ANNUAL REPORT 2016

Koldingvej 2
DK–7190 Billund
CVR-no. 18591235

FINANCIAL HIGHLIGHTS

KIRKBI Group (m DKK)	2016	2015	2014	2013	2012
Income statement:					
Operating profit from strategic activities	14,517	14,041	11,020	10,317	8,677
Operating profit from investment activities	2,960	3,307	3,373	1,789	1,659
Total operating profit	16,885	16,997	14,101	11,873	10,166
Profit for the year	13,285	13,396	10,818	9,205	7,682
Balance sheet:					
Total assets	85,667	75,463	59,851	48,108	40,103
KIRKBI Group's share of equity	66,407	56,295	45,218	36,610	29,607
Non-controlling interests	5,105	4,460	3,206	2,767	2,491
Liabilities	14,155	14,708	11,427	8,731	8,005
Cash flow statement:					
Cash flows from operating activities	12,516	12,076	10,163	7,591	7,713
Investment in property, plant and equipment	(7,572)	(4,473)	(6,803)	(3,708)	(3,064)
Investment in intangible assets	(92)	(126)	(59)	(103)	(81)
Employees:					
Average number (full-time)	17,136	14,241	12,781	11,956	10,598
Financial ratios (in %):					
Equity ratio	83.5 %	80.5 %	80.9 %	81.9 %	80.0 %
Return on equity	17.8 %	21.9 %	22.1 %	23.1 %	23.6 %

CONTENTS

KIRKBI
– A FAMILY-OWNED COMPANY

KIRK KRISTIANSEN FAMILY

100 % OWNERSHIP

KIRKBI GROUP

2016 KEY FIGURES

17,136
Full-time employees

12.5 (bn DKK)
Cash flow from Operating activities

13.3 (bn DKK)
Profit for the year

71.5 (bn DKK)
Total equity

ASSOCIATED FOUNDATIONS

The LEGO Foundation

OLE KIRK's Foundation

EDITH & GODTFRED Kirk Christiansen's Foundation

Strategic activities

THE LEGO GROUP
75 %

Revenue	37.9 bn DKK
Profit for the year	9.4 bn DKK
Investments	3.0 bn DKK
Employees (FTE)	16,836

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

MERLIN ENTERTAINMENTS PLC
29.8 %

Revenue	12.7 bn DKK
Profit for the year	1.8 bn DKK
Investments	2.5 bn DKK

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

TRADEMARKS
100 %

Royalty	1.4 bn DKK

The LEGO® and LEGOLAND® trademarks

RENEWABLES

Burbo Bank Extension

Borkum Riffgrund 1	
Ownership	31.5 %
Capacity	312 MW

Burbo Bank Extension	
Ownership	25 %
Capacity	258 MW

KIRKBI has invested into two offshore windfarms named Borkum Riffgrund 1 (Germany) and Burbo Bank Extension(UK). The purpose of renewable investments is to support the goal to generate enough renewable energy capacity to meet 100 % of the LEGO Group's energy consumption by 2020.

Investment activities

LONG TERM INVESTMENTS

- Long-term equity

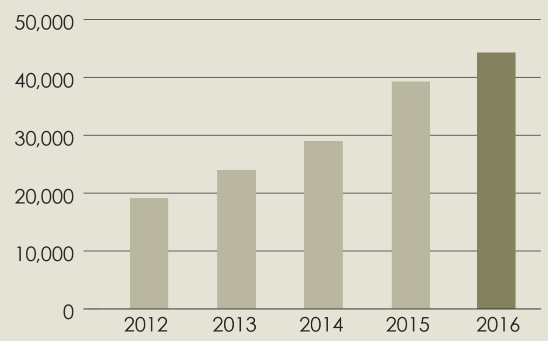
Falck ISS minimax VIKING

- Real Estate
- Private Equity
- Alternatives

LIQUID INVESTMENTS

- Bonds and corporate debt
- Quoted equities

INVESTMENT PORTFOLIO
(m DKK)



Kjeld Kirk Kristiansen and Søren Thorup Sørensen

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Only the best is good enough

Ole Kirk Kristiansen, Founder of the LEGO Group

2016 AT A GLANCE

2016 has been a good year for the KIRKBI Group with **many important steps in building a strong foundation for the future**

2016 has been a good year for the KIRKBI Group with many important steps taken in building a strong foundation for the future development as well as ensuring continued stable and active family ownership of the LEGO Brand.

