYSTEM OF TOUCHPOINTS

The LEGO brand offers immersive and fully integrated experiences across all touchpoints. This allows fans to pursue their passion points in an unbroken and frictionless fashion wherever and whenever they engage with the brand



DIGITAL PLAY IS A NEW CORNERSTONE – SAFE & ROOTED IN THE BRICK

The LEGO brand provides a safe, meaningful refuge for children in the digital landscape where children can actively engage in shared creativity and creation with offset in the LEGO® brick



DEEP SOCIAL ENGAGEMENT FOR FAMILIES AND CHILDREN

The LEGO brand brings people together to play across cultural, geographical and generational boundaries and works to ensure children's access to learn and develop through play

THE LEGO GROUP

ABOUT THE LEGO GROUP

Based on the world-famous LEGO® brick and the philosophy of Learning-through-Play, the LEGO Group provides unique play experiences for children of all ages.

Through creative play, the LEGO Group aims to inspire and develop the builders of tomorrow and nurture the skills to help future generations thrive and develop. When children play, they learn. They learn about problem solving, communication, and collaboration. Skills that are more critical than ever. A study by the World Economic Forum estimates that given the pace of change, 65% of kindergarten children will hold jobs that have not yet been invented. The only way children become prepared is by developing skills that can be applied universally.

Play is an effective way to develop these skills from a young age, and LEGO play is especially powerful as it offers children endless possibilities. Just six two-by-four LEGO bricks can make 915 million different combinations. And they are made with such precision that they stick together like glue, but come apart easily so they can be built, unbuilt and rebuilt into whatever a child can imagine.

The LEGO Group was founded by the Kirk Kristiansen family in 1932 and has ever since been headquartered in Billund, Denmark. Production facilities are located in Denmark, the Czech Republic, Hungary, China and Mexico, and the company has main offices in Enfield, CT, USA, London, UK, Shanghai, China, and Singapore.

The LEGO Group is owned 75% by KIRKBI A/S, and the remaining 25% is owned by the LEGO Foundation through Koldingvej 2, Billund A/S.

HIGHLIGHTS FOR 2020

Overall, 2020 was a very satisfactory year for the LEGO Group. The company achieved double-digit revenue, consumer sales and profit growth despite the challenges of the COVID-19 pandemic. It also continued to make significant investments in strategic initiatives designed to drive long-term growth.

The toy market grew 10% in 2020 in part due to demand driven by families having to lockdown to prevent the global spread of COVID-19 virus. The LEGO Group consumer sales growth of 21% outpaced the high industry growth due to its strong and diverse portfolio, resilient supply chain and robust e-commerce platform.

Revenue for the full year increased by 13% to DKK 43.7 billion compared with DKK 38.5 billion in 2019. Excluding the impact of foreign currency exchange, revenues for the full year increased by 16% compared with 2019. The LEGO Group's revenue was driven by double-digit growth in all major markets.

Operating profit grew 19% to DKK 12.9 billion in 2020 compared with 10.8 billion in 2019. The operating margin was 29.6% in 2020, compared with 28.1% in 2019. Net financials were an expense of DKK 0.4 billion compared with DKK 0.1 billion in 2019. This resulted in a pre-tax profit of DKK 12.5 billion against DKK 10.8 billion the prior year.

Cash flow from operating activities was DKK 13.4 billion, against DKK 9.6 billion in 2019.

COVID-19 RESPONSE

As the COVID-19 pandemic paused millions of children's education, closed down communities and disrupted supply

chains, the LEGO Group worked to support those most in need.

- 500,000 visors for healthcare workers made in four LEGO factories
- 3.2 million children reached through local community outreach
- 250,000 LEGO sets donated to children in need of play
- DKK 10,000 well-being payment to all employees
- #letsbuildtogether campaign engaged with children and families

The LEGO Group also stepped up the company's efforts to have a positive impact on environment and society with a USD 400 million investment in sustainability efforts.

CEO

- Niels B. Christiansen, President and Chief Executive Officer

EXECUTIVE LEADERSHIP TEAM

- Niels B. Christiansen, President and Chief Executive Officer
- Jesper Andersen, Chief Financial Officer
- Atul Bhardwaj, Chief Digital & Technology Officer
- Colette Burke, Chief Commercial Officer
- Julia Goldin, Chief Marketing Officer
- Carsten Rasmussen, Chief Operations Officer
- Loren I. Shuster, Chief People Officer and Head of Corporate Affairs

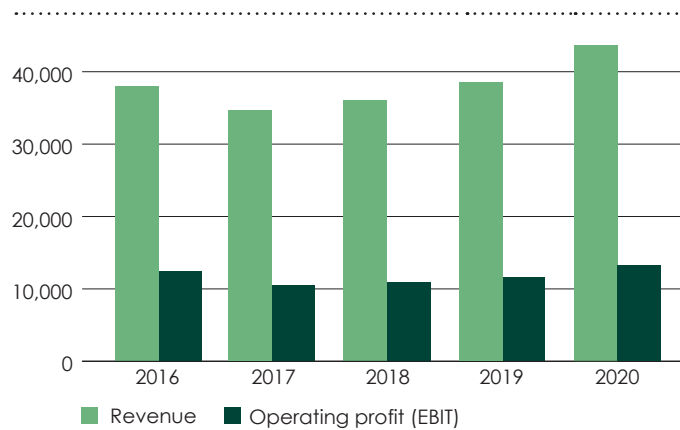
BOARD OF DIRECTORS

- Thomas Kirk Kristiansen, Chairman
- Søren Thorup Sørensen, Deputy Chairman
- Anne Sweeny
- Eva Berneke
- Fiona Dawson
- Jan Thorsgaard Nielsen
- Jørgen Vig Knudstorp



5 YEARS' PERFORMANCE

(m DKK)



FINANCIAL HIGHLIGHTS

(m DKK)

	2020	2019
Revenue	43,656	38,544
Result before tax	12,500	10,752
Profit for the year	9,916	8,306
Equity	23,547	22,183
Cash flow from operating activities	13,382	9,645
Investments	(1,891)	(2,173)
Average number of employees (FTE)	17,431	16,112

MERLIN ENTERTAINMENTS

ABOUT MERLIN ENTERTAINMENTS

Merlin Entertainment is Europe's leading and the world's second-largest visitor attraction operator. Merlin operates 129 attractions in 24 countries across four continents. The aim for Merlin Entertainment is to create a high growth, high return, family entertainment company based on strong brands and a global portfolio that is naturally balanced against the impact of external factors. Merlin Entertainment delivers memorable experiences to millions of visitors worldwide.

Merlin Entertainment operates through three operating groups: LEGOLAND® Parks, Resort Theme Parks and Midway Attractions, which include a number of international brands such as SEA LIFE, Madame Tussauds, the Dungeons, LEGOLAND Discovery Centres and The Eye.

Midway Attractions are high quality, predominantly indoor attractions located in city centres, shopping malls or resorts providing visits of shorter duration. Resort Theme Parks are nationally recognised branded resorts generally aimed at families, teenagers and young adults.

The eight LEGOLAND resorts across Europe, USA and Asia offer a unique LEGO® themed experience for families with children. As multi-day destinations, they include innovatively themed accommodation and attractions based on interactivity, imagination and family fun. Also, in the 23 LEGOLAND® Discovery Centres across Europe, USA and Asia, families with young children are offered an indoor, interactive and immersive LEGO branded experience.

In 2019, KIRKBI, together with a consortium of long-term investors comprising funds advised by Blackstone Core Equity Advisors L.L.C. and Canada Pension Plan Investment Board, completed the take-private of Merlin Entertainment. As the long-term owner of the LEGO and LEGOLAND brand and as a strategic shareholder in Merlin Entertainment since 2005, KIRKBI has great pride and passion for the company. Following the closing of the transaction in November 2019, KIRKBI is now a 47.5% owner of the company.

HIGHLIGHTS FOR 2020

COVID-19 has surfaced in nearly all regions around the world, resulting in governments in affected areas taking unprecedented steps to impose a range of restrictions on both individuals and organisations. The focus of Merlin Entertainment for 2020 has been on the health, safety and well-being of its employees and visitors around the globe.

The vast majority of the 129 attractions were closed for a large part of the year or have been significantly limited in number of visitors due to the pandemic and social distancing. The number of visitors was one-third compared to last year, and revenue declined accordingly.

Since the start of the pandemic, Merlin Entertainment has initiated a number of operating cost and cash control measures, including extending planned capital expenditure programmes.

Operating profit excluding impairments was negative with GBP 371 million compared with a profit of GBP 237 million in 2019.

KIRKBI's share of profit for the year is negative with DKK 2,031 million compared with a profit of DKK 135 million in 2019.

The strategy to expand the LEGOLAND Parks' footprint continued throughout 2020. Merlin continued the construction of LEGOLAND New York where the opening has been postponed to 2021 due to the pandemic. The construction of LEGOLAND Korea continued with planned opening in 2022. Merlin announced a formal co-operation agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI to develop a LEGOLAND Resort in the Jinshan District of Shanghai, China. The LEGOLAND Shanghai Resort is anticipated to open in 2024.

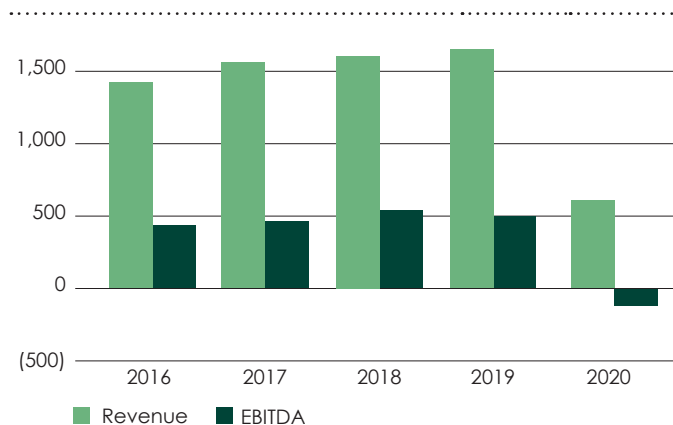
Furthermore, Merlin Entertainment has entered into a partnership agreement with Global Zhongjun Cultural Tourism Development Co. to build and operate a LEGOLAND Resort in Sichuan Province in Western China. The resort is scheduled to open by 2023.

BOARD OF DIRECTORS

- Roland Hernandez, Chairman
- Nick Varney, CEO
- Alistair Windybank, CFO
- Joseph Patrick Baratta II
- Lori Anne Hall-Kimm
- Jørgen Vig Knudstorp
- Sidsel Marie Kristensen
- Søren Thorup Sørensen
- Peter Farrell Wallace



5 YEARS' PERFORMANCE (m GBP)



FINANCIAL HIGHLIGHTS (m GBP)

	2020	2019
Revenue	629	1,740
Operating profit/(loss), excluding impairments	(371)	237
Net profit/(loss), excluding impairments	(499)	124
Equity	1,959	2,562
Cash flow from operating activities	(129)	463
Visitors (millions)	22	67
Ownership of Merlin Entertainments	47.5%	50.0%

KIRKBI's share of profit/(loss) excluding impairments for the year (m DKK)

(2,031) 135

INVESTMENT ACTIVITIES

The purpose of KIRKBI's investment portfolio is to deliver long-term growth of capital through attractive risk-adjusted returns of the investments. Ultimately, building a sound financial foundation to **support the mission while contributing to a sustainable development in the world.**

As part of KIRKBI's 2032 strategy launched in January 2020, the company's Investment Activities are split into two areas **Core Capital and Thematic Capital.**

INVESTMENT OBJECTIVES

Across the Core Capital portfolio, KIRKBI's investment objectives are to:

- Obtain attractive risk-adjusted returns and capital preservation for the long run
- Secure financial flexibility and liquidity for the owner family, the LEGO Group and LEGO Brand Group activities
- Contribute to a sustainable development in the world through investments in defined sustainability themes and high environmental, social and governmental (ESG) standards

Through investments and ownership, KIRKBI is:

- An ambitious and active business owner of the companies we invest in
- Long-term focused and value-driven
- Making investments and practicing active ownership that live up to high ESG standards



- Working with partners with high integrity and aiming to engage in long-term relationships with these, whenever partnerships contribute to mutual value creation
- Focusing on transparent investment structures in order to be comfortable with the underlying risk and return factors

Furthermore, as part of KIRKBI's 2032 strategy, KIRKBI pursues thematic investing. The thematic investing in defined sustainability areas is focused on maximising KIRKBI's impact and contribution towards a more sustainable development in the world.

RESPONSIBLE OWNERSHIP AND INVESTING

Across all its investment activities, KIRKBI aspires to create value through responsible ownership and investments.

