



# annual accounts

2000

## Executive Office Report

In 2000 the LEGO Company had a loss of DKK 831m, which is unsatisfactory. The global net turnover was DKK 9,467m, compared to DKK 9,808m in 1999. However, the turnover in 2000 was affected positively due to favourable exchange rates to the extent of approximately DKK 1,000m, which unfortunately was offset by a corresponding currency effect on costs.

The year 2000 was a very difficult year for the entire toy industry. But despite many strengths and high points, the LEGO Company was impacted because we lost focus.

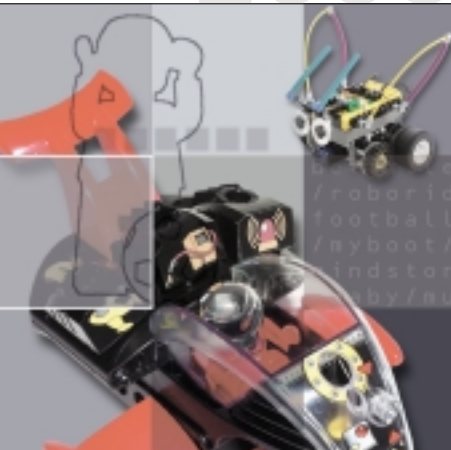
We will refocus on our core business. That is what the LEGO brand is about – stimulating imagination, creativity and learning – and it is what children and parents expect from us. We will continue to expand within this area, applying a growth strategy with a huge potential and lower risk.

The LEGO Company will reduce or abandon certain initiatives outside of its core business, such as wristwatches, publishing and other lifestyle products. At the same time, the LEGO Company will reduce losses in software and the LEGOLAND parks.

Instead, more emphasis will be placed on using leading-edge technologies in ways that support LEGO brand values – such as extending the “intelligent brick” concept of LEGO MINDSTORMS to open up whole new ways of playing and learning, as well as initiatives such as LEGO Studios, putting the power of moviemaking in the hands of children.

Part of the growth strategy for 2001 and beyond includes tapping the market potential in the United States, Japan, the United Kingdom and other European countries where market saturation is far from achieved. Among positive indicators for the immediate future is the enthusiastic reception for the “power product” programme, as well as the strong growth within the TECHNIC and Basic brands. Bionicle, a new product with great potential, first launched in Europe in February 2001, combines physical and online play with LEGO storybuilding. Products such as Harry Potter, Bob the Builder and Life on Mars – many of which will be launched or expanded in the next year and beyond – are a new concept that provides children with imaginative “story starters” to create open-ended play scenarios with popular and fantasy characters and LEGO elements.

2000



## Strong as ever...

We want to assure all LEGO enthusiasts around the world that the LEGO Company is not in danger, despite a difficult financial year. The LEGO brand is as strong as ever. The LEGO Company was built upon a vision that we should nurture the child within every one of us. This is a timeless vision, and we will remain true to it and build our future success upon it.

*Billund, 14 March, 2001*

**Kjeld Kirk Kristiansen**

**Poul Plougmann**

CREATIVITY PLAY  
LEARNING AND DEVELOPMENT



# annual accounts

## KEY FIGURES

The key figures from the annual accounts cover the 56 legal entities of LEGO Company. The companies are owned by the Kirk Kristiansen family.

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

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

The treatment of entries in the accounts is in accordance with the guidelines for Danish accounts. The consolidated annual accounts of LEGO Company includes all legal entities as if they were one group, based on the provisions in the Danish accounting legislation.

However, due to the fact that the accounts are in abbreviated form, the accounting information does not include all the information and disclosures that would normally be required in the statutory accounts and according to the Danish accounting legislation.

## DEFINITIONS

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

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

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

**TAX FOR THE YEAR** consists of the forecasted tax payable on the result for the year and adjustments of deferred tax.

**FIXED ASSETS** comprises mainly tangible fixed assets, consisting of land and buildings, plant and machinery, and office and IT equipment. These assets are valued at acquisition cost with deduction of depreciation over the years. Depreciation is calculated on the basis of the asset's expected useful life, which for buildings is 25 years and for other assets between 2 and 10 years.

**CURRENT ASSETS** relates primarily to inventory, trade receivables from the sale of goods and cash equivalents.

**PROVISIONS** comprises of deferred tax - taxation for which, in accordance with applicable legislation, payment can be deferred to later years, pension commitments and other provisions.

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

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

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

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

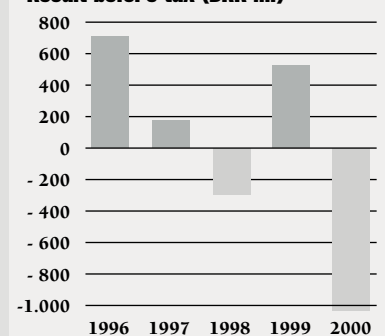
**RETURN ON EQUITY** is the net result for the year (after tax) expressed as a percentage of equity capital at the beginning of the year.

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

# 2000



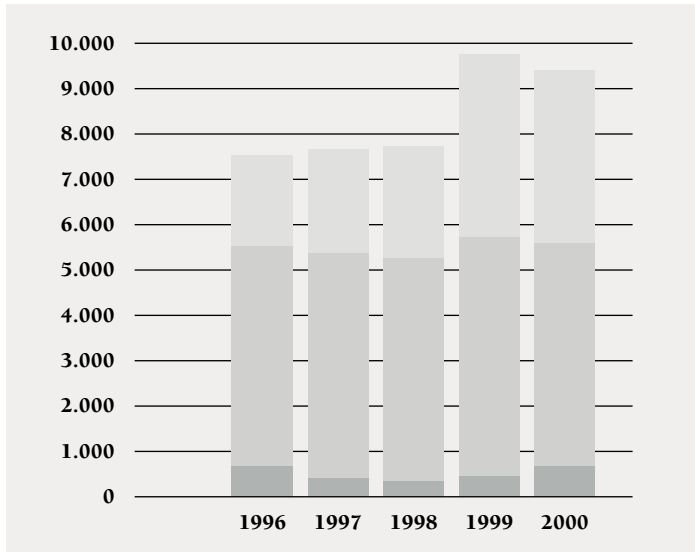
Result before tax (DKK m.)