In April, it was announced that Kjeld and Thomas Kirk Kristiansen would swap roles on the board of directors of LEGO A/S and the LEGO Foundation – a natural and important step in the smooth handover between the 3rd and 4th generation in the Kirk Kristiansen family.

In December, a new structure for the active family ownership of the LEGO® brand and brand related activities was announced – the establishment of the LEGO Brand Group. With the LEGO Brand Group, the owner governance of the LEGO brand related activities is combined in a virtual entity within the KIRKBI Group. The management of the LEGO Brand Group will be a partnership between Jørgen Vig Knudstorp and Thomas Kirk Kristiansen. Kjeld Kirk Kristiansen continues as the chairman of the board of KIRKBI A/S.

In the Kirk Kristiansen family, it is a strong belief that active and engaged family ownership is of great importance to the LEGO brand, associated enterprises and all employees. It is crucial that the handover between generations is gradual, as we believe this approach is more sustainable and a benefit to all.

2016 HIGHLIGHTS

Profit for the year for the KIRKBI Group amounted to DKK 13.3 billion compared to DKK 13.4 billion last year.

In 2016, the LEGO Group increased revenue by 6 %, mainly impacted by continued growth in Europe and Asia and the LEGO Group continued to expand their production capacity to fulfil future demand for the LEGO® play experience. Profit for the year in the LEGO Group of DKK 9.4 billion is impacted by costs to expand the production capacity and build the organisational infrastructure for future growth.

Within Merlin Entertainments plc, the LEGOLAND parks increased its visitor numbers to reach more than 12.8 million visitors and furthermore a new park opened in October 2016 in Dubai. The LEGOLAND park number 8 located in Nagoya in Japan is scheduled to open in April 2017.

In February 2016, KIRKBI entered into an agreement to acquire 25 % of the 258 MW UK offshore wind farm Burbo Bank Extension. Burbo Bank Extension is constructed by DONG Energy and is expected to be fully commissioned during the first half of 2017. The wind farm consists of 32 turbines, which will be able to supply CO_2 free power equivalent to the annual electricity consumption of more than 230,000 households.

The purpose of the investments in the offshore windfarms, Borkum Riffgrund 1 and Burbo Bank Extension, is to support the LEGO Group in balancing its global energy consumption with renewable energy.

The investment activities in KIRKBI delivered a net gain of DKK 3.0 billion against DKK 3.3 billion in 2015 positively impacted by strong performance in Private Equity, Quoted Equities and Real Estate. During the year, the investment portfolio increased from DKK 39 billion to more than DKK 44 billion as of 31 December 2016.

We would like to thank all employees for their highly motivated and engaged efforts to support our mission and we look forward to another interesting year in 2017.

Kjeld Kirk Kristiansen
Chairman of the Board

Søren Thorup Sørensen
CEO

ANNUAL REVIEW

INCOME STATEMENT

The KIRKBI Group's profit for the year for 2016 amounted to DKK 13,285 million against DKK 13,396 million in 2015. The profit after non-controlling interests for 2016 was DKK 10,924 million compared with DKK 11,104 million for 2015.

The profit for the year is considered satisfactory and in line with the expectations disclosed in the financial statements for 2015.

It is proposed to distribute dividend in the amount of DKK 200 million.

BALANCE SHEET

At the end of the year, the total assets amounted to DKK 85.7 billion against DKK 75.5 billion in 2015. The increase is primarily due to investments in operating assets in the LEGO Group, offshore wind farms and investment-related securities. The equity ratio was 83.5 % against 80.5 % in 2015.

