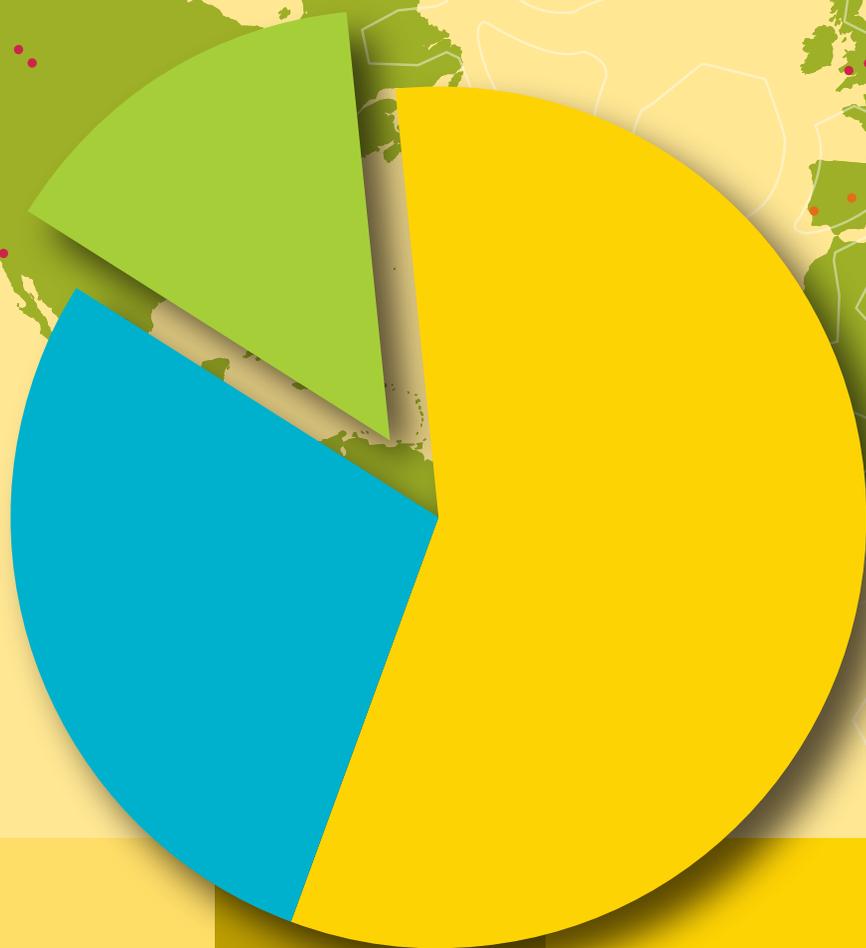
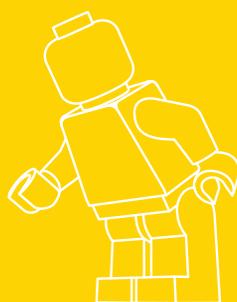


Annual Report

THE LEGO GROUP



2010



Financial Highlights

The LEGO Group

(mDKK)

	2010	2009	2008	2007	2006
Income Statement:					
Revenue	16,014	11,661	9,526	8,027	7,798
Expenses	(10,899)	(8,659)	(7,522)	(6,556)	(6,393)
Operating profit before special items	5,115	3,002	2,004	1,471	1,405
Special items	(142)	(100)	96	(22)	(80)
Financial income and expenses	(84)	(15)	(248)	(35)	(44)
Profit before income tax	4,889	2,887	1,852	1,414	1,281
Net profit for the year	3,718	2,204	1,352	1,028	1,290
Balance Sheet:					
Total assets	10,972	7,788	6,496	6,009	6,907
Equity	5,473	3,291	2,066	1,679	1,191
Liabilities	5,499	4,497	4,430	4,330	5,716
Cash Flow Statement:					
Cash flows from operating activities	3,744	2,712	1,954	1,033	1,157
Investment in property, plant and equipment	1,077	1,042	368	399	316
Investment in intangible assets	123	216	75	34	-
Cash flows from financing activities	(3,477)	(906)	(1,682)	(467)	597
Total cash flows	(871)	558	128	592	1,925
Employees:					
Average number (full-time)	8,365	7,286	5,388	4,199	4,908
Financial ratios (in %):					
Gross margin	72.4	70.3	66.8	65.0	64.9
Operating margin (ROS)	31.1	24.9	22.0	18.1	17.0
Net profit margin	23.2	18.9	14.2	12.8	16.5
Return on equity (ROE)	84.8	82.3	72.2	71.6	147.1
Return on invested capital (ROIC I)	161.2	139.5	101.8	69.7	63.6
Return on invested capital (ROIC II)	157.9	138.0	113.8	77.1	67.4
Equity ratio	49.9	42.3	31.8	27.9	17.2
Equity ratio (incl. subordinate loan)	49.9	42.3	39.5	46.2	33.2

Financial ratios have been calculated in accordance with the "Recommendations and Financial Ratios 2010", issued by the Danish Society of Financial Analysts. For definitions, please see the section on accounting policies.

Parentheses denote negative figures.

Annual Report 2010

Annual Report 2010 is published for the LEGO Group by Corporate Finance, Group Finance and Corporate Communications.

Design and print: GRC Graphic House

LEGO, the LEGO logo, the Brick configuration, the Minifigure and DUPLO are trademarks of the LEGO Group.
© 2011 The LEGO Group.

© 2011 Lucasfilm Ltd. & TM. All rights reserved.

CONTENTS

5	Company Information
6	Management's Statement
7	Independent Auditor's Report
8	Management's Review
11	Income Statement 1 January - 31 December, the LEGO Group
12	Balance Sheet at 31 December, the LEGO Group
14	Statement of Changes in Equity, the LEGO Group
15	Cash Flow Statement 1 January - 31 December, the LEGO Group
16	Notes, the LEGO Group
45	Income Statement 1 January - 31 December, Parent Company
46	Balance Sheet at 31 December, Parent Company
48	Statement of Changes in Equity, Parent Company
49	Notes, Parent Company
57	Group Structure



LEGO A/S
Aastvej 1
DK-7190 Billund, Denmark

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



Company Information

Management Board

Jørgen Vig Knudstorp

Chief Executive Officer and President

Sten Daugaard

Chief Financial Officer

Corporate Management

Christian Iversen

Executive Vice President,
Corporate Center

Mads Nipper

Executive Vice President,
Markets and Products

Iqbal Padda

Executive Vice President,
Global Supply Chain

Lisbeth Valther Pallesen

Executive Vice President,
Community, Education and Direct

Board of Directors

Niels Jacobsen

Chairman of the Board since 2008.

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

Kjeld Kirk Kristiansen

Deputy Chairman of the Board since
1996. Member of the Board since 1975.

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

Thomas Kirk Kristiansen

Member of the Board since 2007.

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

Kåre Schultz

Member of the Board since 2007.

Executive Vice President and COO of
Novo Nordisk A/S, Denmark.
Chairman of the Board of Royal Unibrew A/S.

Caroline Søeborg Ahlefeldt-Laurvig-Bille

Member of the Board since 2008.

CEO of CASALBI ApS.
Chairman of the Board of 2BM A/S.
Deputy Chairman of Odense Theatre.
Member of the Board of a number of other
companies, including NOIR, Illuminati II A/S,
DYRBERG/KERN, COOP A/S and Vækstfonden.

Torben Ballegaard Sørensen

Member of the Board since 2005.

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

Søren Thorup Sørensen

Member of the Board since April 2010.

CEO of KIRKBI A/S.
Member of the Board of TDC and TopDanmark

Auditors

PwC,
Statsautoriseret Revisionsaktieselskab

Management's Statement

The Management Board and the Board of Directors have today considered and adopted the Annual Report of LEGO A/S for the financial year 1 January – 31 December 2010.