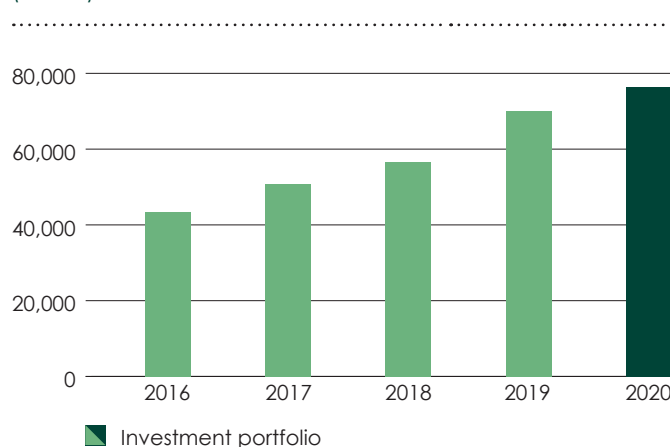
To fulfil the inherent responsibility in the KIRKBI Fundamentals, KIRKBI has made separate Promises. These Promises entail an aspiration to ensure high responsibility standards across the investment portfolio.

As such, ESG factors are fundamental parts of assessing the attractiveness and performance of an investment. Not only in the due diligence phase, but also as part of the ongoing ownership, as KIRKBI will encourage and work closely with companies, properties and partners to improve the management of material risks to protect the value and enhance long-term returns.

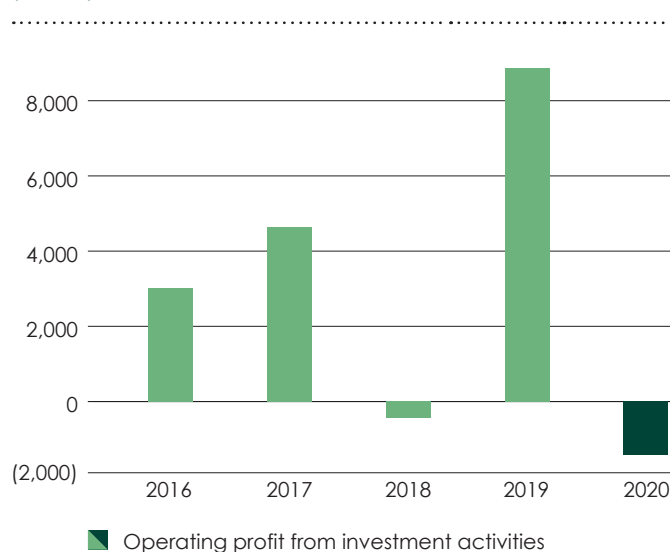
In addition to the assessment of ESG factors, we exclude investments in certain industries such as tobacco, armament, gambling and adult entertainment.

The investments are regularly screened for their compliance with international conventions and norms.

CORE CAPITAL PORTFOLIO AT YEAR-END (m DKK)



5 YEARS' PERFORMANCE (m DKK)



FINANCIAL HIGHLIGHTS (m DKK)

	2020	2019
Operating profit from investment activities	(1,646)	9,326

CORE CAPITAL

The Core Capital investment portfolio comprises Equity investments, Real Estate and Fixed Income investments. While based on **a belief in value creation through responsible long-term focus as well as a long-term illiquidity premium**, KIRKBI expects long-term investments to be a growing part of the total portfolio.

CORE CAPITAL HIGHLIGHTS FOR 2020

In 2020, the combined investment activities showed a net loss of DKK 2.0 billion (versus a gain of DKK 8.9 billion in 2019). By year-end 2020, the Core Capital portfolio had a net asset value of DKK 75.9 billion.

The Core Capital portfolio has been exposed to a challenging environment in 2020, where companies have faced sudden supply chain interruptions and changing demand characteristics. Following a significant portfolio decline in the first half of 2020, the investment portfolio recovered in the second half of 2020.

In addition to a market environment that has been categorised by a high degree of uncertainty due to COVID-19, intensified geopolitics also became the reality with the implementation of various new legislative trade measures between USA and China as well as UK leaving the EU. In light of the tumultuous events in 2020, KIRKBI has focused on actively engaging with its portfolio companies to provide support and strategic guidance when needed.

LONG-TERM EQUITY

It is a priority for KIRKBI to grow the Long-term Equity investment portfolio with the aim of owning significant minority stakes in high-quality companies with long-term potential for growth and value creation.

KIRKBI strives to create value through the exercise of active and responsible ownership of significant minority stakes in carefully selected, high-quality companies. KIRKBI has a strategy of being represented at the Board of Directors of the companies we are invested in within Long-term Equity in order to be a strong shareholder and to support the companies in relation to their long-term growth and ongoing development.

HIGHLIGHTS FOR 2020

The Long-term Equity portfolio value amounts to DKK 12.4 billion at the end of 2020. During 2020, KIRKBI completed an

increase in its ownership stake in Armacell, a global leader in flexible foam for the equipment insulation market and a leading provider of engineered foams, to 43.5%.

KIRKBI'S PORTFOLIO OF LONG-TERM EQUITY INVESTMENTS FALCK A/S

Falck's activities are directed at preventing accidents and disease; providing healthcare and emergency response services (ambulance services and fire brigades). The company has more than 25,000 employees globally. Falck provides emergency response services to public as well as private customers and works in close collaboration with the authorities. Falck delivers emergency response services to 30 countries worldwide operating more than 4,000 ambulances, while its healthcare service business is predominately focused on the Nordic market. KIRKBI owns 28.6% of Falck A/S.

ISS A/S

ISS is one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering,

HOW WE ENGAGE AS OWNERS

The primary focus areas as active owner and representatives at the Board of Directors of companies where we own long-term equity stakes are grouped into four categories:

1. STRATEGY

The company's robustness and positioning for long-term growth as well as 3-5 year value creation planning.

2. FINANCIAL DISCIPLINE

The company's efficiency around capital allocation and structure as well as progress on selected KPIs.

3. PEOPLE AND GOVERNANCE

Ensuring that the right people and competencies are present in the Board of Directors and management team as well as ensuring that the company's systems and procedures are appropriate and supportive for the company's long-term development.

4. SUSTAINABILITY

Focusing on the company's continuous improvements to ensure sustainable growth via continuous progress within environmental and social areas.

Security, Property and Support Services as well as Facility Management. ISS has approximately 450,000 employees and local operations in more than 30 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers. ISS A/S is listed on OMX Nordic Stock Exchange. KIRKBI owns 16.6 % of ISS A/S.

NILFISK A/S

Nilfisk is one of the world's leading manufacturers of professional cleaning equipment with sales in more than 100 countries and 11 production sites. Nilfisk offers an extensive portfolio of high-quality products through the brands Nilfisk® and Viper. Nilfisk is driving innovation and focuses on bringing state-of-the-art, autonomous cleaning technologies to the market. Nilfisk was during 2017 demerged from NKT A/S and thereby separately listed on the Copenhagen Stock Exchange. Nilfisk has a yearly revenue of around 1 billion EUR and has around 5,400 employees. KIRKBI owns 20.3% of Nilfisk.

VÄLINGE

Välinge is an R&D and IP company active in the flooring and furniture industries with a particular strength in wood-based technologies. Founded in 1993, Välinge pioneered the concept of floating click floors and today, over 1 billion square meters of flooring is sold with click systems every year, reducing the time and effort needed for floor installation as well as easing the environmental burden of the hundreds of millions of liters of glue used for installations in the past. The present technology base covers fields related to floor locking, furniture locking, surface materials and treatments, production processes and tools, digital printing and ink, and thermoplastic core materials. KIRKBI owns 48.3% of Välinge.

LANDIS+GYR

Landis+Gyr is the leading global provider of integrated energy management solutions for the utility sector. Offering one of the broadest portfolios of products and services to address complex industry challenges, the company delivers comprehensive solutions for the foundation of a smarter grid, including smart metering, distribution network sensing and automation tools, load control, analytics and energy storage. Landis+Gyr operates in over 30 countries across five continents. The company employs about 5,500 people with the main mission of help the world manage energy better and thereby contributing significantly to a more sustainable future. KIRKBI owns 15.4% of Landis+Gyr.

ARMACELL

Armacell manufactures advanced insulation foams that are applied in a wide range of technical applications, including commercial and residential building equipment, as well as foams and solutions for the wind power, energy, industrial, transport, and sports & leisure sectors. In developing innovative thermal, acoustic, and mechanical systems, Armacell's products and solutions improve overall energy efficiency, acoustic comfort, and vibration control on a global scale. With 24 manufacturing facilities worldwide, Armacell employs more than 3,000 people.

KIRKBI has been an investor in Armacell since 2016 and signed an agreement to increase its stake in the company to 43.5% in 2019 in line with the investment strategy of being a long-term owner of market-leading companies. The transaction closed in February 2020.

↓ During 2020, KIRKBI completed the increase in its ownership stake in Armacell, a global leader in flexible foam for the equipment insulation market and a leading provider of engineered foams.

Photo: Armacell/Thomas Gasparini



INVESTMENT REAL ESTATE

↓ In 2020, KIRKBI acquired a new investment property on Pfadackerstraße 10 in Spreitenbach, Switzerland. The building will be revitalised during 2021 to 2022 with a special focus on ESG. (Photo: visualisation)



ABOUT KIRKBI'S REAL ESTATE INVESTMENTS

In KIRKBI, we believe in value creation through a long-term focus, and thus, a growing real estate footprint is a strategic choice.

The focus of KIRKBI's Real Estate investments is to maintain and increase the real estate portfolio with sound and high-quality properties as well as looking at sustainable redevelopment opportunities with a long-term value potential, primarily within the office and retail sectors.

KIRKBI PRIMARILY INVESTS IN FIVE LOCATIONS

KIRKBI's current real estate strategy identifies five locations for real estate investments:

- Copenhagen
- London
- Munich
- Hamburg
- Switzerland (German-speaking part)

All Real Estate investments are evaluated based on their long-term potential,

where both the return component and the environmental impact are of high importance.

KIRKBI's focus on assessing and improving the environmental footprint of the properties supports the Planet Promise – an integrated part of the KIRKBI Fundamentals – as well as the KIRKBI strategy towards 2032.

KIRKBI currently has a portfolio of 25 Real Estate capital investments located in Copenhagen (Denmark), London (Great Britain), Baar, Olten, Cham, Baden, Spreitenbach and Rapperswil (Switzerland), Munich and Hamburg (Germany). The total size of the portfolio by the end of 2020 measured more than 302,000 square metres of space (2019: 280,000 square metres).

HIGHLIGHTS FOR 2020

In 2020, KIRKBI acquired an investment property in Spreitenbach, Switzerland. The building is a mixed-use property with 17,740 square metres of lettable space 15 km from Zurich.

The property will be revitalised in 2021 to 2022 with the aim of achieving a DGNB certification. Afterwards it will be operated CO₂ neutral and will have solar panels and a green park on the roof to promote biodiversity. The building is intended to attract tenants who attach great importance to sustainability and at the same time are looking for affordable rental space with good transport connections.

PRIVATE EQUITY

Private Equity demonstrated a strong performance in 2020.

During the year, KIRKBI made four new commitments to Private Equity funds.

Additional capital was deployed in two co-investments with two preferred private equity partners.



THEMATIC CAPITAL

As part of the 2032 strategy, Thematic Capital is a new investment category building on KIRKBI's existing portfolio of renewable energy investments. The formation of Thematic Capital is driven by the owner family's commitment **to contribute to a sustainable development in the world.**

In order to maximise impact while ensuring long-term return on investment, KIRKBI has decided to concentrate on building capabilities and portfolios around four defined sustainability thematic themes: Energy Transition, Circular Plastics, Land Preservation and Building Billund.

ENERGY TRANSITION

KIRKBI is increasing its focus on energy transition in line with the company's sustainability ambitions while providing an attractive risk-adjusted return. KIRKBI's Energy Transition strategy targets investments in solar and wind energy with an increasing focus on other impactful initiatives that can contribute to the decarbonisation of the world's energy system. The geographic focus is on Northern Europe and North America.

While KIRKBI continuously supports the LEGO Group in furthering its environmental sustainability ambition, KIRKBI also invests in the green energy transition to contribute to the increase of global renewable energy production.

Current Energy Transition investments include ownership in two offshore wind farms, Borkum Riffgrund 1 and Burbo Bank Extension, and the solar energy developer, Adapture Renewables Inc.

HIGHLIGHTS FOR 2020

2020 was the first full year of ownership of US-based solar developer Adapture Renewables Inc. (formerly Enerparc Inc.) where KIRKBI holds a significant majority stake. The company has established an operational, commercial, and scalable

platform to bring additional solar power to American households. KIRKBI actively engages with the Adapture Renewables team to support the company's future growth in US solar power generation, for which the demand is strong. In 2020, the operational solar portfolio increased from 70 MW to more than 230 MW.

During 2020, the two wind farms Burbo Bank Extension and Borkum Riffgrund 1 both delivered a stable financial return with Borkum Riffgrund producing 1,094 GWh in total and Burbo Bank producing 1,014 GWh in total.