CASH FLOWS

In 2016, cash flows from operating activities were DKK 12,516 million against DKK 12,076 million in 2015. Cash flows from investing activities were DKK -10,013 million against DKK -11,920 million in 2015.

DEVELOPMENT IN THE KIRKBI GROUP'S ACTIVITIES AND FINANCIAL POSITION

The satisfactory result for the year is due to the continued strong performance of the LEGO Group combined with continued good returns from the investment activities.

For the LEGO Group 2016, was another year of record sales, but with slower growth than the extraordinary high levels seen in the past. The company's net revenue increased by 6 % to DKK 37.9 billion impacted by strong growth in Europe and Asia. Earnings improved by 3 % as net profit was DKK 9,436 million against DKK 9,174 million in 2015.

Merlin Entertainments plc improved net revenue and net profit before tax compared to 2015. Net revenue increased by 14 % to GBP 1,457 million and profit for the year increased to GBP 211 million.

Within Renewables, the KIRKBI Group entered into sharing risk and benefits from the offshore windfarm Borkum Riffgrund on 18 June 2016. Furthermore, KIRKBI invested into the offshore windfarm Burbo Bank Extension in the United Kingdom during 2016 with a 25 % ownership. Burbo Bank Extension is under development and full commissioning is expected during the first half of 2017. Net result from Renewables for the KIRKBI Group for 2016 amounted to DKK 118 million against a loss of DKK 3 million for 2015.

Increased revenue in the LEGO Group and in Merlin Entertainments plc lead to increased royalty income for the KIRKBI Group, where royalty increased to DKK 1,437 million in 2016 compared to DKK 1,392 million in 2015.

The investment activities yielded a return of DKK 2,960 million compared to DKK 3,307 million in 2015. This result is mainly driven by strong performance from Private Equity, Quoted Equities and Real Estate.

During the year, the investment portfolio increased by around DKK 5 billion to DKK 44 billion, impacted by cash inflow from LEGO A/S and return from the investment portfolio offset by renewable investments and repayments of loans.

PEOPLE RESOURCES

In the KIRKBI Group's core activities, employees are the single most critical resource. The KIRKBI Group's results are accomplished thanks to the motivation and commitment of the employees. As part of the overall corporate strategy, employees and management work together to continuously secure job satisfaction and a strong working environment.

In 2016, the average number of full-time employees was 17,136 against 14,241 in 2015. These numbers are exclusive of the employees in Merlin Entertainments plc. More than 98 % of the employees work in the LEGO Group.

All employees of the LEGO Group and KIRKBI are subject to a Performance Management Programme, which aims to link business goals with individual employee goals. This programme includes a tiered bonus scheme.

RISKS

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

RESEARCH AND DEVELOPMENT ACTIVITIES

The Parent Company does not engage in research or development activities. Group enterprises conduct research and development within their respective business areas.

EXPECTATIONS FOR 2017

The investment activities will be impacted by the development in the global economy in 2017 and hence it is difficult to express clear expectations of the results for the year. The objective for the KIRKBI Group is to create satisfactory long-term returns.

The year 2017 has started acceptable from a financial point of view. The overall result for 2017 for the KIRKBI Group is expected to be satisfactory.

ABOUT KIRKBI

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THE BUSINESS AREAS

KIRKBI A/S is the Kirk Kristiansen family's holding and investment company. KIRKBI is centred around the business areas: **Strategic assets and the investment portfolio** with support functions to assist the two business areas, the owner family and associated foundations

A FAMILY-OWNED HOLDING AND INVESTMENT COMPANY

KIRKBI has its roots in an exciting and long history. In 1932, Ole Kirk Kristiansen started making wooden toys in his workshop in Billund, Denmark, and from 1934, he sold them as LEGO toys. Today, his grandson Kjeld Kirk Kristiansen (third generation) owns 75 % of the LEGO Group through KIRKBI A/S together with the three children, Sofie Kirk Kristiansen, Agnete Kirk Thinggaard and Thomas Kirk Kristiansen (fourth generation).