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

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial

position at 31 December 2010 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January - 31 December 2010.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

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

Billund, 23 February 2011

Management Board



Jørgen Vig Knudstorp
President and CEO



Sten Daugaard
CFO

Board of Directors



Niels Jacobsen
Chairman



Kjeld Kirk Kristiansen
Deputy Chairman



Thomas Kirk Kristiansen



Kåre Schultz



Caroline Søbørg Ahlefeldt-Laurvig-Bille



Torben Ballegaard Sørensen



Søren Thorup Sørensen



Independent Auditor's Report

To the Shareholders of LEGO A/S

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements, the Financial Statements and Management's Review of LEGO A/S for the financial year 1 January - 31 December 2010. The Consolidated Financial Statements and the Financial Statements comprise Income Statement, Assets, Liabilities and Equity, Statement of Changes in Equity and Notes for the Group and the Company as well as Statement of Comprehensive Income and Cash Flow Statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Financial Statements, and the Financial Statements are prepared in accordance with the Danish Financial Statements Act. Management's Review is prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility

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

Auditor's Responsibility and Basis of Opinion

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

Financial Statements and Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements, the Financial Statements and Management's Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Financial Statements and Management's Review, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of Consolidated Financial Statements and Financial Statements and to the preparation of a Management's Review that includes a true and fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Financial Statements and Management's Review.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group at 31 December 2010 and of the results of the Group operations and cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Financial Statements.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2010 and of the results of the Company operations for the financial year 1 January - 31 December 2010 in accordance with the Danish Financial Statements Act.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company in accordance with the Danish Financial Statements Act.

Billund, 23 February 2011

PwC

Statsautoriseret Revisionsaktieselskab

Lars Holtug
State Authorized Public Accountant

Henrik Kragh
State Authorized Public Accountant

Management's Review

The strong growth achieved by the LEGO Group in recent years continued at the same pace in 2010. The sale of LEGO® products grew considerably all over the world, and the Group's earnings increased significantly.

The LEGO Group's profit before tax amounted to DKK 4,889 million in 2010 against DKK 2,887 million the year before. The result is considered highly satisfactory.

Sales

The LEGO Group's revenue increased by 37.3% in 2010 to DKK 16,014 million against DKK 11,661 million the year before.

Particularly the markets defined by the LEGO Group as special growth areas, the USA, Great Britain, Russia and Eastern Europe, have contributed to the extensive growth, but all the LEGO Group's markets gained market shares in a slightly increasing global toy market.

The classic product lines such as LEGO City, LEGO DUPLO® and LEGO Star Wars™ created the highest sales in 2010. However, nearly all product lines showed higher increases in 2010 than expected.

The new online game LEGO Universe was launched at the end of 2010 and therefore only had limited effect on sales in 2010, but did not meet expectations for the year.

Licence and royalty expenses

Licence and royalty expenses increased in 2010 to DKK 988 million from DKK 694 million in 2009.

The item includes royalty to the KIRKBI Group for the use of trademarks, including the LEGO trademark, but also includes licence agreements with inventors, designers and other licensees for the use of intellectual rights.

Licence income from other companies' use of the LEGO Group's trademarks increased in 2010 by DKK 33 million to DKK 145 million.

Profit before special items, financial income and expenses and tax

The LEGO Group's profit before special items, financial income and expenses and tax amounted to DKK 5,115 million in 2010 against DKK 3,002 million in 2009.

The operating margin (ROS) was 31.1% in 2010 against 24.9% in 2009.

The highly satisfactory results are mainly attributable to the massive sales increases and continuous cost control.

Special items

The LEGO Group has performed an impairment assessment of the Group's intangible assets as of 31 December 2010. Consequently, the Group has recognized a write-down amounting to DKK 150 million.

Financial income and expenses

Net financials amounted to an expense of DKK 84 million in 2010 against DKK 15 million in 2009.

Corporation tax

Corporation tax amounts to DKK 1,171 million against DKK 683 million the year before. The effective tax rate for the year is 24% which is the same level as in 2009.

Profit for the year

The LEGO Group's profit for the year amounted to DKK 3,718 million in 2010 against DKK 2,204 million in 2009.

Equity and cash flows

Group assets increased by DKK 3,184 million and amount to DKK 10,972 million against DKK 7,788 million at the end of 2009. Return on invested capital (ROIC) was 161.2% in 2010 against 139.5% in 2009.

After recognition of the profit for the year and distribution of dividend, Group equity increased by DKK 2,182 million to DKK 5,473 million in 2010.

At the end of 2010, the equity ratio of the Group was 49.9%. Return on equity for the Group reached 84.8% in 2010 against 82.3% in 2009.

Cash flows from operating activities amounted to DKK 3,744 million against DKK 2,712 million in 2009.

Cash flows from investing and financing activities amounted to DKK -4,615 million against DKK -2,154 million in 2009.

The Group's total cash flows thus amounted to DKK -871 million against DKK 558 million in 2009.

Capacity investments

In 2010, the LEGO Group continued its expansion of production capacity seen in recent years. The expansion primarily includes the completion of a new warehouse at the factory in Kladno, the Czech Republic, and the construction of a new moulding hall at the factory in Monterrey, Mexico. The moulding hall is expected to be ready for use in 2011.

The capacity expansion should be seen in the light of the extensive sales increases in recent years. Based on the capacity expansion, the LEGO Group expects to be able to maintain and increase high supply security for its customers.



Intellectual capital resources

An important condition for the continued success of the LEGO Group is the continuous development of the skills of LEGO employees. Therefore, both talent development and general competence development are very important elements of the Group's People & Culture strategy. Consequently, there has been great focus on the preparation of individual development plans for most LEGO Group employees.

The average number of full-time employees was 8,365 in 2010 against 7,286 in 2009. The increase is attributable both to the capacity expansion and to the large increase in activities in connection with the considerable sales growth. Such an increase in the number of employees places heavy demands on the Group in respect of recruiting, welcoming and introducing new employees. Therefore, investments were made in both centralised and decentralised recruitment resources and tools in 2010.

Moreover, continuous efforts are made to ensure that the new employees are quickly brought to understand the Group's objectives, values and strategic direction.

In support of the Group culture, the basic cultural elements are described in a so-called "brand framework". A more detailed description is found in the LEGO Group's Progress Report 2010.

Sustainability

In 2003, as the first company in the toy industry, the LEGO Group signed the UN Global Compact. This was a confirmation of the many years' support of human rights, labour standards and the environment. Global Compact has later been extended to include anti-corruption. The LEGO Group confirms its support to Global Compact. The LEGO Group issues Progress Report 2010 describing how the LEGO Group is working within the areas of human rights, labour standards, the environment and anti-corruption.

The Progress Report 2010 thus constitutes the statutory statement of social responsibility pursuant to section 99 a of the Danish Financial Statements Act.

The Progress Report 2010 also describes the LEGO Group's efforts to achieve its non-financial goals.

Market development

The LEGO Group's main activity is the development, production, marketing and sale of play materials. The market for traditional toys, in which the Group operates, has for a number of years been under pressure from new product groups; however, in 2010 this market saw a slight increase. The world's largest toy market USA grew by almost two percent while most of Europe saw higher growth rates.

The Japanese toy market continues to be under high pres-

sure while both rest of Asia, Australia/New Zealand and Latin America experienced considerable growth.

LEGO® sales

LEGO City and LEGO *Star Wars* were also in 2010 the two best selling product lines of the LEGO Group.

Other classic lines such as LEGO DUPLO, LEGO Bricks'n'more, LEGO Creator and LEGO Technic are also showing high growth rates. Likewise, quite new product lines such as Atlantis and Hero Factory are contributing to growth.

The global launching of the board games, LEGO Games, which were initially launched on selected markets in 2009, resulted in considerable sales growth in 2010.

At the end of 2010, the LEGO Group for the first time entered the market for online pay games through the launching of LEGO Universe, a so-called MMOG (massively multiplayer online game). As the product was launched at the end of the year, LEGO Universe only had limited effect on sales in 2010.

The LEGO Group achieved growth on all markets in 2010.

The extensive growth on the English-speaking markets seen in recent years was further reinforced in 2010.

Although the consumers in Europe are those who, on average, own the largest number of LEGO bricks in the world, double-digit growth rates were realised in most markets. The highest growth rates are seen on the Eastern European markets and Great Britain being part of the focus areas of the LEGO Group growth strategy.

Recent years' growth on the Asian markets also continued.

The growth also included Japan, which has achieved double-digit growth rates in 2010 despite the financial crisis in recent years.