Under KIRKBI's share of ownership, total 753 GWh of wind and solar energy has been generated in 2020, which is an increase of 26% compared to 2019.

WIND INVESTMENTS

In 2012, KIRKBI and William Demant Invest invested jointly into Borkum Riffgrund 1, with KIRKBI owning 31.5%. The Borkum Riffgrund 1 wind farm is located in the German North Sea and officially opened in October 2015. The wind farm consists of 78 Siemens 4 MW turbines with a total capacity of 312 MW and is capable of providing green energy corresponding to the consumption of 320,000 German households.

In 2016, KIRKBI and PKA invested jointly into Burbo Bank Extension with 25% ownership each. Burbo Bank Extension is located approximately seven kilometres off the coast of Liverpool in the UK. The wind farm consists of 32 MHI Vestas 8 MW turbines with a total capacity of 258 MW and is capable of providing green energy to 230,000 UK households. The wind farm was officially opened in May 2017.

Ørsted has retained 50% ownership and has handled the construction and operation of both wind farms.

SOLAR INVESTMENTS

In 2019, KIRKBI acquired Adapture Renewables. Founded in 2012, Adapture Renewables Inc. specialises in developing, engineering, building and operating distributed utility-scale solar photovoltaic (PV) projects.

During KIRKBI ownership, the capacity of the operating solar portfolio has increased from 70 MW to more than 230 MW.

Adapture Renewables supports the transition of commercial energy supply to renewable sources of power by connecting large-scale solar PV systems to the grid. Adapture Renewables Inc. is based in Oakland, California and operates more than 30 solar power projects in 19 states across the USA.

CIRCULAR PLASTICS

Globally, plastic waste is a significant problem for multiple reasons. Waste management practices of plastics are not broadly in place leading to increasing amounts of unhandled plastics, harmful to environment and climate. Largely this is a result of a majority of plastic types being difficult or impossible to decompose or reuse.

The lack of circularity of plastics is an important area to address globally, and KIRKBI sees a potential to contribute through investments with high impact by targeting – but not limited to – the development of new plastic types and recycling methods.

HIGHLIGHTS FOR 2020

During June 2020, KIRKBI completed a minority investment in the innovative Norwegian plastic recycling company Quantafuel.

The development of a chemical plastic recycling technology has proven a great challenge. Quantafuel, however, has taken an innovative and scalable approach to solving this key problem resulting in a strong business potential while ensuring a lower environmental impact compared to fossil fuels.

KIRKBI owns 10.2% of the company by the end of 2020 and holds one Board seat at Quantafuel.

ABOUT QUANTAFUEL

Quantafuel develops, owns and operates plastic-to-liquid plants, transforming mixed plastic waste previously destined for landfill or incineration into high-quality synthetic fuels (recycled carbon fuels) or chemical feedstock (naphtha) for new plastic production.

The company is Norwegian-based and employs approximately 45 employees.

Geographically, the company's headquarters is located in Oslo, Norway, while its first production facility is located in Skive, Denmark. Additionally, Quantafuel has recently acquired Norwegian mechanical recycling company Replast AS and made an investment into waste product supplier Geminor.

LAND PRESERVATION

As a new specific focus area under Thematic Capital, Land Preservation is concentrated around forest landscape restoration where deforesting through decades has led to severe implications for both climate, environment and biodiversity globally.

During 2021, KIRKBI expects to build capabilities and engage in investments into afforestation to create a positive impact on biodiversity, environment and climate.

BUILDING BILLUND

Throughout time, KIRKBI has been actively engaged in supporting the development of Billund. KIRKBI's dedication to the local community of Billund is rooted in the significance that the town represents to KIRKBI and the LEGO Group as the founding place of both companies.

In 2015, KIRKBI initiated a vision plan for the development of the town together with Realdania and Billund Municipality. The City Vision provides a framework for supporting and strengthening Billund's unique character as the Capital of Children. For KIRKBI specifically, the vision plan provides a framework for how KIRKBI can support this development through Real Estate and other activities.

Read more about KIRKBI's engagement in Building Billund on page 30.



↑ During 2020, KIRKBI completed a minority investment in the innovative Norwegian plastic recycling company Quantafuel. Photo: Quantafuel.





CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(m DKK)	Notes	2020	2019
LEGO Group	2.2	12,500	10,752
Merlin activities	2.3	(2,039)	172
Royalties		1,594	1,495
LEGO Ventures	2.4	(36)	(114)
Trademark and administration costs		(748)	(514)
Operating profit from LEGO Brand Group activities	2.1	11,271	11,791
Operating profit from investment activities	3.1, 3.2	(1,646)	9,326
Administration costs		(369)	(516)
Total operating profit		9,256	20,601
Financial items		(68)	(15)
Profit before tax		9,188	20,586
Tax on profit for the year	5.1	(2,817)	(3,812)
Profit for the year		6,371	16,774
Appropriation to			
Parent company shareholders		3,885	14,682
Non-controlling interests	8.6	2,486	2,092
		6,371	16,774

Please refer to note 1.4 for a Standard Consolidated Income Statement for the KIRKBI Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(m DKK)	Notes	2020	2019
Profit for the year		6,371	16,774
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to the income statement:			
Exchange differences, foreign subsidiaries and associates		(1,291)	466
Net gain/(loss) on cash flow hedges		72	(76)
Tax on entries directly in equity		8	1
Items that will not be reclassified to the income statement:			
Remeasurements of defined benefit plans		(9)	(33)
Other equity movements in associates		112	(316)
Other comprehensive income for the year		(1,108)	42
Total comprehensive income		5,263	16,816
Appropriation to			
Parent company shareholders		2,915	14,693
Non-controlling interests	8.6	2,348	2,123
		5,263	16,816

BALANCE SHEET AT 31 DECEMBER

ASSETS (m DKK)	Notes	2020	2019
Non-current assets			
Goodwill, trademarks, patents and other intangible rights	6.3	2,253	2,245
Software		119	185
Development projects		35	13
Intangible assets	6.2	2,407	2,443
Property	6.4	8,680	8,458
Plant and equipment	6.4	7,323	7,981
Other fixtures, fittings, tools and equipment	6.4	2,316	2,429
Fixed assets under construction	6.4	2,914	2,795
Right-of-use assets	6.5	2,267	2,249
Property, plant and equipment		23,500	23,912
Investment real estate	3.3	8,810	8,577
Investments in associates	2.3	2,663	4,443
Receivables from associates		-	644
Other securities at fair value	2.4	360	277
Finance leases	2.5	1,323	1,399
Other investments		126	111
Deferred tax assets	5.2	804	757
Other non-current assets		14,086	16,208
Total non-current assets		39,993	42,563
Current assets			
Inventories	4.1	3,102	2,824
Trade receivables	4.2	6,769	7,334
Receivables from associates		134	-
Other receivables		2,097	2,383
Prepayments		315	379
Current tax receivables		214	384
Securities	3.4	69,035	62,371
Cash and bank deposits		2,176	1,664
Total current assets		83,842	77,339
TOTAL ASSETS		123,835	119,902

EQUITY AND LIABILITIES (m DKK)	Notes	2020	2019
EQUITY			
Share capital	8.5	200	200
Retained earnings		99,122	96,607
KIRKBI Group's share of equity		99,322	96,807
Non-controlling interests	8.6	6,015	5,672
Total equity		105,337	102,479
LIABILITIES			
Non-current liabilities			
Borrowings		1,968	2,269
Lease liabilities	6.5	1,777	1,715
Deferred tax liabilities	5.2	1,033	1,065
Pension obligations	8.7	223	209
Provisions	4.4	353	354
Other long-term liabilities	4.3	261	314
Total non-current liabilities		5,615	5,926
Current liabilities			
Borrowings		1,685	1,725
Lease liabilities	6.5	527	510
Trade payables		3,564	3,718
Current tax liabilities		663	492
Provisions	4.4	94	15
Other short-term liabilities	4.3	6,350	5,037
Total current liabilities		12,883	11,497
Total liabilities		18,498	17,423
TOTAL EQUITY AND LIABILITIES		123,835	119,902

STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained comprehensive income	KIRKBI Group's share of equity	Non-controlling interests	Total equity
Balance at 1 January 2020	200	96,607	96,807	5,672	102,479
Profit for the year	-	3,885	3,885	2,486	6,371
Other comprehensive income for the year	-	(970)	(970)	(138)	(1,108)
Total comprehensive income for the year	-	2,915	2,915	2,348	5,263
Dividend		(400)	(400)	(2,005)	(2,405)
Balance at 31 December 2020	200	99,122	99,322	6,015	105,337
Balance at 1 January 2019	200	82,314	82,514	5,553	88,067
Profit for the year	-	14,682	14,682	2,092	16,774
Other comprehensive income for the year	-	11	11	31	42
Total comprehensive income for the year	-	14,693	14,693	2,123	16,816
Dividend	-	(400)	(400)	(2,004)	(2,404)
Balance at 31 December 2019	200	96,607	96,807	5,672	102,479

CASH FLOW STATEMENT

1 JANUARY – 31 DECEMBER

(m DKK)	Notes	2020	2019
Profit before tax		9,188	20,586
Income tax paid		(2,555)	(3,448)
Reversals of items with no effect on cash flows	4.5	7,611	(4,854)
Changes in working capital	4.6	1,756	(1,140)
Cash flows from operating activities		16,000	11,144
Acquisition of securities, net		(8,690)	(5,769)
Acquisition of intangible assets		(64)	(360)
Acquisition of property, plant and equipment		(2,920)	(3,356)
Sale of property, plant and equipment		7	11
Acquisition of associates		(608)	(153)
Cash flows from investing activities		(12,275)	(9,627)
Dividend paid to shareholders		(400)	(400)
Dividend paid to non-controlling interests		(2,005)	(2,004)
New borrowings/(repayment of borrowings)		(53)	435
Repayments of borrowings		(301)	(16)
Payment of lease liabilities		(454)	(484)
Cash flows from financing activities		(3,213)	(2,469)
Net cash flows for the year		512	(952)
Cash and cash equivalents at 1 January		1,664	2,616
Cash and cash equivalents at 31 December		2,176	1,664

Accounting policies

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 profit before tax adjusted for non-cash items, income taxes paid and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisitions and disposals of

securities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments.

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

Cash and cash equivalents comprise cash and bank deposits.



THE KIRKBI GROUP

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SECTION 1 – BASIS FOR PREPARATION

1.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the financial statements, 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 which management assesses to be material for the KIRKBI Group's financial statements.

Investment in associates

The KIRKBI Group's investment in entities in which it has significant influence, is accounted for using either the equity method or fair value through profit and loss depending on the classification of each single entity.

Entities, in which the KIRKBI Group has significant influence and which are considered a LEGO Brand Group activity are accounted for using the equity method. Based on this judgement for instance Merlin Entertainments Ltd. is accounted for using the equity method.

Entities, in which the KIRKBI Group has significant influence, which are defined as an investment activity are accounted for using fair value through the income statement and accounted for in accordance with IFRS 9, which goes for investments in Falck A/S, Vålänge Group AB, Armacell International AB and Nilfisk A/S.

Please refer to the KIRKBI Group Structure (note 8.10) for a complete overview of which companies

are accounted for using the equity method and which companies are accounted for using fair value through the income statement.

It is management's assessment that the assumptions are reasonable.

Long-term equity

Valuation of unlisted long-term equity investments is based on estimates and assumptions as regards the fair value of each individual company. The fair value is estimated using a valuation model based on relevant multiples of a set of comparable companies, pro-forma adjusted operating income and adjusted net interest bearing debt. The valuation is performed by internal portfolio managers.

The most subjective parameter in the valuation model is the multiples from comparable companies. If the multiples were reduced by 1.0x point, it would have a negative effect on profit before tax of around DKK 0.6 billion, which is described in note 3.4.

It is management's assessment that the assumptions and estimates are reasonable.

Real estate investments

Within other non-current assets the valuation of investment real estate requires estimates and judgements on future cash flows, yields and market values for similar properties. The most subjective parameter is the yield used in the calculation. If the yield in the calculations increases by 1% point, the impact on profit before tax would be negative with around DKK 1.5 billion. Please refer to note 3.3 for a description of the impact on each geographical area. It is management's assessment that the estimates are reasonable.

1.2. BASIS OF REPORTING

The consolidated financial statements of the KIRKBI Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

This section introduces the KIRKBI Groups accounting policies. A more detailed description of accounting policies is presented in the respective notes.

Apart from the changes due to implementation of new standards as described in note 1.3, accounting policies are unchanged from last year.

CONSOLIDATION PRACTICE

Subsidiaries are fully consolidated from the date on which control is transferred to the KIRKBI Group. They are de-consolidated from the date on which control ceases.

Subsidiaries classified as investments are valued using fair value through the income statement (IFRS 9).