The company name is rooted in the ownership structure and the special heritage. KIRKBI is a combination of the family name 'KIRK' and the city 'BILLUND' in Denmark.

BUSINESS AREAS AND SUPPORT FUNCTIONS

Strategic Assets

The strategic assets include the ownership of LEGO® trademarks and 75 % ownership of the LEGO Group, where the LEGO Foundation owns the remaining 25 %. Another strategic asset is the 29.9 % ownership of Merlin Entertainments plc that among other activities owns the LEGOLAND® Parks and LEGOLAND Discovery Centres.

KIRKBI is also supporting the owner family's desire to make a positive impact on the planet. Renewable energy is therefore an important strategic investment area for KIRKBI. The primary reason behind the investments is to support the LEGO Group's 2020 goal of balancing its global consumption of energy with renewable energy.

Read more about the Strategic Assets on page 26-31.

Investment Portfolio

The investment portfolio includes long-term investments in companies such as Falck A/S, Minimax Viking GmbH and ISS A/S. Moreover, the investment portfolio includes real estate investments in Denmark, UK, Germany, the Czech republic and Switzerland together with a portfolio of fixed income investments, quoted equities and private equity funds.

KIRKBI has a long-term investment profile and wants to act as a professional and responsible investor with high ethical standards.

Read more about the Investment Portfolio on page 32-36.

Support Functions

KIRKBI has support functions, which assist the business areas, the owner family and associated foundations.

KIRKBI'S INVESTMENTS

Long-term investments
- Long-term Equity
- Private Equity
- Real Estate investments
- Alternatives

Financial investments
- Fixed Income
- Quoted Equities

ASSOCIATED FOUNDATIONS

The LEGO Foundation

The LEGO Foundation promotes learning through play and aims to empower children around the world to become creative, engaged, lifelong learners. As part of the ongoing commitment to giving children better opportunities to reach their full potential, the LEGO Group owner family has entrusted the LEGO Foundation with 25 % ownership of the LEGO Group. This is how the LEGO Foundation funds its activities.

In 2016, the LEGO Foundation reached more than 640,000 children around the world, including 233,000 children in vulnerable situations reached through LEGO Charity product donations. The total LEGO Foundation activities amounted to DKK 378 million.

OLE KİRK's Foundation

Ole Kirk's Foundation was established in 1964 by the Kirk Kristiansen family in memory of the founder of the LEGO Group, Ole Kirk Kristiansen. Ole Kirk's Foundation is a philanthropic foundation, which supports social, cultural, humanitarian and educational causes, primarily in Denmark. The purpose of the foundation is to increase quality of life for children and their families.

In 2016, Ole Kirk's Foundation committed its largest single donation so far, DKK 615 million, to a new world-class hospital for children, young people, pregnant women and their families. The new hospital will be a part of Rigshospitalet in Copenhagen Denmark, and the project is a partnership between Capital Region of Denmark, Rigshospitalet and Ole Kirk's Foundation.

Besides the donation for the hospital, donations in 2016 amount to DKK 123 million.

EDİTH & GODTFRED Kirk Christiansen's Foundation

Edith & Godtfred Kirk Christiansen's Foundation was founded in 1978 and it is dedicated to support charity primarily within ecclesiastical, cultural or social projects in Denmark and internationally. Total donations in 2016 amount to DKK 10 million.

THE KIRKBI FUNDAMENTALS

The KIRKBI Fundamentals serve as the compass in all business activities. KIRKBI shares the same values as the entire LEGO ecosystem. Our aspiration is to enable the Kirk Kristiansen family to succeed with the mission through generations

The KIRKBI Fundamentals are based on the LEGO Idea Paper – an internal document written by the Kirk Kristiansen family. The LEGO Idea Paper describes the foundation for all the Kirk Kristiansen enterprises, which share the same mission, promises, spirit and values.