Direct sales to consumers, accounting for some 10% of the LEGO Group's sales, have also seen a major increase in 2010. Sales to the educational sector, which have in recent years been impacted by the financial crisis, achieved considerable growth in 2010.

Thanks to the growth generated during the year, the LEGO Group's global market share at the end of 2010 amounts to approximately 5.9%.

Expectations for 2011

On the basis of the development in 2010, a slight increase in the global market for traditional toys is expected also in 2011. Based on the highly satisfactory development of the LEGO Group in 2010 and the significant activities initiated in 2010, the LEGO Group expects sales growth in 2011, though at a lower scale than 2010. The growth is expected to come from the main markets in North America and Europe as well as from the smaller, yet rapidly growing new markets.

Based on this, satisfactory results are expected for 2011.

Income Statement 1 January – 31 December

The LEGO Group

(mDKK)	Note	2010	2009
Revenue	3	16,014	11,661
Production costs	4,6,7	(4,413)	(3,463)
Gross profit		11,601	8,198
Sales and distribution expenses	4,6,7	(4,627)	(3,602)
Administrative expenses	4,5,6,7	(931)	(855)
Other operating expenses	4,6,7,9	(928)	(739)
Operating profit before special items		5,115	3,002
Special items	4,7,8	(142)	(100)
Operating profit		4,973	2,902
Profit from associates after tax	15	-	-
Financial income	10	21	131
Financial expenses	11	(105)	(146)
Profit before income tax		4,889	2,887
Tax on profit for the year	12	(1,171)	(683)
Net profit for the year		3,718	2,204
Allocated as follows:			
Parent Company shareholders		3,696	2,197
Non-controlling interests		22	7
		3,718	2,204
Consolidated statement of comprehensive income			
Profit for the year		3,718	2,204
Cash flow hedges		(201)	-
Tax on cash flow hedges		38	-
Currency translation differences		143	21
Total comprehensive income for the year		3,698	2,225
Allocated as follows:			
Parent Company shareholders		3,676	2,218
Non-controlling interests		22	7
		3,698	2,225

Balance Sheet at 31 December

The LEGO Group

(mDKK)

	Note	2010	2009
ASSETS			
Non-current assets			
Development projects and prepayments for intangible assets		78	116
Software		26	33
Licences, patents and other rights		81	83
Intangible assets	13	185	232
Land, buildings and installations		863	699
Plant and machinery		983	766
Other fixtures and fittings, tools and equipment		384	246
Fixed assets under construction and prepayments		338	219
Property, plant and equipment	14	2,568	1,930
Deferred tax assets	20	180	94
Investments in associates	15	3	3
Other non-current assets		183	97
Total non-current assets		2,936	2,259
Current assets			
Inventories	16	1,327	1,056
Trade receivables	17	3,321	2,128
Other receivables		618	604
Current tax receivables		12	111
Receivables from related parties	30	1,956	-
Cash and cash equivalents	29	802	1,630
Total current assets		8,036	5,529
TOTAL ASSETS		10,972	7,788

Balance Sheet at 31 December

The LEGO Group

(mDKK)	Note	2010	2009
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	20	20
Reserve for hedge accounting		(114)	49
Reserve for currency translation		(138)	(281)
Retained earnings	19	5,684	3,488
LEGO A/S' share of equity		5,452	3,276
Non-controlling interests		21	15
Total equity		5,473	3,291
LIABILITIES			
Non-current liabilities			
Borrowings	26	826	832
Deferred tax liabilities	20	21	82
Pension obligations	21	52	56
Provisions	23	75	20
Other long-term debt	22	92	71
Total non-current liabilities		1,066	1,061
Current liabilities			
Borrowings	26	6	5
Trade payables		1,518	1,336
Current tax liabilities		297	94
Provisions	23	3	100
Other short-term debt	22	2,609	1,901
Total current liabilities		4,433	3,436
Total liabilities		5,499	4,497
TOTAL EQUITY AND LIABILITIES		10,972	7,788

Statement of Changes in Equity

The LEGO Group

(mDKK)

	Share capital	Reserve hedge accounting	Reserve for exchange adjust.	Retained earnings	LEGO Group's share of equity	Minority interests	Total equity
Balance at 1 January 2010	20	49	(281)	3,488	3,276	15	3,291
Comprehensive income/ (expenses) for the year	-	(163)	143	3,696	3,676	22	3,698
Dividend relating to prior year	-	-	-	(1,500)	(1,500)	(16)	(1,516)
Balance at 31 December 2010	20	(114)	(138)	5,684	5,452	21	5,473
Balance at 1 January 2009	20	49	(302)	2,291	2,058	8	2,066
Comprehensive income/ (expenses) for the year	-	-	21	2,197	2,218	7	2,225
Dividend relating to prior year	-	-	-	(1,000)	(1,000)	-	(1,000)
Balance at 31 December 2009	20	49	(281)	3,488	3,276	15	3,291

Cash Flow Statement 1 January – 31 December

The LEGO Group

(mDKK)	Note	2010	2009
Cash flows from operating activities:			
Profit before income tax		4,889	2,887
Interest paid etc		(105)	(146)
Interest received etc		21	131
Income tax (paid)/received		(939)	(619)
Other reversals with no effect on cash flows	27	445	463
Changes in working capital	28	(567)	(4)
Net cash generated from operating activities		3,744	2,712
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,077)	(1,042)
Purchases of intangible assets		(123)	(216)
Proceeds from sale of property, plant and equipment		62	10
Net cash generated from investing activities		(1,138)	(1,248)
Cash flows from financing activities:			
Dividend paid to shareholders		(1,500)	(1,000)
Dividend paid to non-controlling interests		(16)	-
Paid to related parties, net		(1,956)	600
Repayments of borrowings and subordinated loan capital		(5)	(506)
Net cash (used in)/generated from financing activities		(3,477)	(906)
Total cash flows		(871)	558
Cash and cash equivalents at 1 January		1,630	1,129
Exchange gains/(loses) on cash and cash equivalents		43	(57)
Cash and cash equivalents at 31 December	29	802	1,630

Notes

The LEGO Group

Note 1. Significant accounting policies

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

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

Effects of new accounting standards

All new and amended standards and interpretations effective as of 1 January 2010 have been adopted. Standards relevant to the LEGO Group are:

- Amendment of IAS 39 prescribing that a non-optional hedged item in a cash flow hedge has no time value. The amendment is in accordance with current accounting policies and therefore, the implementation of the amendment has no impact on recognition and measurement.

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

- Annual improvements consisting of a number of minor amendments to existing standards.

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

Consolidation practice

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

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

Associates are all entities over which the LEGO Group has significant influence but not control, and are generally represented by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the LEGO Group.

Non-controlling interests include third party shareholders' share of the equity and the results for the year in subsidiaries which are not 100% owned.

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the LEGO 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 recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Notes

The LEGO Group

Note 1. Significant accounting policies, continued

Group companies

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each subsidiary are translated into DKK at the closing rate at the balance sheet date.
- Income and expenses for each subsidiary are translated at average exchange rates.
- Differences deriving from translation of the foreign subsidiaries' opening equity to the exchange rates prevailing at the balance sheet date, and differences owing to the translation of the income statements of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates are recognized in other comprehensive income and classified as a separate reserve for exchange adjustments under equity.

Derivative financial instruments

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

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

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

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

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

Income Statement

Recognition of sales and revenues

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

Provisions and accruals for rebates to customers are made in the period in which the related sales are recorded. Historical data are readily available and reliable and are used for estimating the amount of the reduction in sales.

Revenues from the sale of goods are recognized when all the following specific conditions have been met and the control over the goods has been transferred to the buyer.

- Significant risks and rewards of ownership of the goods have been transferred to the buyer.
- The revenues can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the LEGO Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Licence fees are recognized on an accrual basis in accordance with the relevant agreements.

Revenues are measured at the fair value of the consideration received or receivable.

Taxes

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

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

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

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

Notes

The LEGO Group

Note 1. Significant accounting policies, continued

Balance Sheet

Software, development projects and prepayments for intangible assets

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 recognized as intangible non-current assets at historical cost less accumulated amortization and any impairment loss. Amortization is provided on a straight-line basis over the expected useful life which is normally 3-6 years. Other development costs are recognized 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 and whose commencement date is on or after 1 January 2009 are included in the cost price.