Associates are entities, where the KIRKBI Group has significant influence but which it does not control, generally represented by a shareholding of between 20% and 50% of the voting rights. Associates classified as LEGO Brand

Group activities are accounted for using the equity method of accounting and are initially recognised at cost. Associates classified as investments are valued using fair value through the income statement (IFRS 9).

The KIRKBI Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the KIRKBI Group's relative share of assets, liabilities, income and expenses.

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 KIRKBI Group.

Non-controlling interests include third-party shareholders' share of 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 non-controlling interests forms part of the income statement for the year. Non-controlling interests' share of equity is stated as a separate item in equity.

Amounts and qualitative information that are considered unimportant for the accounting user are omitted.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the KIRKBI 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 reserve for exchange rate adjustments.

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.

1.3. EFFECTS OF NEW AND AMENDED ACCOUNTING STANDARDS

Effects of new and amended accounting standards

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2020 have been adopted by the KIRKBI Group.

During 2020, the KIRKBI Group has adopted the following new standard with no significant impact on recognition and measurement:

* Amendments to IFRS 16 COVID-19 Related Rent Concessions

Amendment to IFRS 16 COVID-19 Related Rent Concessions

In May 2020, the IASB issued COVID-19 Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The KIRKBI Group applied the practical expedient retrospectively to all rent concessions that meet the above conditions.

In the current financial year, the KIRKBI Group has applied the amendment to IFRS in advance of its effective date. The adoption of the amendment to IFRS has had an insignificant impact on the Consolidated Financial Statements.

1.4. STANDARD CONSOLIDATED INCOME STATEMENT

The KIRKBI Group presents its consolidated income statement, as an alternative performance measure (APM) as management believes that a standard consolidated income statement does not give the most accurate picture of the company's holding and investment activities.

KIRKBI's activities include ownership of industrial companies within different industries as well as operation of a diversified portfolio. Management does not believe that a standardised consolidated income

statement will give a transparent and clear picture of profitability, development and direction of the KIRKBI Group's activities.

The income statement in the internal management reporting for the KIRKBI Group is also, in line with the annual report, presented as an APM.

To fulfill IFRS requirements of presenting a standardised consolidated income statement, it is presented below without further descriptions or notes.

(m DKK)	2020	2019
Revenue	45,651	40,549
Production costs	(13,162)	(10,042)
Gross profit	32,489	30,507
Sales and distribution costs	(13,943)	(12,094)
Administrative expenses	(3,842)	(3,723)
Other operating expenses	(937)	(2,175)
Operating profit	13,767	12,515
Profit from associated companies	(2,031)	135
Financial items, net	(2,548)	7,936
Profit before tax	9,188	20,586
Tax on profit for the year	(2,817)	(3,812)
Profit for the year	6,371	16,774

SECTION 2 – OPERATING PROFIT FROM LEGO BRAND GROUP ACTIVITIES

2.1. DEFINITION OF LEGO BRAND GROUP ACTIVITIES

LEGO Brand Group activities are defined as activities related to the LEGO® brand, which include ownership of the LEGO Group, trademark royalties, LEGO Ventures

activities and ownership of and assets leased to Merlin Entertainments Ltd. as owners of the LEGOLAND® parks and LEGOLAND® Discovery Centres.

Accounting policies

Net profit before tax from LEGO A/S, a company in which the KIRKBI Group has controlling influence, is fully consolidated into the Operating profit from the LEGO Group.

Merlin Entertainments Ltd., in which KIRKBI owns 47.5%, is accounted for using the equity

method. Changes to the carrying amount of the investment are charged into operating profit from Merlin Entertainments' activities. Assets owned by the KIRKBI Group and leased to Merlin Entertainments Ltd. are included in operating profit from Merlin Entertainments' activities.

2.2. THE LEGO GROUP

(m DKK)	2020	2019
Reconciliation to the Annual Report for the LEGO Group:		
Profit before income tax	12,500	10,752
included as Operating profit from LEGO Group		
Tax on profit for the year	(2,584)	(2,446)
included in Tax on profit for the year		
Net profit for the year	9,916	8,306
Included as non-controlling interests, 25%	(2,479)	(2,076)

Accounting policies

The KIRKBI Group controls, through its 75% ownership of LEGO A/S, the LEGO Group. Hence the LEGO Group is fully consolidated into the income statement and balance sheet of the KIRKBI Group.

The non-controlling share of the LEGO Group is presented as Non-controlling interest in the income statement and as non-controlling interests under equity.

2.3. INVESTMENTS IN ASSOCIATES (MERLIN ENTERTAINMENTS LTD.)

(m DKK)	2020	2019
Net profit from Merlin activities includes:		
Share of profit from Merlin Entertainments/Motion JVCO Ltd.	(2,031)	135
Profit/(loss) from assets leased to Merlin Entertainments	(8)	37
Operating profit from Merlin activities	(2,039)	172

Investments in associates defined as a LEGO Brand Group activity include the ownership of Merlin Entertainments Ltd., which is structured through the holding company Motion JVCO Ltd. The KIRKBI Group has during 2020 been diluted from 50% to 47.5% ownership of Merlin Entertainments.

The KIRKBI Group does not control the investment in Merlin Entertainments and hence the investment is classified as an investment in associates.

(m DKK)	2020	2019
Cost at 1 January	2,722	2,569
Additions	608	153
Cost at 31 December	3,330	2,722
Value adjustment at 1 January	1,721	1,885
Exchange adjustment to year-end rate	(246)	243
IFRS 16 impact	-	(257)
Dilution	112	(59)
Share of profit	(2,031)	135
Share of comprehensive income	(223)	(83)
Dividend	-	(143)
Value adjustment at 31 December	(667)	1,721
Carrying amount at 31 December	2,663	4,443

General information on associates

	Merlin Entertainments Ltd. (owned through Motion JVCO Ltd.)	
Company name		As of 31 December 2020, KIRKBI has invested in bonds and term-loans issued by Merlin Entertainments with a value of DKK 4,932 million (in 2019 DKK 4,975 million), reported within securities as current assets.
Country	UK	
Ownership/Votes	47.5%	
Functional currency	GBP	

Financial information of Merlin Entertainments Ltd./Motion JVCO Ltd.

(m DKK)	2020	2019
Revenue	5,175	15,255
Profit/(loss) for the year	(6,920)	1,070
KIRKBI Group's share of profit for the year	(2,031)*	135
Total assets	66,765	67,538
Total equity	16,119	22,481
KIRKBI Group's share of equity	7,656	11,241
Elimination of goodwill in Motion JVCO Ltd.	(5,183)	(6,988)
Goodwill	190	190
Carrying amount of associates	2,663	4,443

* Impairment in Merlin Entertainments DKK 1,374 million is reversed in the KIRKBI Group as related goodwill in line with IFRS were not recognised upon acquisition of significant ownership of Merlin Entertainments in 2019.

Accounting policies

The KIRKBI Group's investment in entities in which the group has significant influence is allocated to either LEGO Brand Group activities or investment activities. Please refer to section 1.1 for a description of significant accounting estimates and judgements.

Merlin Entertainments, which is part of LEGO Brand Group activities is accounted for using the equity method. Under the equity method, investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the share of the net assets of the associate since the acquisition date.

At each reporting date, the KIRKBI Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the KIRKBI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss in the income statement.

The carrying amount of associated companies allocated to LEGO Brand Group activities is classified in the balance sheet as Other non-current assets.

2.4. OTHER SECURITIES AT FAIR VALUE (LEGO VENTURES)

LEGO Ventures explores investment opportunities at the intersection of Play, Learning and Creativity to leverage and develop the original LEGO® Idea and support the LEGO brand mission. LEGO Ventures typically invests into start-ups and private growth companies.

During 2020, KIRKBI has made 5 investments (7 in 2019) and 1 divestment (0 in 2019) categorised as LEGO Ventures'

investments, and the portfolio of LEGO Ventures' investments consists of 15 investments end of 2020 (2019 11 investments).

For LEGO Ventures' investments classified as associated companies, please see note 8.10.

(m DKK)	2020	2019
Operating profit from LEGO Ventures consists of:		
Change in fair value of financial assets	(3)	(83)
Gain from disposals	13	-
Operational costs	(46)	(31)
Net result	(36)	(114)
Fair value:		
Fair value 1 January	277	103
Investments during the year	173	257
Divestments	(87)	-
Change in fair value of financial assets	(3)	(83)
Fair value at 31 December	360	277
Fair value measurement hierarchy:		
Not based on observable market data	360	277
	360	277

Accounting policies

Subsidiaries, associates and other financial assets that fall into LEGO Ventures are recognised in accordance with IFRS 9 at fair value through the income statement. The KIRKBI Group's valuation of LEGO Ventures investments is based on individual assessments carried out by KIRKBI's portfolio managers. LEGO Ventures' investments are initially recognised at cost and subsequently adjusted to fair value.

Fair value measurement of each single investment is based on latest knowledge which could be latest valuation round of the company in new capital rounds combined with for instance i) length of runway before the company runs out of funds, ii) assessment of the likelihood of the company's ability to raise new external funding, iii) commercial and operational performance against KIRKBI's expectations at the time of investment.

2.5. FINANCE LEASES

Finance leases are related to KIRKBI being owner of the physical infrastructure assets in the LEGOLAND® park in Nagoya, Japan.

(m DKK)	2020	2019
Repayment within 1 year	39	41
Repayment between 1 and 5 years	157	164
Repayment after 5 years	1,622	1,730
Gross investment in finance leasing:	1,818	1,935
Hereof unearned future finance income	(495)	(536)
Net investment in finance lease	1,323	1,399
Repayment within 1 year	20	21
Repayment between 1 and 5 years	83	86
Repayment after 5 years	1,220	1,292
Net investment in finance lease	1,323	1,399

Accounting policies

KIRKBI's leasing activities comprise solely of finance lease on property and infrastructure assets. A finance lease is reported as receivable from the lessee in the balance sheet at an amount equal to the net investment in the lease. The lease

payment excluding cost of services is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

SECTION 3 – OPERATING PROFIT FROM INVESTMENT ACTIVITIES

3.1. DEFINITION OF INVESTMENT ACTIVITIES

The KIRKBI Group's investment activities are divided into Core Capital and Thematic Capital investments.

Core capital investments consist of investments in mortgage bonds, government bonds, corporate debt, quoted equities, private equity, real estate and larger equity investments. These investments are managed by KIRKBI's portfolio managers with the purpose of creating long-term value for the KIRKBI Group.

KIRKBI's investment portfolio amounts at year-end 2020 to DKK 75.9 billion (2019 DKK 71.0 billion).

Thematic capital investments consist of investments in specific themes such as Energy Transition, Circular Plastic and properties in the town of Billund, Denmark. The portfolio of Thematic Capital investments amounts at year-end 2020 to DKK 11.1 billion (2019 DKK 10.3 billion).

Accounting policies

The investment portfolio has been designated as financial assets at fair value through the income statement as the portfolio is managed and evaluated on a fair value basis in accordance with the KIRKBI Group's investment strategy. Securities are measured at fair value, which equals listed prices or internationally accepted valuation models for private equity. Realised and unrealised gains and losses (including unrealised foreign exchange rate gains and losses) are recognised in the income statement. Transactions are recognised at the trade date.

The KIRKBI Group's investment in entities in which the group has significant influence is allocated to

either LEGO Brand Group activities or investment activities. Please refer to section 1.1 for a description of significant accounting estimates and judgements.

The entities Falck A/S, Våløge Group AB, Armacell International AB and Nilfisk A/S, all associated companies, are allocated to KIRKBI's investment portfolio and thereby managed and evaluated on a fair value basis in accordance with the KIRKBI Group's investment strategy. The investment portfolio are valued at fair value through the income statement and accounted for in accordance with IAS 28.

3.2. OPERATING PROFIT FROM INVESTMENT ACTIVITIES

Operating profit from investment activities consists of:

(m DKK)	2020	2019
Gain or loss on financial assets	(2,094)	8,151
Net income from Investment real estate (note 3.3)	167	743
Operating profit from joint arrangements (note 3.5)	281	432
	(1,646)	9,326

3.3. INVESTMENT REAL ESTATE

(m DKK)	2020	2019	
Net income:			
Rental income	401	392	
Direct expenses	(79)	(59)	
Net result from operation	322	333	
Fair value adjustments:			
Fair value adjustment for the year, net	(17)	225	
Exchange adjustment to real estate for the year, net	(138)	185	
Fair value adjustments:	(155)	410	
Net income from Investment real estate	167	743	
Fair value:			
Fair value at 1 January	8,577	7,537	
Exchange adjustment to year-end rate	(138)	185	
Additions, new real estates	184	549	
Additions, improvement of existing real estate	204	171	
Transfer to properties	-	(90)	
Fair value adjustment for the year, net	(17)	225	
Fair value at 31 December	8,810	8,577	
Investment properties are stated at fair value, using the following yields based on location:	Yield 2020	Yield 2019	Effect of 1% point increase in yield (mDKK)
Copenhagen, Denmark	4.00 - 5.25%	4.00 - 5.25%	(279)
London, UK	4.75 - 5.50%	4.75 - 5.50%	(277)
Baar, Switzerland	4.25 - 5.00%	4.25 - 5.00%	(476)
Hamburg, Germany	5.00 - 5.25%	5.25%	(135)
Munich, Germany	3.75 - 4.00%	3.75 - 4.00%	(318)
			(1,485)

Accounting policies

Investment real estate is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at the expected fair values from a net cash transaction at the balance sheet date.