ACTIVE AND ENGAGED FAMILY OWNERSHIP THROUGH GENERATIONS

In 2016, the Kirk Kristiansen family took some very important steps in the smooth handover between the 3rd and 4th generation to ensure continued stable and active family ownership of the family's joint activities; including the LEGO Group.

In April 2016, Kjeld Kirk Kristiansen and Thomas Kirk Kristiansen announced that they would swap roles in the board of directors in LEGO A/S where Thomas Kirk Kristiansen became deputy chairman and Kjeld Kirk Kristiansen became ordinary board member. On the board of the LEGO Foundation, Thomas Kirk Kristiansen became chairman and Kjeld Kirk Kristiansen deputy chairman. Kjeld Kirk Kristiansen continues to be the chairman of the board of KIRKBI A/S.

As a part of the transition and the future family ownership, the Kirk Kristiansen family decided that in each generation one person should be taking on the role as the most active owner. The most active owner will, on behalf of the whole family, be close to the LEGO Group, the LEGO Foundation and KIRKBI. The family agreed that Thomas Kirk Kristiansen should assume this role in the fourth generation.

Furthermore, the family agreed that all owners in each generation are engaged and responsible shareholders as well as ambassadors and culture carriers of the family's core values. All owners are engaged in different ways in the business of the LEGO Group, KIRKBI and the associated foundations – acting as members of the Board or undertaking representative duties.

LEGO BRAND GROUP

In December 2016, a new structure for the active family ownership of the LEGO® brand was announced – the establishment of the LEGO Brand Group.

With the LEGO Brand Group, the owner governance of all LEGO Brand related activities is gathered in a virtual entity within the KIRKBI Group. The LEGO Brand Group is managed in a partnership between Jørgen Vig Knudstorp and Thomas Kirk Kristiansen.

Together they will exercise the owner governance through the boards of the relevant entities and set the long-term direction for the development of the LEGO brand.

The purpose of the LEGO Brand Group is three folded – it is to develop the full potential of the LEGO brand in the longer term, to protect the brand and to ensure active and engaged family ownership in the future. The LEGO Group has experienced tremendous growth over the past years and has extended its global presence. The LEGO brand has become one of the world's most reputable brands. With this growth and expansion, come more and more strategic opportunities.

The LEGO Brand Group will look into these opportunities and set the long-term direction for the development of the LEGO brand within the entire LEGO ecosystem. At the same time, the LEGO Brand Group will work to ensure that the future of the LEGO brand is managed with care and that the LEGO brand remains true to the essential LEGO idea and the family's overall mission to inspire and develop the builders of tomorrow.

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The LEGO Group is so much more than a company to my family and I. The LEGO idea is about learning through play. With LEGO bricks, you can build anything you can imagine as if they were glued together. And yet, you can easily take them apart and create something new.

LEGO play stimulates creativity, reflection and reasoning and children learn and develop through play. In a fun way. That is our purpose as a company – to inspire and develop the builders of tomorrow.

Kjeld Kirk Kristiansen,
3rd generation LEGO owner

Kjeld and Camilla Kirk Kristiansen with their three children
Sofie Kirk Kristiansen, Thomas Kirk Kristiansen and Agnete Kirk Thinggaard

THE KIRKBI FUNDAMENTALS

MISSION	Inspire and develop the builders of tomorrow		
ASPIRATION	Enable the Kirk Kristiansen family to succeed with the mission through generations and to create a positive impact through responsible ownership and investments		
PROMISES	**People Promise** Succeed together	**Partner Promise** Mutual value creation	**Planet Promise** Positive impact
SPIRIT	Only the best is good enough — always strive to do better		
VALUES	Imagination — Creativity — Fun — Learning — Caring — Quality		

CORPORATE RESPONSIBILITY

In KIRKBI, corporate responsibility is integrated in our Fundamentals and the three **Promises to the people, to partners and to the planet**. With these Promises, we aim to fulfil a strong focus on creating a positive impact though responsible ownership and investments

BEING RESPONSIBLE THROUGH OUR PROMISES

KIRKBI strives to be a responsible company with high ethical standards in all operations both within the KIRKBI Group as well as in all the companies where significant shareholdings are owned.