Licences, patents and other rights

Acquired licences, patents and other rights are capitalized on the basis of the costs incurred. These costs are amortized over the shorter of their estimated useful lives and the contractual duration.

Property, plant and equipment

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

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

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

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

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

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

Leases

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

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

Impairment of assets

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

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

Non-current assets held for sale

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

Notes

The LEGO Group

Note 1. Significant accounting policies, continued

Inventories

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

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

Receivables

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

Equity

Reserve for hedge accounting

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

Reserve for exchange adjustments

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries' financial statements from their functional currency into the LEGO Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognized in the income statement.

Dividend distribution

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

Liabilities

Borrowings

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

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

Employee benefits

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

Retirement benefit obligation

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

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

Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates are based on the market yield of high quality corporate bonds in the country concerned approximating to the terms of the LEGO 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 recognized as an expense in the income statement over the vesting period. To the extent that the benefits are vested, the expense is recognized in the income statement immediately.

Notes

The LEGO Group

Note 1. Significant accounting policies, continued

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

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

Provisions

Provisions are recognized when the LEGO Group identifies legal or constructive obligations as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the LEGO Group makes the estimate based upon an evaluation of the individual, most likely outcome of the cases. In cases where a reliable estimate cannot be made, these are disclosed as contingent liabilities.

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

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

Other liabilities

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

Cash Flow Statement

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

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

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

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

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

Note 1. Significant accounting policies, continued

Financial ratios

Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios 2010", issued by the Danish Society of Financial Analysts.

$$\text{Gross margin:} \quad \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Operating margin (ROS):} \quad \frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

$$\text{Net profit margin:} \quad \frac{\text{Net profit for the year} \times 100}{\text{Revenue}}$$

$$\text{Return on equity (ROE):} \quad \frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

$$\text{ROIC I:} \quad \frac{\text{EBITA before special items} \times 100}{\text{Average invested capital}}$$

$$\text{ROIC II:} \quad \frac{\text{EBITA after special items} \times 100}{\text{Average invested capital}}$$

$$\text{Equity ratio:} \quad \frac{\text{Equity (incl. Non-controlling interests)} \times 100}{\text{Total liabilities and equity}}$$

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

Notes

The LEGO Group

(mDKK)

Note 2. Significant accounting estimates and judgements

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

Estimates and judgements used in the determination of reported results are continuously evaluated. Management bases the judgements on historical experience and other assumptions that Management assesses are reasonable under the given circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

Property, Plant & Equipment

Assessment of estimated residual value and useful life of Property, Plant & Equipment requires judgements. It is Management's assessment that the estimates are reasonable.

Inventories

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

Note 3. Revenue

Revenue contains sale of goods and licence income. Sale of goods amounts to DKK 15,869 million (DKK 11,549 million in 2009), and licence income amounts to DKK 145 million (DKK 112 million in 2009)

Note 4. Expenses by nature

	2010	2009
Raw materials and consumables used	2,800	1,820
Employee expenses (note 6)	2,878	2,500
Depreciation, amortization and impairment (note 7)	606	429
Licence and royalty expenses	988	694
Other external expenses	3,769	3,316
Total operating expenses and restructuring expenses	11,041	8,759

Note 5, Auditors' fees

	2010	2009
Fee to PwC:		
Statutory audit of the Financial Statements	9	8
Other assurance engagements	-	1
Tax assistance	5	8
Other services	3	5
	17	22

Notes
The LEGO Group

(mDKK)

Note 6. Employee expenses

	2010	2009
Wages and salaries	2,599	2,232
Pension costs, defined benefit plans (note 21)	6	10
Pension costs, defined contribution plans	131	110
Other expenses and social security expenses	142	113
	2,878	2,465
Classified as:		
Production costs	937	846
Sales and distribution expenses	1,196	954
Administrative expenses	535	475
Other operating expenses	210	190
	2,878	2,465
Including Key Management Personnel:		
Salaries	25	23
Short-term incentive plans	11	10
Long-term incentive plans	10	8
	46	41
Including fee to Board of Directors:	3	3
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.		
Average number of full-time employees	8,365	7,286

Note 7. Depreciation, amortization and impairment

	2010	2009
Licences, patents and other rights	9	86
Software	166	3
Buildings and installations	24	34
Plant and machinery	342	250
Other fixtures and fittings, tools and equipment	65	56
	606	429
Classified as:		
Production costs	347	276
Sales and distribution expenses	59	27
Administrative expenses	49	40
Special items	150	85
Other operating expenses	1	1
	606	429

Notes

The LEGO Group

(mDKK)

Note 8. Special items

	2010	2009
Impairment	150	85
Employee related expenses	2	35
Reversal of provisions for restructuring	(4)	(25)
Other	(6)	5
	142	100

Note 9. Research and development costs

	2010	2009
Research and development costs charged during the year	306	292
	306	292

Note 10. Financial income

	2010	2009
Interest income from related parties	3	11
Interest income from credit institutions	3	8
Other interest income	3	-
Exchange gain, net	12	-
Gains from derivative financial instruments	-	112
	21	131

Note 11. Financial expenses

	2010	2009
Interest expenses on mortgage loans	4	9
Interest expenses to related parties	6	29
Interest expenses to credit institutions	9	18
Other interest expenses	-	2
Loss from derivative financial instruments	86	-
Exchange loss, net	-	88
	105	146

Notes
The LEGO Group

(mDKK)

Note 12. Tax on profit for the year

	2010	2009
Current tax on profit for the year	1,316	627
Deferred tax on profit for the year	(45)	94
Other	1	(2)
Value adjustment on deferred tax	(13)	(37)
Adjustment of tax relating to previous years, current tax	(62)	10
Adjustment of tax relating to previous years, deferred tax	(26)	(9)
	1,171	683
Income tax expenses are specified as follows:		
Calculated 25% tax on profit for the year before income tax	1,222	722
Tax effect of:		
Higher/lower tax rate in subsidiaries	16	(1)
Non-taxable income	(4)	(2)
Non-deductible expenses	38	17
Deferred tax, effect of change in tax rate	(3)	-
Adjustment of tax relating to previous years	(88)	1
Changed valuation of deferred tax asset and liability	(13)	(37)
Other	3	(17)
	1,171	683
Effective tax rate	24%	24%

Notes

The LEGO Group

(mDKK)

Note 13. Intangible assets

	Licenses, patents and other rights	Software	Development projects and prepayments	Total
Cost at 1 January 2010	171	38	116	325
Exchange rate adjustment to year-end rate	7	(2)	-	5
Additions	-	-	123	123
Disposals	-	-	-	-
Transfer	-	161	(161)	-
Cost at 31 December 2010	178	197	78	453
Amortization and impairment losses at 1 January 2010	88	5	-	93
Amortization for the year	9	16	-	25
Impairment losses for the year	-	150	-	150
Amortization and impairment losses at 31 December 2010	97	171	-	268
Carrying amount at 31 December 2010	81	26	78	185

The LEGO Group has discovered a challenging market situation and consequently impaired the intangible fixed assets amounting to DKK 150 million. In assessing the value in use the LEGO Group has used a pre-tax discount rate of 13.54%, reflecting the LEGO Group's overall WACC.

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

Notes

The LEGO Group

(mDKK)

Note 14. Property, plant and equipment

	Land, buildings & installations	Plant & machinery	Other fixtures & fittings, tools and equipment	Fixed assets under con- struction and pre- payments	Total
Cost at 1 January 2010	1,255	3,195	725	219	5,394
Exchange adjustment to year-end rate	43	1	35	7	86
Additions	86	529	190	272	1,077
Disposals	(64)	(178)	(52)	-	(294)
Transfers	109	42	9	(160)	-
Cost at 31 December 2010	1,429	3,589	907	338	6,263
Depreciation and impairment losses at 1 January 2010	556	2,429	479	-	3,464
Exchange adjustment to year-end rate	6	3	18	-	27
Depreciation for the year	24	342	65	-	431
Disposals	(20)	(168)	(39)	-	(227)
Depreciation and impairment losses at 31 December 2010	566	2,606	523	-	3,695
Carrying amount at 31 December 2010	863	983	384	338	2,568
Including assets under finance leases	61	-	-	-	61

Property, plant and equipment in general

An obligation regarding the purchase of property, plant and equipment of DKK 58 million exists at 31 December 2010 (DKK 45 million at 31 December 2009).