Fair value is determined by management using approved valuation methods based on the capital value calculated on expected cash flows. If current market prices for comparable properties are available, these will be incorporated as part of the fair value valuation.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Valuation method:

The fair value is assessed by the KIRKBI Group's real estate team at year-end on the basis of a return-based model. Valuations rely substantially on non-observable input and are based on cash flow estimates and on the required rate of return (yield) calculated for each property that reflects the price

at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return (yield) on a property is determined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees.

The return-based model used is:

Rental income
+ vacant rents
- operating costs such as taxes, insurances and utilities
- maintenance
- administration
= Net cash flow
/ Yield
= Capitalised fair value
- vacant rents
+ Deposits
+/- corrections for known circumstances
= Fair value

3.4. SECURITIES

Securities consist of mortgage bonds, corporate debt, quoted equities, private equity and investments in subsidiaries and associated companies. Subsidiaries and associated companies classified as investment activities and included in Securities are listed in note 8.10. Securities can be purchased and sold in established markets.

All securities and investments recognised under Securities are classified as "financial assets at fair value through the income statement" are reported

at fair value by level of the following fair value measurement hierarchy for:

* Unadjusted quoted prices in active markets for identical assets (level 1)

* Inputs other than quoted prices included within level 1 that are observable for the assets either directly or indirectly (level 2)

* Inputs for the asset or liability that are not based on observable market data (level 3)

Fair value measurement hierarchy**2020**

(m DKK)	Level 1	Level 2	Level 3	Total	% of investments rated	% of investment in DKK or EUR
Mortgage bonds	16,622	-	-	16,622	100% AAA	99%
Corporate debt	4,267	3,882	-	8,149	16% inv. Grade	75%
Equities	24,656	-	-	24,656	n/a	41%
Private equity and unquoted equity	-	-	19,608	19,608	n/a	37%
Fair value	45,545	3,882	19,608	69,035		

Fair value measurement hierarchy

2019

(m DKK)	Level 1	Level 2	Level 3	Total	% of investments rated	% of investment in DKK or EUR
Mortgage bonds	5,490	-	-	5,490	100% AAA	100%
Corporate debt	7,465	3,811	-	11,276	19% inv. Grade	74%
Equities	29,399	-	-	29,399	n/a	45%
Private equity and unquoted equity	-	-	16,206	16,206	n/a	33%
Fair value	42,354	3,811	16,206	62,371		

For descriptions of credit risk and foreign exchange risk, refer to note 7.2, where risks from a group perspective are considered moderate.

Change in values not based on observable market data (level 3)

(m DKK)	2020	2019
Fair value 1 January	16,206	13,225
Change in fair value of financial assets	546	2,260
Additions	5,093	3,350
Disposals	(2,237)	(2,629)
Fair value 31 December	19,608	16,206

Financial instruments, which are priced using non-observable input, include private placement in private equity funds and private placement in unquoted equities (long-term equity).

For private equity, valuation is based on IPEV (International Private Equity and Venture Capital) valuations guidelines, which set out the principles for determining the price for which independent parties would trade the shares. The fair value would not vary significantly if one or more inputs were changed.

For unquoted equities (long-term equity), valuation is based on a valuation model using input such as relevant multiples of a set of comparable companies, pro-forma adjusted operating income and adjusted net interest bearing debt.

Investments in unquoted long-term equity are stated at fair value using a valuation model based on the following inputs:

	2020	2019
Pro-forma adjusted operating income	Individual	Individual
Multiples for comparable companies	14.0x - 18.8x	13.6x - 16.6x
Adjusted net interest bearing debt	Individual	Individual

The most significant input for the valuation model is the multiples for comparable companies. If this multiple decreased by 1.0x, the fair value would be reduced by around DKK 635 million.

Accounting policies

Subsidiaries, associates and other financial assets that fall into Securities are recognised in accordance with IFRS 9 at fair value through profit and loss. Investments are initially recognised at cost and subsequently adjusted to fair value. Fair value equals active market data or internationally

accepted valuation models. Realised and unrealised gains and losses (including unrealised foreign exchange rate gains and losses) are recognised in the income statement as operating profit from investment activities. Transactions are recognised at the trade date.

3.5. JOINT ARRANGEMENTS

Profit from joint arrangements is pro-rata consolidated into the income statement as investment activities, covering:

(m DKK)	2020	2019
Borkum Riffgrund 1	193	278
Burbo Bank Extension	88	154
Operating profit from joint arrangements	281	432

The operating profit from joint arrangements can be split into:

(m DKK)	2020	2019
Revenue	885	838
Operating costs	(168)	(167)
Depreciation*	(435)	(233)
Financial items	(1)	(6)
Operating profit from joint arrangements	281	432

Non-current assets from joint arrangements:

Property, plant and equipment	4,568	5,168
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* The KIRKBI Group has changed depreciation method for its offshore windparks from linear to sum-of-the year depreciation to follow industry standard. The change has effected the income statement negatively with DKK 202 million for 2020 compared with 2019.

Accounting policies

The offshore wind farms Borkum Riffgrund 1 offshore Windpark A/S GmbH & Co. OHG and Burbo Extension Ltd. are companies whose legal form confers separation between the parties to the joint arrangement and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties of the respective joint arrangements

have rights to the assets and obligations for the liabilities of the joint arrangement. However, there is a contractual arrangement that secures the parties with control over the output from the joint arrangement. Accordingly, Borkum Riffgrund 1 offshore Windpark A/S GmbH & Co. OHG and Burbo Extension Ltd. are classified as joint operations in the KIRKBI Group, and therefore consolidated on a pro rata basis.

SECTION 4 – WORKING CAPITAL

4.1. INVENTORIES

(m DKK)	2020	2019
Raw materials and components	194	199
Work in progress	1,124	1,202
Finished goods	1,784	1,423
	3,102	2,824
The cost of inventory recognised as an expense in operating profit from the LEGO Group including write-down of inventories to net realisable value (expense)	8,690	7,787
	32	25

Accounting policies

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated

on the basis of normal production capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.2. TRADE RECEIVABLES

(m DKK)	2020	2019
Trade receivables (gross)	7,798	8,174
Provisions for bad debts:		
Balance at the beginning of the year	(840)	(833)
Exchange adjustment to year-end rate	54	(21)
Change in provisions for the year	(266)	5
Realised losses for the year	23	9
Balance at the end of the year	(1,029)	(840)
Trade receivables (net)	6,769	7,334

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

The KIRKBI Group has no significant trade receivables concentrated in specific countries, but has some single significant trade debtors. The KIRKBI Group has fixed procedures for determining the KIRKBI Group's granting of credit. The KIRKBI Group's risk relating to trade receivables is considered to be moderate.

The age distribution of gross trade receivables is as follows:

(m DKK)	2020	2019
Not overdue	6,778	7,278
0 - 60 days overdue	523	358
61 - 120 days overdue	22	11
121 - 180 days overdue	12	14
More than 180 days overdue	463	513
	7,798	8,174

Accounting policies

Trade receivables are initially recognised at fair value equal to the transaction price, and subsequently measured at amortised cost less allowance for lifetime expected credit losses.

Trade receivables are written off when all possible options have been exhausted and there are no reasonable expectations of recovery.

The KIRKBI Group applies the IFRS 9 simplified approach to measure expected credit loss and a lifetime expected loss allowance for all trade receivables.

Exposure to credit risk on trade receivables is guided by the KIRKBI Group's policies. Credit limits are set based on the customer's financial position and current market conditions.

4.3. OTHER LIABILITIES

(m DKK)	2020	2019
Liabilities related to wages and other charges	2,761	1,700
Other current liabilities	3,850	3,651
	6,611	5,351
Specified as follows:		
Non-current	261	314
Current	6,350	5,037
	6,611	5,351

Accounting policies

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

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 KIRKBI Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.4. PROVISIONS

(m DKK)	2020	2019
Restructuring	19	-
Decommissioning windfarms	214	216
Other	214	153
Provisions at 31 December	447	369
Specified as follows:		
Non-current	353	354
Current	94	15
	447	369

Provision for decommissioning of wind farms relates to obligation to restore the areas with expected cash outflows more than 20 years from now.

Other provisions consist of various types of provisions, primarily provisions for asset retirement regarding leased premises and employee related provisions comprising retirement packages and severance.

Accounting policies

Provisions are recognised when the KIRKBI 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 KIRKBI 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.

4.5. REVERSALS OF ITEMS WITH NO EFFECT ON CASH FLOWS

(m DKK)	2020	2019
Depreciation, amortisation and impairment	2,823	2,333
Gain/loss on disposals	27	99
Fair value adjustments investment real estate	17	(225)
Revaluation of securities etc.	2,621	(7,090)
Net movements in provisions	92	21
Net income/loss from associates	2,031	8
	7,611	(4,854)

4.6. CHANGES IN WORKING CAPITAL

(m DKK)	2020	2019
Inventories	(278)	(108)
Trade and other receivables	915	(483)
Trade and other payables	1,119	(549)
	1,756	(1,140)

SECTION 5 – TAXES

5.1. INCOME TAX EXPENSE

(m DKK)	2020	2019
Current tax on profit for the year	2,895	3,853
Deferred tax on profit for the year	(120)	(6)
Effect of change in tax rate	(5)	-
Other	41	(2)
Prior year adjustments	6	(33)
	2,817	3,812
Income tax expenses are specified as follows:		
Calculated 22% (22%) tax on profit for the year before income tax	2,021	4,529
Tax effect of		
Higher/(lower) tax rate in subsidiaries	(192)	(199)
Non-taxable income	(223)	(757)
Non-deductible expenses/fair value adjustments	1,055	146
Effect of change in tax rate	(5)	-
Adjustment of tax relating to previous years	6	(33)
Other	155	126
	2,817	3,812
Effective tax rate	30.5%	18.5%

Accounting policies

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates

to items recognised in other comprehensive income. In this case, tax is also recognised in other comprehensive income.

5.2. DEFERRED TAX

(m DKK)	2020	2019
Deferred tax, net at 1 January	(308)	(349)
Exchange adjustment to year-end rate	(34)	9
Income statement charge	133	23
Effect of change in tax rate	5	9
Other	(25)	-
Deferred tax, net at 31 December	(229)	(308)

Classified as:

Deferred tax assets	804	757
Deferred tax liabilities	(1,033)	(1,065)
	(229)	(308)

(m DKK)	Deferred tax asset	Deferred tax liability	Deferred tax net
2020			
Non-current assets	49	(1,096)	(1,047)
Receivables	365	(3)	362
Inventories	112	(132)	(20)
Provisions	257	-	257
Other liabilities	230	(11)	219
Offset	(209)	209	-
	804	(1,033)	(229)
2019			
Non-current assets	102	(1,116)	(1,014)
Receivables	89	(1)	88
Inventories	322	(105)	217
Provisions	233	(1)	232
Other liabilities	185	(16)	169
Offset	(174)	174	-
	757	(1,065)	(308)

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. There are no tax losses carry-forward end of 2020 (DKK 0 million in 2019 expires after 5 years).

Accounting policies

Deferred 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.

Deferred tax reflects the effect of any temporary differences. 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. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

SECTION 6 – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1. DEPRECIATION AND AMORTISATION

(m DKK)	2020	2019
Intangible asset amortisation	96	113
Property, plant and equipment, depreciation and impairment	2,044	1,712
Right-of-use assets, depreciation	683	508
	2,823	2,333

On property, plant and equipment the KIRKBI Group recognised impairment losses of DKK 45 million (2019

DKK 52 million) recognised within investment activities (2019 within administration costs).

Accounting policies

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

Buildings	25-50 years
Installations	5-20 years
Plant and equipment	2-25 years
Other fixtures, 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.