**2000**



**NET SALES (DKK m.)**



**Profit and Loss Account (DKK m.)**

	2000	%	1999	%
Net sales	9.467	100	9.808	100
Operating costs	-10.145	-107	-8.615	-87,8
Restructuring costs	<u>-191</u>	<u>-2</u>	<u>-555</u>	<u>-5,7</u>
Operating result	-869	-9	638	6,5
Financial items	<u>-201</u>	<u>-2</u>	<u>-122</u>	<u>-1,2</u>
Result before tax	-1.070	-11	516	5,3
Tax for the year	<u>239</u>	<u>2</u>	<u>-242</u>	<u>-2,5</u>
Result for the year	<u>-831</u>	<u>-9</u>	<u>274</u>	<u>2,8</u>

**Main Financial Figures (DKK m.)**

	2000	1999	1998	1997	1996
Net sales	9.467	9.808	7.680	7.616	7.534
Result before tax	-1.070	516	-282	171	699
Result for the year	-831	274	-194	62	470
Investment in fixed assets	1.156	968	1.397	745	1.490
Equity	6.262	6.976	5.841	5.437	5.913
Total assets	12.280	12.694	11.250	9.767	10.061
Number of employees	7.669	7.821	8.670	8.668	8.178

**Balance Sheet (DKK m.)**

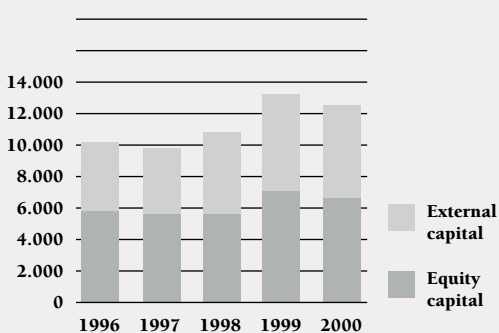
	2000	%	1999	%
Fixed assets	6.620	53,9	6.035	47,8
Current assets	<u>5.660</u>	<u>46,1</u>	<u>6.659</u>	<u>52,2</u>
Total assets	<u>12.280</u>	<u>100</u>	<u>12.694</u>	<u>100</u>
Equity	6.262	51,0	6.976	53,0
Minority Interest	4	0%	4	0%
Provisions	442	3,6	435	4,1
Long-term debt	1.866	15,2	1.992	15,4
Short-term debt	<u>3.706</u>	<u>30,2</u>	<u>3.287</u>	<u>27,5</u>
Liabilities & Equity	<u>12.280</u>	<u>100</u>	<u>12.694</u>	<u>100</u>

**Financial key figures (%)**

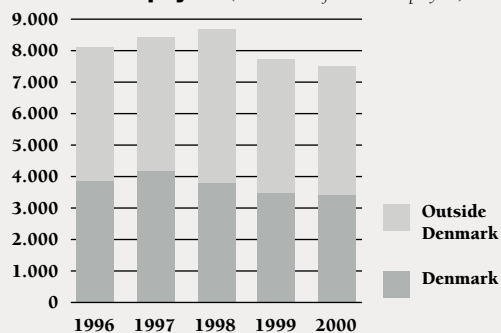
	2000	1999	1998	1997	1996
Profit margin	-8,8	2,8	-2,5	0,8	6,2
Return on equity	-13,3	3,8	-3,5	1,1	7,9
Solvency ratio	51,0	55,0	51,9	55,7	58,8

Comparative figures have not been adjusted to reflect any changes in accounting policies and reclassifications during the above period.

**Balance**



**Number of employees (converted to full-time employees)**





# quotes

for LEGO annual accounts 2000

## Perspectives

The result for 2000 was very unsatisfactory but we can achieve an early reverse of this situation in 2001 if we all pull together. The outside world holds high expectations, and even more important: we owe it to the children.

### John Eyler,

CEO & Chairman  
for Toys-<sup>®</sup>R<sup>®</sup>-Us

“ For many years the LEGO<sup>®</sup> brand has been one of the most consistent performers for Toys-<sup>®</sup>R<sup>®</sup>-Us on a global basis. The LEGO Company shares our commitment to focused, long-term brand-building and their management understands the need for strong and trusting relationships between our two companies at all levels and in all markets.

We are excited about the future prospects for mutual growth as LEGO builds on its recent successful business with licensed properties such as *Star Wars* and *Winnie-the-Pooh*. It is now developing innovative new properties of its own such as *Bionicle*, *LIFE* on *MARS* and *Jack Stone*, which we believe will help to make 2001 a very successful year for both of our companies.

### George Lucas,

Lucasfilm Ltd.

“ In the two years since we first started our relationship with the LEGO Company, over 25 million LEGO<sup>®</sup> *Star Wars* sets have been sold around the world. I feel that there is a perfect fit between the *Star Wars* saga and LEGO Play Materials — both stimulate imagination and creativity and allow children of all ages to involve themselves in the universal struggle between good and evil. And, of course, above all they should have fun!

### David Leibowitz,

toy market analyst

“ The LEGO Brand is in a class by itself. LEGO stands for quality, exceptional play value and for capturing the hearts and minds of children around the world. LEGO is to toys what Manchester United is to football.



## the annual accounts

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CREATIVITY PLAY  
LEARNING AND DEVELOPMENT