Assets under finance leases

Assets under finance leases consist of buildings.

Notes

The LEGO Group

(mDKK)

Note 14. Property, plant and equipment, continued

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

Notes

The LEGO Group

(mDKK)

Note 15. Investments in associates

	2010	2009
Cost at 1 January	4	4
Cost at 31 December	4	4
Value adjustment at 1 January	(1)	(1)
Share of profit/(loss)	-	-
Value adjustment at 31 December	(1)	(1)
Carrying amount at 31 December	3	3

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

Name	Revenue	Net profit the year	Total assets	Total liabilities	Total equity	LEGO Group's share of	
						Equity	Profit for the year
KABOOKI A/S, Denmark (19.8%)	175	2	43	26	17	3	-

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

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

Note 16. Inventories

	2010	2009
Raw materials and components	121	106
Work in progress	428	383
Finished goods	778	567
	1,327	1,056
Cost of sales recognized in production costs	3,406	2,679

Notes

The LEGO Group

(mDKK)

Note 17. Trade receivables

	2010	2009
Trade receivables (gross)	3,466	2,268
Provisions for bad debts:		
Balance at the beginning of the year	(140)	(194)
Exchange adjustment to year-end rate	(7)	2
Change in provisions for the year	(19)	47
Realized losses for the year	21	5
Change for the year recognized in the income statement	2	52
Balance at the end of the year	(145)	(140)
Trade receivables (net)	3,321	2,128

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

The age distribution of trade receivables is as follows:

	2010	2009
Not overdue	2,984	1,938
0 - 60 days overdue	366	212
61 - 120 days overdue	1	5
121 - 180 days overdue	5	1
More than 180 days overdue	110	112
	3,466	2,268

79% of total trade receivables are covered by insurance (64% in 2009) and therefore this part of the credit risk is reduced to the risk relating to the insurance companies concerned. DKK 721 million (DKK 826 million in 2009) corresponding to 21% of trade receivables (36% in 2009) are not covered by insurance.

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

Note 18. Share capital

The share capital consists of (mDKK):

1	A-shares of DKK 1,000 or multiples hereof (2009: 1)
9	B-shares of DKK 1,000 or multiples hereof (2009: 9)
10	C-shares of DKK 1,000 or multiples hereof (2009: 10)
20	Total shares at 31 December 2010 (2009: 20)

The total number of shares is 205 (205 in 2009). All issued shares are fully paid up.

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

Shareholders that own more than 5% of the share capital:

KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark

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

Notes

The LEGO Group

(mDKK)

Note 19. Dividend per share

Dividends of DKK 1,500 million was paid in May 2010, corresponding to DKK 73 million in average per share (DKK 1,000 million in 2009, DKK 4.9 million in average per share).

Proposed dividend for 2010 is DKK 2,500 million, corresponding to DKK 12.2 million in average per share.

Note 20. Deferred tax

	2010	2009
Deferred tax, net at 1 January	12	34
Exchange adjustment to year-end rate	8	-
Income statement charge	84	(22)
Charged to other comprehensive income	55	-
	159	12

Classified as:

Deferred tax assets	180	94
Deferred tax liabilities	(21)	(82)
	159	12

2010	Deferred tax assets	Provision for deferred tax	Deferred tax net
Non-current assets	73	(19)	54
Receivables	6	(9)	(3)
Inventories	101	(114)	(13)
Provisions	97	(2)	95
Other liabilities	42	(4)	38
Other	42	(62)	(20)
Offset	(189)	189	-
Tax loss carry-forwards	8	-	8
Deferred tax, net at 2010	180	(21)	159

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

Tax loss carry-forwards

Tax assets relating to tax loss carry-forwards are capitalized based on an assessment of whether they can be utilised in the future. DKK 3 million of the LEGO Group's capitalized tax losses expires after 1 year, and DKK 5 million expires after 5 years (DKK 5 million in 2009 does not expire before 5 years).

Notes

The LEGO Group

(mDKK)

Note 21. Pension obligations

Defined contribution plans:

In defined contribution plans, the LEGO Group recognises in the income statement the premium payments (eg a fixed amount or a fixed percentage of the salary) to the independent insurance companies responsible for the pension obligations. Once the pension contributions for defined contribution plans have been paid, the LEGO Group has no further pension obligations towards current or past employees. The pension plans in the Danish company and some of the foreign companies are all defined contribution plans. In the LEGO Group, DKK 131 million (DKK 110 million in 2009) has been recognized in the income statement as costs relating to defined contribution plans.

Defined benefit plans:

In defined benefit plans, the LEGO Group is obliged to pay a certain pension benefit. The major defined benefit plans in the Group include employees in Germany, the USA and the UK. In the LEGO Group, a net obligation of DKK 26 million (DKK 31 million in 2009) has been recognized relating to the LEGO Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the LEGO Group, DKK 6 million (DKK 10 million in 2009) has been recognized in the income statement.

No new employees will be included in the defined benefit plans.

	2010	2009
The amounts recognized in the balance sheet are calculated as follows:		
Present value of funded obligations	(109)	(97)
Fair value of plan assets	119	114
	10	17
Present value of unfunded obligations	(36)	(48)
Net liability recognized in the balance sheet	(26)	(31)
Of which included as part of the liabilities	(52)	(56)
Of which included as part of the assets	26	25

The change in present value of defined benefit obligations over the year is as follows:

Present value at 1 January	(145)	(123)
Exchange adjustment to year-end rate	(3)	(17)
Transfer to plan assets	8	-
Pension costs relating to current financial year	(2)	(1)
Interest expenses	(7)	(7)
Actuarial losses/(gains)	(8)	(5)
Benefits paid	12	8
Present value at 31 December	(145)	(145)

Notes

The LEGO Group

(mDKK)

Note 21. Pension obligations, continued

			2010	2009
The change for the year in fair value of plan assets is as follows:				
Plan assets at 1 January			114	96
Exchange adjustment to year-end rate			4	12
Transfer from defined benefit obligations			(8)	-
Expected return on plan assets			5	4
Actuarial (losses)/gains			6	4
Employer contributions			2	1
Employee contributions			-	-
Benefits paid			(4)	(3)
Plan assets at 31 December			119	114
Plan assets are specified as follows:				
			2010	2009
Shares	6	5%	5	4%
Debt instruments	87	73%	78	68%
Other	26	22%	31	28%
	119	100%	114	100%
The amount recognized in the income statement is specified as follows:				
			2010	2009
Pension costs relating to current financial year			2	1
Interest expenses			7	7
Expected return on plan assets			(5)	(4)
Actuarial losses, net			2	6
			6	10
Classified as:				
Administrative expenses			6	10
			6	10
Movements in the net liability recognized in the balance sheet are as follows:				
Net liability at 1 January			31	27
Exchange adjustment to year-end rate			(2)	7
Total expenses charged to the income statement			6	10
Contributions paid			(9)	(13)
Net liability at 31 December			26	31
The actual return on plan assets amounts to			11	8

Notes

The LEGO Group

(mDKK)

Note 21. Pension obligations, continued

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

	2010	2009
Discount rate	3% - 6%	3% - 6%
Expected return on plan assets	4% - 6%	3% - 6%
Future salary increases	2% - 4%	2% - 4%
Future pension increases	2% - 4%	1% - 3%

Note 22. Other debt

	2010	2009
Wage-related payables and other charges	780	679
Debt to related parties	278	183
Finance lease obligations	62	71
Other current liabilities	1,581	1,039
	2,701	1,972

Specified as follows:

Non-current	92	71
Current	2,609	1,901
	2,701	1,972

Finance lease obligations

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

	2010	2009
Obligations regarding finance leases are as follows:		
0-1 year	3	10
1-5 years	39	41
> 5 years	20	20
	62	71
Reconciliation of carrying amount and gross liability:		
Carrying amount of the liability	62	71
Interest expenses not yet accrued	3	4
Gross liability	65	75

No contingent leases have been recognized in expenses in 2010 or 2009. None of the assets under finance leases have been subleased.