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

6.2. INTANGIBLE ASSETS

2020 (m DKK)	Goodwill, trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,483	616	13	3,112
Exchange adjustment to year-end rate	(19)	(2)	-	(21)
Additions	14	24	26	64
Disposals	(5)	(1)	-	(6)
Transfers	-	4	(4)	-
Cost at 31 December	2,473	641	35	3,149
Amortisation and impairment losses at 1 January	(238)	(431)	-	(669)
Exchange adjustment to year-end rate	19	3	-	22
Amortisation for the year	(1)	(95)	-	(96)
Disposals	-	1	-	1
Amortisation and impairment losses at 31 December	(220)	(522)	-	(742)
Carrying amount at 31 December	2,253	119	35	2,407

2019 (m DKK)	Goodwill, trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,177	478	93	2,748
Exchange adjustment to year-end rate	4	1	-	5
Additions	302	45	13	360
Disposals	-	(1)	-	(1)
Transfers	-	93	(93)	-
Cost at 31 December	2,483	616	13	3,112
Amortisation and impairment losses at 1 January	(222)	(331)	-	(553)
Exchange adjustment to year-end rate	(3)	(1)	-	(4)
Amortisation for the year	(13)	(100)	-	(113)
Disposals	-	1	-	1
Amortisation and impairment losses at 31 December	(238)	(431)	-	(669)
Carrying amount at 31 December	2,245	185	13	2,443

Accounting policies

Goodwill, trademarks, patents and other intangible rights

Goodwill and trademarks are initially recognised in the balance sheet at cost and are not amortised. Acquired patents and other intangible 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.

The carrying amount of goodwill, trademarks, patents and other intangible rights is allocated to their respective cash generating units at the acquisition date and is tested for impairment at that level.

Software and development projects

Research expenses are charged to the income statement as incurred. Software and 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 5–10 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible fixed assets under construction is performed.

Borrowing costs related to financing development projects that take a substantial period of time to complete are included in the cost price.

6.3. IMPAIRMENT TEST

Impairment test of trademarks

Annual impairment test is carried out of the carrying amount of trademarks with indefinite useful lives. The impairment test in 2020 did not give rise to recognising any impairment losses.

The carrying amount of trademarks at 31 December breaks down as follows:

(m DKK)	2020	2019
LEGO Brand	1,844	1,831

The recoverable amount is based on the value in use, which is calculated by means of the realised net cash flows from trademark royalties for the current year using a discount rate (WACC) of 8% (2019 8%).

Accounting policies

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 and intangible assets which are not subject to amortisation 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 the value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

6.4. PROPERTY, PLANT AND EQUIPMENT

2020 (m DKK)	Property	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	10,698	14,809	4,242	2,860	32,609
Exchange adjustment to year-end rate	(523)	(329)	(186)	(93)	(1,131)
Reclassification	(100)	-	-	(65)	(165)
Additions	377	642	202	1,311	2,532
Disposals	(8)	(168)	(118)	(4)	(298)
Transfers	721	275	99	(1,095)	-
Cost at 31 December	11,165	15,229	4,239	2,914	33,547
Depreciation and impairment losses at 1 January	(2,240)	(6,828)	(1,813)	(65)	(10,946)
Exchange adjustment to year-end rate	78	106	95	-	279
Reclassification	63	-	-	65	128
Depreciation for the year	(346)	(1,348)	(305)	-	(1,999)
Impairment losses for the year	(45)	-	-	-	(45)
Transfers	-	3	(3)	-	-
Disposals	5	161	103	-	269
Depreciation and impairment losses at 31 December	(2,485)	(7,906)	(1,923)	-	(12,314)
Carrying amount at 31 December 2020	8,680	7,323	2,316	2,914	21,233

Property, plant and equipment in general

Obligations related to the purchase of property, plant and equipment of DKK 1,189 million exist at 31 December 2020 (DKK 1,149 million at 31 December 2019).

2019 (m DKK)	Property	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	9,110	14,240	3,612	3,243	30,205
Exchange adjustment to year-end rate	88	148	38	72	346
Additions	242	588	265	1,541	2,636
Disposals	(17)	(404)	(203)	-	(624)
Reclassification to financial leases	(44)	-	-	-	(44)
Transfer from investment real estate	90	-	-	-	90
Transfers	1,229	237	530	(1,996)	-
Cost at 31 December	10,698	14,809	4,242	2,860	32,609
Depreciation and impairment losses at 1 January	(1,927)	(6,129)	(1,675)	-	(9,731)
Exchange adjustment to year-end rate	(19)	(14)	(22)	-	(55)
Depreciation for the year	(284)	(1,084)	(292)	-	(1,660)
Impairment losses for the year	(52)	-	-	-	(52)
Reclassification to financial leases	38	-	-	-	38
Disposals	4	399	176	(65)	514
Depreciation and impairment losses at 31 December	(2,240)	(6,828)	(1,813)	(65)	(10,946)
Carrying amount at 31 December 2019	8,458	7,981	2,429	2,795	21,663

Accounting policies**Cost**

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

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 included in the cost price.

6.5. LEASES**Right-of-use assets**

The KIRKBI Group leases various assets such as office buildings, store buildings, warehouses, company cars etc.

2020 (m DKK)	Rental of premises	Company cars and other assets	Total
Cost at 1 January	2,385	357	2,742
Additions	493	122	615
Remeasurements	165	3	168
Disposals	(40)	(56)	(96)
Exchange rate adjustments	(142)	(11)	(153)
Cost at 31 December	2,861	415	3,276
Depreciation at 1 January	(398)	(95)	(493)
Depreciation for the year	(561)	(122)	(683)
Disposals	88	39	127
Exchange adjustment to year-end rate	35	5	40
Depreciations at 31 December	(836)	(173)	(1,009)
Carrying amount at 31 December 2020	2,025	242	2,267

Right-of-use assets

2019 (m DKK)	Rental of premises	Company cars and other assets	Total
Cost at 1 January	-	-	-
Change in accounting policy at 1 January	1,883	269	2,152
Additions	410	119	529
Disposals	(48)	(31)	(79)
Exchange rate adjustments	54	-	54
Reclassifications of financial leases	86	-	86
Cost at 31 December	2,385	357	2,742
Depreciation at 1 January	-	-	-
Depreciation for the year	(401)	(107)	(508)
Disposals	42	14	56
Exchange adjustment to year-end rate	(1)	(2)	(3)
Reclassification of financial leases	(38)	-	(38)
Depreciations at 31 December	(398)	(95)	(493)
Carrying amount at 31 December 2020	1,987	262	2,249

	2020	2019
Lease liabilities are recognised in the balance sheet as follows:		
Non-current liabilities	1,777	1,715
Current liabilities	527	510
Total lease liabilities	2,304	2,225

Accounting policies

The right-of-use asset and corresponding lease liability will be recognised at the commencement date, the date the underlying asset is ready for use. The lease terms may include options to extend or terminate the lease when it is reasonably certain that KIRKBI will exercise that option.

Right-of-use assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease incentives received. The lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments are discounted.

Depreciations are done following the straight-line method over the lease term or the useful life of the assets.

The KIRKBI Group applies the short-term lease recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less for all classes of underlying assets, and the exception for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Right-of-use assets normally have the following lease terms:

Rental of premises	3-50 years
Other assets	2-7 years

In 2018 and prior, finance leases were recognised and measured in accordance with IAS 17.

SECTION 7 – RISK MANAGEMENT

7.1. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

Contingent liabilities and other obligations

(m DKK)

	2020	2019
Remaining obligations in investment projects	10,617	7,393
Guarantees	2,647	2,909
Other obligations	1,119	1,297
	14,383	11,599

Remaining obligations in investment projects are mainly commitments to private equity funds and real estate constructions.

Guarantees mainly relate to bank guarantees for commitments.

Other obligations consist of service and license agreements.

Security has been given in land, buildings and installations at a net carrying amount of DKK 3,104 million (DKK 3,079 million in 2019) for the mortgage loans.

The KIRKBI 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 80 million, of which DKK 0 million has been recognised as a provision for deferred tax. The amount of DKK 80 million is not expected to be recaptured.

7.2. FINANCIAL RISKS

The financial risks of the KIRKBI Group are set out in the overall risk management guidelines approved by the Board of Directors. The guidelines include the KIRKBI Group's treasury and investment policy including definition of appropriate risk limits and controls to monitor the risks and ensure adherence to limits.

The overall purpose of the investment portfolio is to create economical value in accordance with the KIRKBI values, i.e. to

- Protect the investment portfolio in the long run
- Support LEGO Group activities through delivering a stable growth of capital with an attractive risk-adjusted return
- Avoid negative spill-over effects on the LEGO® brand, the LEGOLAND® brand and reputation
- Ensure high ethical standard in investments and engagements

Therefore, the investment policy includes, among other items, guidelines and ranges for which investments are considered to be eligible investments and for which investment parameters are to be applied such as limits on issuer, duration, credit rating, country, or economic sector.

The guidelines are reviewed regularly to reflect changes in market conditions, the KIRKBI Group's activities and financial position. A separate and independent risk management function reviews

managers' compliance with the mandates and the adequacy of the mandates to risks and exposures facing the KIRKBI Group.

Investment approach and asset allocation

The KIRKBI Group's activities consist of holdings in LEGO Brand Group assets such as the LEGO Group, LEGO Ventures and Merlin Entertainments Ltd. as well as investments within the areas of real estate, long-term equity, renewables, private equity, quoted equities and fixed income.

The overall purpose implies a portfolio strategy based on firm and conservative investment principles and beliefs learned and built over time. Combined with the financial strength of KIRKBI and continued success of the LEGO Group, it allows KIRKBI to have an asset allocation focused on long-term ownership of equities. However, the clear long-term focused investment beliefs and the focus on the portfolio consequences provide the foundation for a sustained long-term investment strategy.

Financial risk management

For the KIRKBI Group, the concept of risk is divided into two sub-concepts:

- Short-term risk of temporary loss of capital – i.e. quotation risk
- Long-term risk of permanent loss of capital – i.e. capital loss risk

As a long-term investor, the most important risk to avoid is the permanent loss of capital. The financial investments function as a liquid buffer to cover obligations and non-financial risks, the financial investment portfolio is subject to short-term quotation risk.

Credit risk

Financial instruments are entered into with counterparts with investment grade level ratings.

Similarly, the KIRKBI Group only engages with insurance companies with investment grade ratings.

For trade receivables the exposures are managed globally through fixed procedures, and credit limits are set as deemed appropriate for the customer, taking into account current local market conditions. The KIRKBI Group has no significant trade receivables risk concentration in specific countries, but has some single significant trade debtors. Credit risk relating to trade receivables is, as disclosed in note 4.2, considered to be moderate.

For banks and financial institutions, only independently rated parties with an acceptable long-term rating are accepted. The overall credit risks of the KIRKBI Group are considered to be moderate.

Foreign exchange risk

The foreign exchange risk for the KIRKBI Group is mostly related to net inflows in the LEGO Group and investments denominated in foreign currencies.

The LEGO Group's foreign exchange risk is managed centrally in LEGO System A/S based on a foreign exchange policy approved by its Board of Directors. Forward contracts and options are used to hedge purchases and sales in foreign currencies for the LEGO Group. These forward contracts are mainly

classified as hedges and meet the accounting requirements for hedging of future cash flows.

The foreign exchange risks of the investments are managed centrally from the parent company. The overall guidelines have been approved by the Board of Directors and included in the KIRKBI Group's treasury and investment policy.

The most significant exchange risks are in the currencies of USD, CHF and GBP. A negative 10% change in the USD currency would effect the income statement of the KIRKBI Group negatively by DKK 1.6 billion and reduce equity by DKK 1.3 billion. A negative 10% change in the CHF currency would effect the income statement negatively by DKK 0.5 billion and would also reduce equity by DKK 0.5 billion. For GBP, a negative 10% change in the currency it would not impact the income statement significantly, but would reduce equity by DKK 0.6 billion.

The KIRKBI Group's foreign exchange risk is considered to be moderate.

Interest rate risk

The KIRKBI Group's interest rate risk relates mainly to the portfolio of core fixed income and corporate debt instruments. With the current interest rate levels and the composition of the portfolio, an increase of 1% in the interest rate would negatively effect the income statement with DKK 0.3 billion. The KIRKBI Group's interest rate risk is considered low.

Liquidity risk

Liquidity is managed centrally and is continuously assessed. It is ensured that, at any given time, sufficient financial resources are available. Based on cash and the liquid investment portfolio of bonds and quoted equities, the liquidity risk is considered low.

7.3. DERIVATIVE FINANCIAL INSTRUMENTS

Overall hedging activities

The derivatives used by the KIRKBI Group mainly relate to the LEGO Group. The LEGO Group uses a number of derivatives to hedge currency exposure. The hedging activities are categorised into hedging of forecast transactions (cash flow hedges), and hedges of assets and liabilities (fair value hedges).

The changes in fair value of the financial instruments qualifying for hedge accounting are recognised directly under other comprehensive income until the hedged items affect the income statement.

The changes in fair value of the financial instruments not qualifying for hedge accounting are recognised

directly in the income statement. This includes the time value of options.

All changes in fair value of hedging of assets and liabilities (fair value hedging) are recognised directly in the income statement.

Hedging of forecast transactions

The main hedging of forecast transactions relates to USD, where the LEGO Group is hedging for a period up to 12 months. For 2020, a total of DKK 5.5 billion for all currencies has been recognised as forecast transactions qualifying for hedge accounting of which DKK 2.4 billion is related to USD (2019 DKK 4.8 billion of which DKK 2.7 billion is related to USD). The fair value

adjustment for forward transactions recognised directly in other comprehensive income is net positive with DKK 96 million (2019 negative with DKK 45 million) and is not considered material to the consolidated KIRKBI Group income statement.