As part of the KIRKBI Fundamentals, we have Promises to people, to partners and to the planet. With these Promises, we aim to fulfil a strong focus on creating a positive impact with stakeholders through responsible ownership and investments.

We believe that by acting according to the Promises, KIRKBI is in the best possible position to deliver robust value creation.

We also believe that living our Promises is a dynamic process. KIRKBI is on a journey to constantly improve and develop the way we live our Promises. Below, please find an introduction to our Promises approach developed during 2016.

LIVING OUR PROMISES

GUIDELINES FOR INVESTMENTS

Screening

As a starting point, we have established negative screening as a basis for our investments. We have outlined the investment areas that are incompatible with our mission and values, hence entailing too high risks.

We avoid investments in the following activities:

- Tobacco
- Armament
- Adult entertainment
- Gambling

Additionally, we have entered into business relations with a sustainability research company. The company has developed a global ethical standard based on systematic screening of international companies regarding their compliance with international conventions and guidelines on environment, human rights and corruption.

Assessing potential investments

In KIRKBI, we take a long-term ownership and investment approach when assessing a potential investment to our portfolio. Here, we develop a full investment assessment, where our Promises play an important role. We determine whether the potential investment has the ability to live up to our Promises. Consequently, we assess the attractiveness and the long-term performance of the investment as well as addressing all material risks.

Engaging actively

As a responsible long-term oriented owner and investor, we engage actively with our companies and investment partners. KIRKBI seeks to contribute positively to the strategic direction and creation of sustainable growth in our portfolio companies for the long term. This includes actively supporting the pursuit of new business opportunities and mitigation of material risks within the focus areas of our Promises.

The LEGO Group and Merlin Entertainment plc both conduct comprehensive work with corporate responsibility matters and continuously communicate their progress.

KIRKBI's policy is to secure high standards for corporate responsibility in all operations carried out by the company, and KIRKBI supports the LEGO Group commitment to United Nations Global Compact and the Responsibility Report, describing how the LEGO Group is working within the

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People Promise

DESCRIPTION

People Promise – Succed together

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

FOCUS AREAS

To create a positive impact with stakeholders

- People diversity
- People development
- Work environment
- Customer safety
- Respect for human and labour rights

Partner Promise

DESCRIPTION

Partner Promise – Mutual value creation

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

FOCUS AREAS

To create a positive impact with stakeholders

- Good corporate governance
- Good corporate behaviour

Planet Promise

DESCRIPTION

Planet Promise – Positive impact

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

FOCUS AREAS

To create a positive impact with stakeholders

- Assessing the environmental footprint
- Assessing the use of natural capital
- Seeking environmental opportunities

> **It is at the very heart of our companies to always strive to do better. We want to be the best partner to work with, to be the best workplace for our people, and to be the best company for society.**
>
> **Thomas Kirk Kristiansen**

areas of human rights, labour standards, the environement and anti corruption. Please refer to the responsibility report for 2016 for the LEGO Group which is available at www.LEGO. com/responsibility. On page 31, you can also read about how KIRKBI supports the LEGO Group in balancing its global energy consumption with renewable energy capacity.

PROCESSES FOR PEOPLE DEVELOPMENT

The KIRKBI team consists of specialised and experienced professionals in diverse fields from investment and treasury management, board assignments, real estate investments and operations, business administration and controlling, legal advisory and communication to HR.

It is this variation of professional and personal competencies together with the acknowledgement of the special values of the Kirk Kristiansen family, which make KIRKBI a unique and inspiring company to work for. Strongly related to the core of these values is our people's dedication and ambitions.

We are determined to support all team members' ongoing development of competencies and performance. Furthermore, we are committed to ensuring continued development of leadership capabilities for our leaders.