Notes

The LEGO Group

(mDKK)

Note 23. Provisions

2010	Restructuring	Other	Total
Provisions at 1 January	33	87	120
Exchange adjustment to year-end rate	1	1	2
Additions	4	18	22
Used	(9)	(4)	(13)
Reversed	(16)	(37)	(53)
Provisions at 31 December	13	65	78

Specified as follows:

Non-current	75
Current	3
	78

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

Specified as follows:

Non-current	20
Current	100
	120

Provisions for restructuring obligations relate primarily to close-down and reduction of production facilities and redundancy programmes. The majority of these obligations is expected to result in cash outflows in the period 2012-2015.

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

Notes

The LEGO Group

(mDKK)

Note 24. Contingent assets, contingent liabilities and other obligations

Contingent liabilities and other obligations

	2010	2009
Guarantees	73	93
Operating lease obligations	1,110	709
Other obligations	7	11
	1,190	813

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

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

Lease expenses for the year charged to the income statement amount to:	233	225
--	-----	-----

Future minimum lease payments under non-cancellable operating leases are specified as follows:

Related parties

0-1 year	32	25
1-5 years	-	-
> 5 years	-	-
	32	25

Other

0-1 year	248	163
1-5 years	544	357
> 5 years	286	164
	1,078	684

Security has been given in land, buildings and installations with a net carrying amount of DKK 177 million (DKK 155 million in 2009) for the LEGO Group's mortgage loans.

The LEGO Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 102 million, of which DKK 17 million has been recognized as a deferred tax provision. The remaining amount of DKK 85 million is not expected to be recaptured.

Notes

The LEGO Group

(mDKK)

Note 25. Financial risks

Credit risk

Financial instruments are entered into with counterparties with a credit rating of A+/A1 or higher from Standard & Poor's or Moody's Investor Service.

Similarly, the LEGO Group only uses insurance companies with a credit rating of A-/A3 or higher from Standard & Poor's or Moody's Investor Service. The LEGO Group does not use credit ratings when hedging electricity consumption.

Credit risk regarding trade receivables is disclosed in note 17.

For Banks and financial institutions, only independently rated parties with a minimum rating of A are accepted. The LEGO Group uses the related company KIRKBI Invest A/S for loans and deposits. No independently rating exists but no significant risks are recognized. The maximum credit risk corresponds to the carrying amount of loans granted and receivables, of note 26. No significant risks are recognized.

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

Foreign exchange risk

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

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

Isolated effects on profit before tax of currency increase against DKK at 31 December 2010 which Management considers probable are specified as follows:

	%-change	2010	2009
EUR:			
Equity	2%	(10)	(12)
Net profit for the year	2%	(2)	7
USD:			
Equity	10%	(256)	(103)
Net profit for the year	10%	15	(35)
JPY:			
Equity	10%	(29)	(14)
Net profit for the year	10%	8	5
CZK:			
Equity	10%	50	59
Net profit for the year	10%	(16)	(7)
MXN			
Equity	10%	47	18
Net profit for the year	10%	2	6
HUF			
Equity	10%	17	16
Net profit for the year	10%	(17)	(5)

Notes

The LEGO Group

(mDKK)

Note 25. Financial risks, continued

Interest rate risk

The LEGO Group's interest rate risk relates to interest-bearing debt and interest-bearing assets. The LEGO Group's interest-bearing assets consist mainly of liquid funds. Liquid funds yield interest on the short-term money market. An increase in the interest level of 1.0% for 2010 would have had a negative impact on the LEGO Group's profit before tax of approx. DKK 78 million (DKK 8.4 million in 2009). The LEGO Group's interest rate risk is considered insignificant and is not expected to have a significant impact on the LEGO Group's results.

Other market risk

Electricity derivatives

The LEGO Group has entered into electricity derivatives in order to hedge part of the LEGO Group's electricity consumption for 2011-2012. The LEGO Group does not use hedge accounting on electricity derivatives. As a consequence the profit before tax has been affected positively with DKK 4.0 million. An increase / decrease in the electricity price of DKK 0.05 per kWh would have increased/reduced the net income with DKK 4.0 million.

Liquidity risk

Liquidity is managed centrally and is continually assessed. It is ensured that, at any given time, sufficient financial resources are available. Based on the financial reserves with banks and credit facilities available in credit institutions and from related parties, there are no liquidity problems. The liquidity risk is therefore not significant. Furthermore excess liquidity is placed at the parent company KIRKBI A/S why the counterparty risk is assessed to be low.

Capital risk management

Dividend of DKK 1,500 million has been paid in 2010 (DKK 1,000 million in 2009). It is expected that the dividend for 2010, to be paid in 2011, will amount to DKK 2,500 million. The dividend payment reflects the strategy behind the capital structure where the LEGO Group is the operational company and any surplus liquidity is distributed to the Parent Company KIRKBI A/S.

Notes

The LEGO Group

(mDKK)

Note 26. Financial instruments recognized

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

At 31 December 2010 forward contracts have been applied for hedging of cash flows covering future financial periods. The hedging mainly relates to the LEGO Group's sales of goods and services in USD, EUR, JPY, GBP and CAD as well as purchases of goods in CZK, MXN and HUF. Moreover, part of the LEGO Group's purchases of electricity is hedged. Besides forward contracts, the LEGO Group has at 31 December 2010 dedicated options for the hedging of sales in USD and GBP for the financial year 2011. All contracts are expected to expire - and thus affect results - in the financial years 2011 and 2012.

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

	Carrying amount	Fair value	31 December 2010			Total cash flows
			0-1 year	1-5 years	Over 5 years	
Measured at amortized cost						
Debt to credit institutions	832	832	21	659	237	917
Trade payables	1,518	1,518	1,518	-	-	1,518
Other debt	2,429	2,429	2,337	72	20	2,429
	4,779	4,779	3,876	731	257	4,864
Derivative financial instruments used for hedging purposes						
Cash flow hedges	158	158	158	-	-	158
Fair value hedges	114	114	114	-	-	114
	272	272	272	-	-	272
Total financial liabilities	5,051	5,051	4,148	731	257	5,136
Measured at amortized cost (loans and receivables)						
Trade receivables	3,321	3,321	3,321	-	-	3,321
Other receivables	511	511	511	-	-	511
Cash at bank and in hand	802	802	802	-	-	802
	4,634	4,634	4,634	-	-	4,634
Derivative financial instruments used for hedging purposes						
Cash flow hedges	66	66	66	-	-	66
Fair value hedges	41	41	38	3	-	41
	107	107	104	3	-	107
Total financial assets	4,741	4,741	4,738	3	-	4,741

Notes

The LEGO Group

(mDKK)

Note 26. Financial instruments recognized, continued

	31 December 2009					Total cash flows
	Carrying amount	Fair value	0-1 year	1-5 years	Over 5 years	
Measured at amortized cost						
Debt to credit institutions	837	837	24	695	265	984
Trade payables	1,336	1,336	1,336	-	-	1,336
Other debt	1,842	1,842	1,781	41	20	1,842
	4,015	4,015	3,141	736	285	4,162
Derivative financial instruments used for hedging purposes						
Cash flow hedges	38	38	38	-	-	38
Fair value hedges	92	92	92	-	-	92
	130	130	130	-	-	130
Total financial liabilities	4,145	4,145	3,271	736	285	4,292
Measured at amortized cost (loans and receivables)						
Trade receivables	2,128	2,128	2,128	-	-	2,128
Other receivables	430	430	430	-	-	430
Cash at bank and in hand	1,630	1,630	1,630	-	-	1,630
	4,188	4,188	4,188	-	-	4,188
Derivative financial instruments used for hedging purposes						
Cash flow hedges	104	104	104	-	-	104
Fair value hedges	70	70	70	-	-	70
	174	174	174	-	-	174
Total financial assets	4,362	4,362	4,362	-	-	4,362

The LEGO Group has borrowed DKK 832 million, that includes debt covenants regarding the debt/equity ratio and solidity ratio, which can be redeemed on demand, in case the debt covenants are not fulfilled.