Hedging of balance sheet items

The main hedging of balance items relates to USD where the LEGO Group is hedging for a period up

to two months. For 2020, a total of DKK 1.6 billion for all currencies has been recognised as hedging of balance sheet items of which DKK 0.7 billion is related to USD (2019 DKK 1.6 billion of which DKK 0.9 billion is related to USD). The fair value adjustment booked as an adjustment to the hedged item is net positive with DKK 73 million (2019 negative with DKK 47 million) and is not considered material to the consolidated KIRKBI Group.

Accounting policies

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Derivative financial instruments are recognised in other receivables and other current liabilities.

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 is recognised in other comprehensive income. Income and expenses relating to these hedge transactions are transferred from equity when the hedged item affects 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 adjustments are transferred from equity to the income statement under financial income or expenses.

7.4. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by valuation category

(m DKK)	2020		2019	
	Fair value through the income statement	Amortised cost	Fair value through the income statement	Amortised cost
Financial assets:				
Investment real estate	8,810	-	8,577	-
Receivable from associates	-	134	-	644
LEGO Ventures investments	360	-	277	-
Finance leases	-	1,323	-	1,399
Other investments	-	126	-	111
Trade and other receivables	-	8,866	-	9,717
Securities	69,035	-	62,371	-
Cash	-	2,176	-	1,664
Total financial assets	78,205	12,625	71,225	13,535
Financial assets measured at fair value through income statement by level:				
Level 1 – Fair value based on listed prices in active markets	45,545		42,354	
Level 2 – Fair value based on valuation techniques with observable market data	3,882		3,811	
Level 3 – Fair value with significant input from data not observable in the market	28,778		25,060	
	78,205		71,225	
(m DKK)		Amortised cost		Amortised cost
Financial liabilities:				
Borrowings (current and non-current)		3,653		3,994
Trade payables		3,564		3,718
Other liabilities (current and non-current)		6,350		5,351
Total financial liabilities		13,567		13,063

Accounting policies

The KIRKBI Group's investment activities (see section 3) and LEGO Ventures investments are measured at fair value through the income statement, which equals listed prices (level 1), valuation

techniques with observable market data (level 2) or internationally accepted valuation models (level 3). All other recognised financial assets and liabilities are measured at amortised cost.

SECTION 8 – OTHER NOTES

8.1. GROUP REVENUE

(m DKK)	2020	2019
Play materials and license from the LEGO Group	43,656	38,544
Revenue in wind farms	885	838
Rent from buildings	549	547
Other revenue	561	620
Total revenue from KIRKBI Group	45,651	40,549

8.2. GROUP EXPENSES BY NATURE

(m DKK)	2020	2019
Raw materials and consumables	5,775	5,603
Employee expenses	8,470	7,047
Depreciation and amortisation	2,114	1,963
License and royalty expenses	3,308	2,777
Other external expenses	11,077	10,317
Trademark and administration costs	748	514
Total operating expenses from LEGO Brand Group activities	31,492	28,221
Administration costs, including donations	369	516
Total operating expenses from KIRKBI Group	31,861	28,737
Research and development costs charged during the year	937	768

8.3. GROUP EMPLOYEE EXPENSES

(m DKK)	2020	2019
Wages and salaries	8,147	6,820
Termination benefit and restructuring	19	(1)
Pension costs, defined contribution plans	275	255
Other expenses and social security costs	606	519
	9,047	7,593
Including remuneration to Executive Management and Board of Directors	37	42
Average number of full-time employees	17,980	16,631

Since the Executive Management only consists of one member, the remuneration of the Executive Management and the Board of Directors is disclosed collectively with reference to § 98b (3) of the Danish Financial Statements Act.

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.

Accounting policies

Wages, salaries, social security contributions, leave and sick leave, bonuses and non-monetary employee benefits are recognised in the year in which the services are rendered. Whenever

the KIRKBI Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

8.4. AUDITORS' FEE

(m DKK)	2020	2019
Fee to Deloitte:		
Statutory audit of the financial statements	3	3
Other assurance engagements	2	1
Tax assistance	15	13
Other services	49	20
	69	37
Fee to PwC:		
Statutory audit of the financial statements	12	12
Other assurance engagements	1	1
Tax assistance	8	9
Other services	17	14
	38	36
Total auditors' fees	107	73

8.5. SHARE CAPITAL

The share capital consists of (m DKK):

- 1 A-shares of DKK 1,000 or multiples thereof
- 199 B-shares of DKK 1,000 or multiples thereof

200 Total shares at 31 December 2020

Each ordinary A share of DKK 1,000 gives 1,000 votes, while each ordinary B share of DKK 1,000 gives 1 vote.

Dividend has been distributed at DKK 2.00 per share (2019 DKK 2.00).

Within the last 5 years, there has been no changes in the share capital.

Accounting policies

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

8.6. NON-CONTROLLING INTERESTS

Information about the KIRKBI Group's subsidiaries which have non-controlling interests.

Non-controlling part Subsidiary	Koldingvej 2, Billund A/S LEGO A/S		Other Other	
(m DKK)	2020	2019	2020	2019
Statement of comprehensive income in subsidiary				
Revenue	43,656	38,544	398	396
Net profit (loss) for the year allocated to the parent company shareholders	9,916	8,306	56	133
Total comprehensive income allocated to the parent company shareholders	9,364	8,430	56	133
Balance sheet in subsidiary				
Non-current assets	16,398	16,705	1,630	1,459
Current assets	20,804	18,241	154	112
Total Liabilities	(13,655)	(12,763)	(399)	(209)
Equity	23,547	22,183	1,385	1,362
Cash flow in subsidiary				
Cash flow from operating activities	13,382	9,645	81	48
Cash flow from investing activities	(1,884)	(2,162)	(158)	(44)
Dividend to shareholders	(8,000)	(8,000)	(53)	(34)
Ownership interest of non-controlling interests	25%	25%	6-49%	6-49%

Consolidation into the KIRKBI Group					Total	
(m DKK)	2020	2019	2020	2019	2020	2019
Carrying amount 1 January	5,546	5,439	126	114	5,672	5,553
Share of net profit allocated to the non-controlling interests	2,479	2,076	7	16	2,486	2,092
Non-controlling interests of net profit	2,479	2,076	7	16	2,486	2,092
Share of comprehensive income allocated to non-controlling interest	(138)	31	-	-	(138)	31
Non-controlling interests of total comprehensive income	2,341	2,107	7	16	2,348	2,123
Other adjustments:						
Dividend paid	(2,000)	(2,000)	(5)	(4)	(2,005)	(2,004)
Carrying amount 31 December	5,887	5,546	128	126	6,015	5,672

8.7. PENSION OBLIGATIONS

Defined contribution plans:

The KIRKBI Group operates a number of defined contribution plans throughout the world. Defined contribution plans are fixed contributions paid to external pension funds after which the KIRKBI Group has no further legal nor constructive obligation towards current or past employees. DKK 240 million (DKK 224 million in 2019) has been recognised in the income statement as pension costs relating to defined contribution plans.

Defined benefit plans:

In a few countries, the KIRKBI Group operates defined benefit plans. The majority of the defined benefit plans in the KIRKBI Group includes employees in Germany,

Mexico and in the US. Defined benefit plans are obligations to pay a specific benefit upon retirement or in health related situations etc. The KIRKBI Group bears the risk and uncertainty as regards sufficient funds being available in the future. The KIRKBI Group does not enter into new defined benefit pension plans. In the KIRKBI Group, a net obligation of DKK 223 million (DKK 209 million in 2019) has been recognised relating to the KIRKBI Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. DKK 22 million (DKK 19 million in 2019) has been recognised in the income statement as costs and DKK 11 million (DKK 35 million in 2019) has been recognised in comprehensive income as a cost.

Accounting policies

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

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 KIRKBI 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 over the vesting period. To the extent that the benefits are vested, the expense is recognised in the income statement immediately.

Actual gains and losses are recognised in other comprehensive income in the period in which they occur.

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

8.8. RELATED PARTY TRANSACTIONS

KIRKBI A/S' related parties comprise Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen, Agnete Kirk Thinggaard and the Board of Directors and the Executive Management of KIRKBI A/S. Related parties also comprise subsidiaries and associates. Related parties further comprise companies where the mentioned shareholders have significant influence.

Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen and Agnete Kirk Thinggaard have as shareholders significant influence in KIRKBI A/S.

In the financial year, a certain number of transactions related to services took place between the owners of KIRKBI A/S and the KIRKBI Group. These services were paid on normal market terms and the total fee paid to KIRKBI A/S amounts to DKK 39 million (2019 DKK 18 million). In the financial year interests paid to

owners of KIRKBI A/S amounted to DKK 7 million (DKK 12 million in 2019).

Transactions related to sales of products and services between associates and the KIRKBI Group amounted to DKK 375 million (DKK 713 million in 2019), which was paid on normal market terms.

There were no transactions with the Board of Directors or the Executive Management besides transactions related to the employment except for the circumstances described above.

For information about remuneration to the Board of Directors and the Executive Management, see note 8.3.

Loans, receivables and commitments related to associates are specified in the KIRKBI Group's balance or related notes.

8.9. POST BALANCE SHEET EVENTS

During the period from 31 December 2020 and until adoption at the annual report, no events have

occurred that could have significant effect on the annual report for 2020.

8.10. GROUP STRUCTURE

Subsidiaries (fully consolidated into the KIRKBI Group)

KIRKBI A/S

LEGO A/S, 75% (Denmark)

Australia	LEGO Australia Pty. Ltd.
Austria	LEGO Handelsgesellschaft mbH
Belgium	LEGO Belgium n.v.
Brazil	LEGO do Brasil Comercio e Distribuição de Brinquedos Ltda
Canada	LEGO Canada Inc.
China	LEGO Education Technology (Shanghai) Co., Ltd.
China	LEGO Trading (Beijing) Co Ltd.
China	LEGO Toy Manufacturing (Jiaxing) Co., Ltd.
China	LEGO Toy (Shanghai) Co., Ltd.
China	LEGO Commerce (Shenzhen) Co. Ltd.
Czech Republic	LEGO Production s.r.o.
Czech Republic	LEGO Trading s.r.o.
Denmark	LEGO System A/S
Denmark	LEGO Security Billund ApS
Finland	Oy Suomen LEGO Ab
France	LEGO SAS
France	LEGO Brand Retail SAS
Germany	LEGO GmbH
Germany	LLD Share Verwaltungs GmbH
Hong Kong	LEGO Hong Kong Limited
Hong Kong	LEGO Company Ltd.
Hong Kong	BrickLink Limited
Hungary	LEGO Hungária Kft.
Hungary	LEGO Manufacturing Kft.
India	LEGO India Private Limited
India	LEG GODT India Private Limited
Italy	LEGO S.p.A.
Japan	LEGO Japan Ltd.
Malaysia	LEGO Trading (Malaysia) Sdn. Bhd
Mexico	LEGO Mexico S.A. de C.V
Mexico	Administración de Servicios LEGO, S. de R.L. de C.V.
Mexico	LEGO Operaciones de Mexico S.A. de C.V.
Mexico	LEGO Real Estate, S.A. de C.V.
New Zealand	LEGO New Zealand Ltd.
Norway	LEGO Norge A/S
Poland	LEGO Polska Sp. z o.o.
Portugal	LEGO Lda.
Romania	LEGO Romania S.R.L.
Russia	LEGO Ltd.
Singapore	LEGO Singapore Pte. Ltd.
South Africa	LEGO South Africa (Pty.) Ltd.
South Korea	LEGO Korea Co. Ltd.
South Korea	SohoBricks LLC
Spain	LEGO S.A.
Sweden	LEGO Sverige AB
Switzerland	LEGO Schweiz AG
Taiwan	LEGO Trading (Taiwan) Co., Ltd.
The Netherlands	LEGO Netherland B.V.
Turkey	LEGO Turkey Oyuncak Tiearet Anonim Sirketi
Ukraine	LEGO Ukraine LLC
United Kingdom	LEGO Park Holding UK Ltd.
United Kingdom	LEGO Lifestyle International Ltd.
United Kingdom	LEGO Company Limited
USA	LEGO Systems Inc.
USA	LEGO Brand Retail Inc.
USA	LEGO Bricklink Inc.
Utd.Arab Emir.	LEGO Middle East FZ-LLC

KIRKBI Invest A/S, 100% (Denmark)