Notes

The LEGO Group

(mDKK)

Note 26. Financial instruments recognized, continued

The following table presents the LEGO Group assets and liabilities measured at fair value at 31 December 2010.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (what is, derived from prices) (level 2)
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

	31 December 2010			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	41	-	41
Derivatives used for hedging	-	66	-	66
Total assets	-	107	-	107
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	114	-	114
Derivatives used for hedging	-	158	-	158
Total liabilities	-	272	-	272

	31 December 2009			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	16	-	16
Derivatives used for hedging	-	158	-	158
Total assets	-	174	-	174
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	92	-	92
Derivatives used for hedging	-	38	-	38
Total liabilities	-	130	-	130

	2010	2009
Development in hedging reserves		
Fair value adjustment at 1 January	49	66
Change in market value	(47)	5
Hedges made in the year	(151)	66
Delivered and recognized in the income statement	(19)	(71)
Change in deferred tax	55	(17)
Fair value adjustment at 31 December	(113)	49
Recognized in the income statement:		
Financial income	19	71
	19	71

Notes

The LEGO Group

(mDKK)

Note 27. Other reversals with no effect on cash flows

	2010	2009
Depreciation, amortization and impairment	606	429
Loss on sale of property, plant and equipment	5	17
Net movements in provisions	(42)	(81)
Financial income	(21)	(131)
Financial expenses	105	146
Other adjustments	(208)	83
	445	463

Note 28. Changes in working capital

	2010	2009
Inventories	(271)	(186)
Trade and other receivables	(1,207)	(471)
Trade and other payables	911	653
	(567)	(4)

Note 29. Cash and cash equivalents

	2010	2009
Cash at bank and in hand	802	1,630
	802	1,630

Notes

The LEGO Group

(mDKK)

Note 30. Related party transactions

The Parent of the LEGO Group is LEGO A/S, a company incorporated in Denmark, whose shares are owned by KIRKBI A/S (75%) and Koldingvej 2, Billund A/S (25%). The shares in KIRKBI A/S are wholly owned by the Kirk Kristiansen family (Billund, Denmark). Related parties are considered to be KABOOKI A/S, KIRKBI A/S, subsidiaries of KIRKBI A/S, KIRKBI AG Group and Merlin Entertainment Group, in which the above-mentioned family has significant interest. None of the related party transactions are secured.

The following transactions were carried through with related parties:

	2010	2009
Transactions with KIRKBI A/S		
Interest charged	(3)	(28)
Rent charged	(24)	(24)
Service fee charged	(2)	-
	<u>(29)</u>	<u>(52)</u>
Total transactions with KIRKBI A/S	<u>(29)</u>	<u>(52)</u>
Transactions with associates		
Purchase of products	(4)	(4)
Trademark fee received	6	7
	<u>2</u>	<u>3</u>
Total transactions with associates	<u>2</u>	<u>3</u>
Transactions with other related parties		
Sale of products	133	108
Interest received	3	11
Service fee received	3	9
Donations received	6	-
Trademark fee received	9	8
	<u>154</u>	<u>136</u>
Rent charged	(3)	(2)
Interest charged	(4)	(3)
Service fee charged	(32)	(33)
Trademark fee charged	(568)	(425)
	<u>(607)</u>	<u>(463)</u>
Total transactions with other related parties	<u>(453)</u>	<u>(327)</u>

Notes

The LEGO Group

(mDKK)

Note 30. Related party transactions, continued

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

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

	2010	2009
Balances with KIRKBI A/S		
Receivables	11	-
Payables	(2)	(19)
	9	(19)

Balances with other related parties

Receivables	20	2
Payables	(235)	(156)
	(215)	(154)

Loans:

	KIRKBI A/S	KIRKBI Invest A/S
Balance at 1 January 2010 - Loan investment	-	-
Loans advanced during the year	-	3,580
Repayments - loan investment	-	(1,625)
Interest charged	-	3
Interest received	-	(2)
Balance at 31 December 2010	-	1,956

Specified as follows:

Current	-	1,956
Non-current	-	-
	-	1,956

Balance at 1 January 2010 - Loan borrowing	-	-
Loans raised during the year	-	(500)
Repayments - loan borrowing	-	500
Interest charged	-	(3)
Interest paid	-	3
Balance at 31 December 2010	-	-

Balance at 1 January 2009	(509)	607
Loans raised during the year	-	300
Repayments	500	(912)
Interest charged	-	11
Interest expenses	(18)	-
Interest paid/received	27	(6)
Balance at 31 December 2009	-	-

The LEGO Group has no loans from associates.

Income Statement 1 January - 31 December

PARENT COMPANY

(mDKK)

	Note	2010	2009
Revenue		56	44
Gross profit		56	44
Other operation expenses		(73)	(73)
Operating profit before special items		(17)	(29)
Dividend from subsidiaries		1,513	2,018
Financial income	2	28	7
Financial expenses	3	(44)	(120)
Profit before income tax		1,480	1,876
Tax on profit for the year	4	12	33
Net profit for the year		1,492	1,909
Proposed distribution of profit			
Dividend		2,500	1,500
Retained earnings		(1,008)	409
		1,492	1,909

Balance Sheet at 31 December

PARENT COMPANY

(mDKK)

	Note	2010	2009
ASSETS			
Non-current assets			
Patents		1	2
Intangible assets	6	1	2
Land, buildings and installations		6	6
Property, plant and equipment	5	6	6
Investments in subsidiaries		5,846	5,498
Investments in associates		3	3
Other non-current assets	8	5,849	5,501
Total non-current assets		5,856	5,509
Current assets			
Receivables from subsidiaries		-	558
Tax receivables		4	30
Other receivables		8	6
Total current assets		12	594
TOTAL ASSETS		5,868	6,103

Balance Sheet at 31 December

PARENT COMPANY

(mDKK)

	Note	2010	2009
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	20	20
Retained earnings		536	1,544
Proposed dividend		2,500	1,500
Total equity		3,056	3,064
LIABILITIES			
Non-current liabilities			
Borrowings	10	600	600
Deferred tax liabilities	7	23	34
Total non-current liabilities		623	634
Current liabilities			
Debt to subsidiaries		2,127	2,347
Other short-term debt		62	58
Total current liabilities		2,189	2,405
Total liabilities		2,812	3,039
TOTAL EQUITY AND LIABILITIES		5,868	6,103
Contingent liabilities and other obligations	11		

Statement of Changes in Equity

PARENT COMPANY

(mDKK)

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2010	20	1,544	1,500	3,064
Dividend relating to prior year	-	-	(1,500)	(1,500)
Net profit for the year	-	1,492	-	1,492
Proposed dividend	-	(2,500)	2,500	-
Equity at 31 December 2010	20	536	2,500	3,056
Equity at 1 January 2009	20	1,135	1,000	2,155
Dividend relating to prior year	-	-	(1,000)	(1,000)
Net profit for the year	-	1,909	-	1,909
Proposed dividend	-	(1,500)	1,500	-
Equity at 31 December 2009	20	1,544	1,500	3,064

Notes

PARENT COMPANY

NOTE 1. Significant accounting policies

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

Income Statement

Recognition of sales and revenues

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

Provisions and accruals for rebates to customers are made for the period in which the related sales are recorded. Historical data are readily available and reliable and are used for estimating the amount of the reduction in sales.

Revenues are recognized when realized or realisable and earned. Revenues are considered to have been earned when LEGO A/S has substantially accomplished what it must do to be entitled to the revenues.

Taxes

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

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

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

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

Balance Sheet

Translation policies

Other balance sheets in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realized and unrealized gains and losses are recognized in the income statement.

Intangible assets

Acquired patent rights are capitalized on the basis of the costs incurred. These costs are amortized over the shorter of their estimated useful lives or the contractual duration.

Property, plant and equipment

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

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

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

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is higher than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between selling price and carrying amount and are recognized in the income statement. Borrowing costs incurred at the construction of the qualifying asset are capitalized in the period in which the asset is made ready for use.

Cost comprises acquisition price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self constructed assets comprises direct expenses for wage consumption and materials. Interest related to financing self constructed assets is recognized in the income statement.