Denmark	KIRKBI Anlæg A/S
Denmark	KIRKBI Operationel Support ApS
Denmark	KIRKBI Real Estate Investment A/S
Denmark	LEGO Juris A/S
Denmark	Mølholm-Klinikken Ejendom ApS
Denmark	Neue Flora Invest A/S
Denmark	K & C Holding A/S
Denmark	Blue Hors ApS
Denmark	Schelenborg Gods ApS
Denmark	Privathospital Mølholm P/S, 91%
Denmark	HCM A/S, 51%
Denmark	Privatmedicinsk Klinik Mølholm A/S
Germany	Blue Hors GmbH
Germany	KIRKBI Real Estate Investment GmbH
Germany	Einsteinstrasse GmbH, 90%
Germany	Elsenheimerstrasse GmbH
Germany	Maxor 4 GmbH, 94%
Japan	LLJ Investco KK
Switzerland	KIRKBI AG
Switzerland	KIRK AG
Switzerland	Valbella Resort AG

Subsidiaries within investment activities (accounted for using fair value through the income statement)

USA	Adapture Renewables Inc., 91.8%
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Subsidiaries within LEGO Ventures (accounted for using fair value through the income statement)

Denmark	Light Brick A/S
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Joint Operations (accounted for using pro-rata consolidation)

Denmark	Boston Holding A/S, 63%
Germany	Borkum Riffgrund I Offshore Windpark A/S GmbH & Co. OHG, 50%
United Kingdom	KIRKBI Burbo Extension Holding Ltd.
United Kingdom	Burbo Extension Holding Ltd., 25%
United Kingdom	Burbo Extension Ltd., 25%

Associates (accounted for using the equity method)

Denmark	Founders A/S, 33.3%
United Kingdom	Merlin Entertainments Ltd., 47.5%
United Kingdom	Motion JVCO Ltd., 47.5%

Associates within investment activities (accounted for using fair value through the income statement)

Denmark	Falck A/S, 28.6%
Denmark	Nilfisk A/S, 20.3%
Denmark	Armacell International S.A, 43.5%
Sweden	Välinge Group AB, 48.3%

Associates within LEGO Ventures (accounted for using fair value through the income statement)

Sweden	Peppy Pals AB, 23.6%
USA	Evolve Additive Solutions, Inc., 24.6%
United Kingdom	Eedi Ltd. 27.7%

KIRKBI Estates Ltd., 100% (United Kingdom)





PARENT COMPANY

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INCOME STATEMENT & COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2020	2019
Dividend from investments in subsidiaries		17,257	6,000
Other net income		31	27
Administration costs	2	(437)	(477)
Operating profit		16,851	5,550
Financial income		11	-
Financial expenses	3	(23)	(12)
Profit before tax		16,839	5,538
Tax on profit for the year	4	72	96
Profit for the year		16,911	5,634
Statement of comprehensive income			
Profit for the year		16,911	5,634
Other comprehensive income after tax		(1)	(5)
Total comprehensive income for the year		16,910	5,629
Proposed distribution			
Dividend		400	200
Transferred to retained comprehensive income		16,510	5,429
Total comprehensive income for the year		16,910	5,629

BALANCE SHEET AT 31 DECEMBER

(m DKK)	Note	2020	2019
ASSETS			
Non-current assets			
Property		630	652
Other fixtures, fittings, tools and equipment		34	18
Fixed assets under construction		1,496	1,157
Property, plant and equipment	5	2,160	1,827
Investments in subsidiaries	6	47,665	47,408
Other investments		15	13
Deferred tax assets	8	-	5
Other non-current assets		47,680	47,426
Total non-current assets		49,840	49,253
Current assets			
Receivables from subsidiaries		11,093	2,783
Current tax receivables		-	1,356
Other receivables		71	44
Securities		8,751	-
Cash		5	2
Total current assets		19,920	4,185
TOTAL ASSETS		69,760	53,438

BALANCE SHEET AT 31 DECEMBER PARENT COMPANY

(m DKK)	Note	2020	2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital		200	200
Retained comprehensive income		68,540	52,230
Proposed dividend		400	200
Total equity		69,140	52,630
LIABILITIES			
Non-current liabilities			
Borrowings	7	133	143
Deferred tax liabilities		4	-
Other long-term liabilities	7	146	137
Total non-current liabilities		283	280
Current liabilities			
Borrowings	7	15	10
Banks		-	3
Payables to subsidiaries		16	257
Payables to associates		2	-
Trade payables		37	54
Current tax liabilities		19	-
Other short-term liabilities		248	204
Total current liabilities		337	528
Total liabilities		620	808
TOTAL EQUITY AND LIABILITIES		69,760	53,438
Contingent liabilities and other obligations	9		

STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained comprehensive income	Proposed dividend	Total
2020				
Equity at 1 January	200	52,230	200	52,630
Profit for the year	-	16,511	400	16,911
Other comprehensive income for the year	-	(1)	-	(1)
Total comprehensive income for the year	-	16,510	400	16,910
Dividend 2019, reversed	-	200	(200)	-
Dividend	-	(400)	-	(400)
Equity at 31 December	200	68,540	400	69,140
2019				
Equity at 1 January	200	47,001	200	47,401
Profit for the year	-	5,434	200	5,634
Other comprehensive income for the year	-	(5)	-	(5)
Total comprehensive income for the year	-	5,429	200	5,629
Dividend	-	(200)	(200)	(400)
Equity at 31 December	200	52,230	200	52,630

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2020	2019
Operating profit		16,851	5,550
Interest paid		(12)	(12)
Income tax (paid)/received		1,456	(826)
Reversals of items with no effect on cash flows		39	71
Changes in working capital		(8,549)	7,122
Cash flows from operating activities		9,785	11,905
Purchases of property, plant and equipment		(364)	(433)
Proceeds from sale of subsidiaries		-	2,734
Investment in subsidiaries		(257)	(13,800)
Investment in Securities		(8,751)	-
Disposal of fixed assets		-	1
Other investments		(2)	-
Cash flows from investing activities		(9,374)	(11,498)
Dividend paid to shareholders		(400)	(400)
Repayments of borrowings		(8)	(11)
New borrowings		-	3
Cash flows from financing activities		(408)	(408)
Net cash flows		3	(1)
Cash and bank deposits at 1 January		2	3
Cash and bank deposits at 31 December		5	2

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company KIRKBI A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act, for reporting class C enterprises (Large).

The accounting policies for the Parent Company and for the KIRKBI Group are identical except for the following:

Dividend from investments in subsidiaries

Dividend from investments in subsidiaries is recognised in the income statement of the parent company in the year the dividends are declared. If the dividend

distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Cost includes the fair value of the purchase consideration plus direct purchase costs.

If there is an indication of impairment, impairment testing is carried out as described in the accounting policies for the consolidated financial statements. Where the carrying value exceeds the recoverable amount, it is written down to the recoverable amount.

NOTE 2. EMPLOYEE EXPENSES

(m DKK)	2020	2019
Wages and salaries	317	320
Pension costs	6	5
Other staff costs and social security costs	3	2
Employee expenses	326	327
Including remuneration to Executive Management and Board of Directors	36	41
Number of employees	152	145

Since the Executive Management only consists of one member, the remuneration of the Executive Management and the Board of Directors is disclosed collectively with reference to § 98b (3) of the Danish Financial Statements Act.

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.

NOTE 3. FINANCIAL EXPENSES

(m DKK)	2020	2019
Interest to subsidiaries	-	1
Other financial expenses and exchange losses	23	11
	23	12

NOTE 4. TAX ON PROFIT FOR THE YEAR

(m DKK)	2020	2019
Current tax on profit for the year	(84)	(85)
Changes in deferred tax	9	(4)
Adjustment of tax relating to previous years, current tax	3	(7)
	(72)	(96)
Income tax expenses are specified as follows:		
Calculated 22% (22%) tax on profit for the year before income tax	3,705	1,218
Non-taxable income	(3,782)	(1,320)
Non-deductible costs	8	13
Adjustment of tax relating to previous years	(3)	(7)
	(72)	(96)

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

2020 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	798	21	1,157	1,976
Additions	1	16	347	364
Transfer	8	-	(8)	-
Cost at 31 December	807	37	1,496	2,340
Depreciation and impairment losses at 1 January	146	3	-	149
Depreciation for the year	31	-	-	31
Depreciation and impairment losses at 31 December	177	3	-	180
December	630	34	1,496	2,160

2019 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	614	17	913	1,544
Additions	1	5	427	433
Disposals	-	(1)	-	(1)
Transfer	183	-	(183)	-
Cost at 31 December	798	21	1,157	1,976
Depreciation and impairment losses at 1 January	115	2	-	117
Depreciation for the year	31	1	-	32
Depreciation and impairment losses at 31 December	146	3	-	149
Carrying amount at 31 December	652	18	1,157	1,827

NOTE 6. INVESTMENTS IN SUBSIDIARIES

(m DKK)	2020	2019
Cost at 1 January	47,408	36,342
Additions (Conversion of receivable from subsidiaries)	-	13,800
Additions	257	-
Disposals	-	(2,734)
Cost at 31 December	47,665	47,408

Subsidiaries	Domicile	Currency	Nominal capital	Ownership/Votes %
LEGO A/S	Denmark	DKK	20,000,000	75%
KIRKBI Invest A/S	Denmark	DKK	132,000,000	100%
KIRKBI Estates Ltd.	United Kingdom	GBP	22,000,000	100%

NOTE 7. NON-CURRENT LIABILITIES

(m DKK)	Total debt	Due within 1 year	Due between 2 and 5 years
Borrowings	143	10	41
Other long-term liabilities	151	5	146
	294	15	187

NOTE 8. DEFERRED TAX

(m DKK)	2020	2019
Deferred tax, net at 1 January	5	1
Change in deferred tax	(9)	4
Provision for deferred tax, net at 31 December	(4)	5

Classified as:

Deferred tax assets	-	5
Deferred tax liabilities	(4)	-
	(4)	5

NOTE 9. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

(m DKK)	2020	2019
Remaining obligations in investment projects	233	429
Guarantees for group enterprises' balances with credit institutions	2,049	2,126
Total	2,282	2,555

Security has been given in land, buildings and installations at a net carrying amount of DKK 148 million (DKK 157 million in 2019) for the company's mortgage loans.

The Parent Company is the KIRKBI Group's administration company in relation to the Danish tax authorities in as far as national, joint taxation is concerned.

NOTE 10. RELATED PARTY TRANSACTIONS

KIRKBI A/S' related parties comprise Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen, Agnete Kirk Thinggaard and the Board of Directors and the Executive Management of KIRKBI A/S. Related parties also comprise subsidiaries and associates and Boards of Directors and Executive Management in these companies. Related parties further comprise companies where the mentioned shareholders have significant influence.

Kjeld Kirk Kristiansen, Sofie Kirk Kristiansen, Thomas Kirk Kristiansen and Agnete Kirk Thinggaard have as shareholders significant influence in KIRKBI A/S.

In the financial year a certain number of transactions related to services took place between the owners

of KIRKBI A/S and KIRKBI A/S. These services have been paid on normal market conditions and the total fee paid to KIRKBI A/S amounts to DKK 21 million (2019 DKK 7 million).

There were no transactions in the financial year with the Board of Directors or the Executive Management besides transactions related to employment, except from the circumstances described above.

For information of remuneration to the Board of Directors and the Executive Management, see note 2.

Transactions with subsidiaries and associates have included the following:

(m DKK)	2020	2019
Rental income	65	62
Sale of services	102	99
Financial expenses	-	(1)
Rental expenses	(9)	(9)
Purchase of services	(50)	(44)

Loans, receivables and commitments related to subsidiaries and associates are specified in the balance sheet or in the notes.







ADDITIONAL INFORMATION

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MANAGEMENT'S STATEMENT

Today, the Board of Directors and Executive Management have discussed and approved the annual report of KIRKBI A/S for the financial year 1 January – 31 December 2020.

The annual report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the management's review includes a fair review of the development in the Group's and the Parent Company's operations and economic conditions, the results for the year and the financial position of the Group and the Parent Company, as well as a review of the most significant risks and elements of uncertainty facing the Parent Company and the Group, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

We recommend the adoption of the annual report at the annual general meeting of shareholders.

Billund, 10 March 2021

EXECUTIVE MANAGEMENT

Søren Thorup Sørensen,
CEO

BOARD OF DIRECTORS

Kjeld Kirk Kristiansen,
Chairman

Niels Jacobsen,
Deputy Chairman

Jeppe Christiansen

Michael Halbye

Thomas Kirk Kristiansen

Marie-Louise Aamund

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KIRKBI A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of KIRKBI A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020, and of the results of their operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON THE MANAGEMENT'S REVIEW MANAGEMENT IS RESPONSIBLE FOR THE MANAGEMENT'S REVIEW.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS
Management is responsible for the preparation of consolidated financial

statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

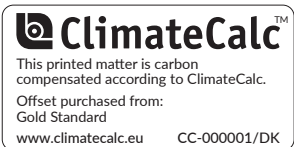
Aarhus, 10 March 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Thomas Rosquist Andersen
State-Authorised Public Accountant
MNE-no. mne31482

Nikolaj Thomsen
State-Authorised Public Accountant
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