Notes

PARENT COMPANY

NOTE 1. Significant accounting policies, continued

Investments in subsidiaries and associates

Subsidiaries of the Parent Company are recognized at cost less accumulated impairment losses. LEGO A/S recognises income from the investments only to the extent that LEGO A/S receives dividend from the subsidiaries.

Associates are all enterprises in which the LEGO Group exercises significant influence but not control, generally through a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost.

Receivables

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

Borrowings

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

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

Dividend distribution

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

Other liabilities

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

Notes
PARENT COMPANY

(mDKK)

NOTE 2. Financial income

	2010	2009
Interest income from subsidiaries	1	-
Unrealized currency gain from subsidiaries	-	7
Exchange gain, net	27	-
	28	7

NOTE 3. Financial expenses

	2010	2009
Interest expenses on mortgage loans	9	16
Interest expenses to related parties	3	29
Interest expenses to subsidiaries	32	75
	44	120

NOTE 4. Tax on profit for the year

	2010	2009
Current tax on profit for the year	4	30
Deferred tax on profit for the year	11	5
Value adjustment	-	20
Adjustment of tax relating to previous years, current tax	(3)	6
Adjustment of tax relating to previous years, deferred tax	-	(28)
	12	33

Notes

PARENT COMPANY

(mDKK)

NOTE 5. Property, plant and equipment

	Land, buildings & installations	Other fixtures & fittings, tools and equipment	Total
Cost at 1 January 2010	6	7	13
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2010	6	7	13
Depreciation and impairment losses at 1 January 2010	-	7	7
Depreciation for the year	-	-	-
Disposals	-	-	-
Depreciation and impairment losses at 31 December 2010	-	7	7
Carrying amount at 31 December 2010	6	-	6

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

Assets under finance leases

No assets have been recognized under finance leases.

Notes
PARENT COMPANY

(mDKK)

NOTE 6. Intangible assets

	Patents
Cost at 1 January 2010	4
Additions	-
Cost at 31 December 2010	4
Depreciation and impairment losses at 1 January 2010	2
Depreciation for the year	1
Disposals	-
Depreciation and impairment losses at 31 December 2010	3
Carrying amount at 31 December 2010	1

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

Notes

PARENT COMPANY

(mDKK)

NOTE 7. Deferred tax

	2010	2009
Deferred tax, net at 1 January	(34)	(59)
Change in deferred tax	11	25
Provision for deferred tax, net at 31 December	(23)	(34)

Specified as follows:

Deferred tax asset at 31 December	-	-
Provision for deferred tax at 31 December	(23)	(34)
	(23)	(34)

NOTE 8. Other non-current assets

	Investments in associates	Investments in subsidiaries
Cost at 1 January 2010	4	5,498
Additions	-	348
Cost at 31 December 2010	4	5,846
Value adjustment at 1 January 2010	(1)	-
Share of net profit/(loss) for the year	-	-
Value adjustments at 31 December 2010	(1)	-
Carrying amount at 31 December 2010	3	5,846

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

Notes

PARENT COMPANY

(mDKK)

NOTE 9. Share capital

	2010	2009
The Company's share capital consists of:		
A-shares of DKK 1,000 or multiples hereof	1	1
B-shares of DKK 1,000 or multiples hereof	9	9
C-shares of DKK 1,000 or multiples hereof	10	10
Total shares at 31 December 2010	20	20

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

Shareholders holding more than 5% of the share capital:

KIRKBI A/S, Koldingvej 2, 7190 Billund, Denmark

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

NOTE 10. Long-term debt

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

NOTE 11. Contingent liabilities and other obligations

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

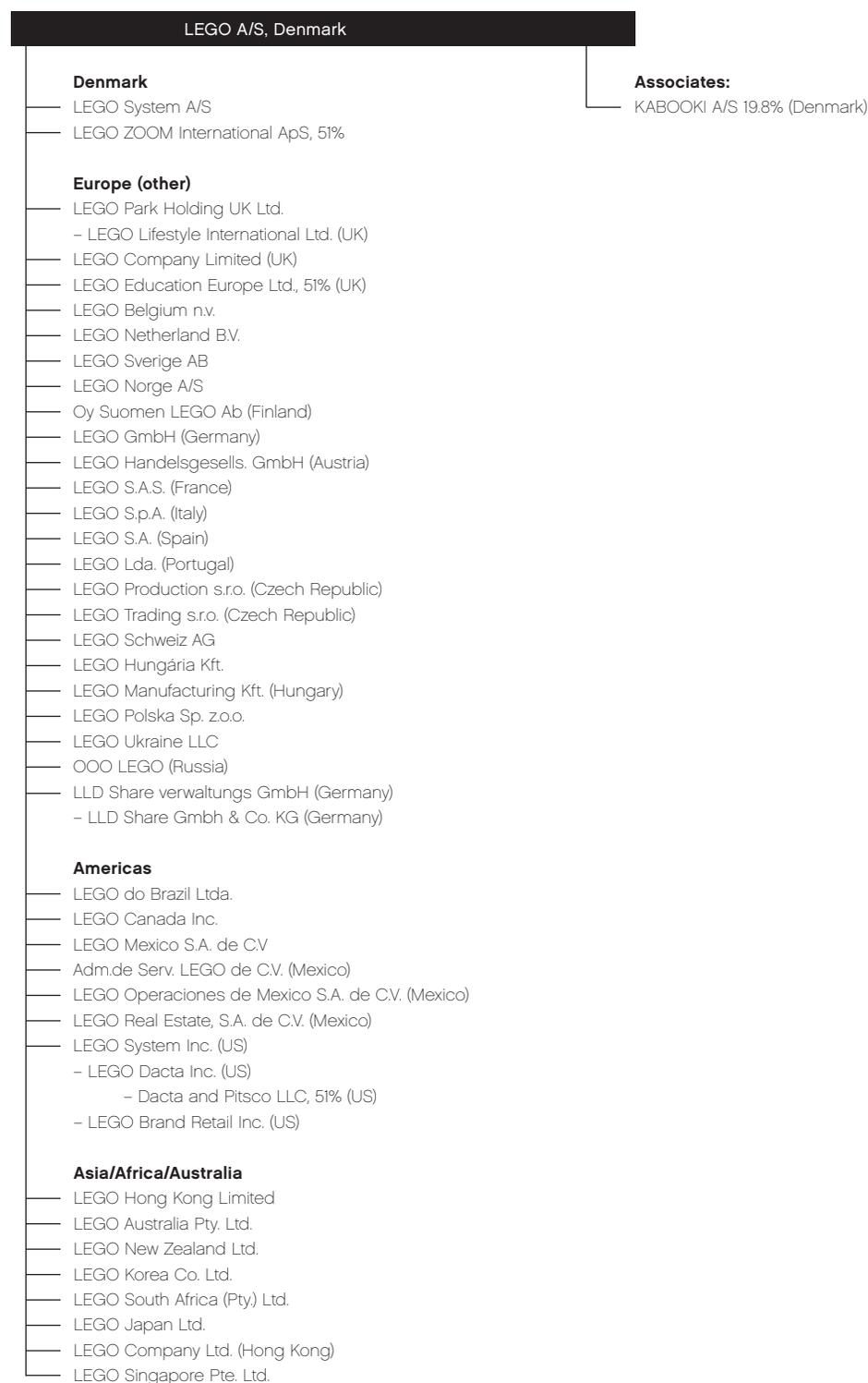
The Company guarantees certain obligations of some of the subsidiaries.

The Company has utilised tax losses in foreign subsidiaries in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 102 million, of which DKK 35 million has been recognized as provision for deferred tax. The remaining amount of DKK 67 million is not expected to be recaptured. The Company has not chosen international joint taxation under the new Danish rules on joint taxation as from 1 January 2005.



GROUP STRUCTURE

LEGO A/S - AS OF 31 DECEMBER 2010



Ownership is 100% unless stated otherwise

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



The LEGO Group
Aastvej
DK-7190 Billund
Denmark
Tel.: +45 79 50 60 70

www.LEGO.com

Annual Report

In the Annual Report you will find detailed information on the LEGO Group's financial results in 2010.

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



Progress Report

In the Progress Report you will find detailed information on the progress of the LEGO Group's work within environmental, social and governance (ESG) areas in 2010.

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

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