In a time of growth where we welcome new people to KIRKBI, it is important to have increased focus on the KIRKBI Fundamentals and how we can use them in our daily work.

Enabling and maintaining competencies

We have created a Human Ressource Annual Cycle, with the aim of enabling and maintaining our people's competencies through a continuous focus on development. With a focused, measurable and effective performance management process, we want to meet our most critical business objectives and to create motivation, inspiration and satisfaction in the daily work.

A safe and healthful working environment

We want to make sure that our people experience KIRKBI as a safe and healthful working place referring to both the mental and physical working environment.

This area is therefore highly prioritised making sure that every activity is planned and executed in a safe and healthful way in accordance with laws, regulatory requirements and our core values.

People diversity

KIRKBI wants to have a diverse working environment. We believe that a truly diverse organisation presents an opportunity to succeed in the long term. As a result, we attract and retain people with different skills in order to succeed - giving all our current and future people opportunities to develop in KIRKBI. At any time, we aim at recruiting the best qualified to the job disregarding the person's ethnicity, religion, gender and sexual orientation.

The Board of Directors of KIRKBI are constantly working to ensure the right combination of competencies to support the further development of the KIRKBI Group. This includes a focused effort to increase diversity. It is the intention to meet the target of hiring at least one female member to the board by the end of 2021. At present, there are no female members.

At management in KIRKBI there is a balanced gender composition.

FACTS

The number of people in KIRKBI is **118** at year-end and the number has grown by **22 %** since 1 January 2016.

KIRKBI's headquarter is in **Billund**.

KIRKBI also has offices in Copenhagen and Baar in **Switzerland.**

BOARD OF DIRECTORS

Kjeld Kirk Kristiansen

Chairman of the Board and member since 1974

Majority Shareholder of KIRKBI A/S

President and CEO of the LEGO Group 1979-2004

Chairman of the Board of Koldingvej 2 Billund A/S and Ole Kirk's Foundation. Deputy Chairman of the Board of the LEGO Foundation and Board member in LEGO A/S and Capital of Children Office A/S and 4 fully owned subsidiaries of KIRKBI A/S

Niels Jacobsen

Deputy Chairman of the Board and member since 2008

President & CEO of William Demant Holding A/S

Chairman of the Board of LEGO A/S and Össur hf

Deputy Chairman of the Board of A.P. Møller-Mærsk A/S and Jeudan A/S

Member of the Board of Boston Holding A/S

Jeppe Christiansen

Member of the Board since 2008

CEO of Maj Invest Holding A/S

Chairman of the Board of Haldor Topsøe A/S

Deputy Chairman of the Board of Maj Bank A/S and Novo Nordisk A/S

Member of the Board of NOVO A/S and Symphogen A/S

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

Peter Gæmelke

Member of the Board since 2001

Farmer and former President of the Danish Agriculture & Food organisation

Chairman of the Board of Danske Spil A/S, The Loevenholm Foundation, NGF Nature Energy Biogas A/S, NLP fmba and The Green Museum

Member of the Board of DLR Kredit A/S, Nordea Liv & Pension, H.C. Petersen og Co.'s Eftf. A/S, Trigon Agri A/S, Fællesfonden and Askov High School

Member of the Board of Representatives of The Danish Central Bank, Hedeselskabet and Sydbank A/S

Thomas Kirk Kristiansen

Member of the Board since 2007

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

Chairman of the Board of the LEGO Foundation

Deputy Chairman in LEGO A/S and Board member in 4 fully owned subsidiaries of KIRKBI A/S

Executive Management member of Kirk og Kirk Holding ApS and management roles in 4 subsidiaries

THE LEADERSHIP TEAM INCLUDES FOUR MEMBERS. FROM THE LEFT:

Steen Pedersen
(Head of Global Real Estate)

Søren Thorup Sørensen
(Chief Executive Officer)

Thomas Lau Schleicher
(Chief Investment Officer)

Kurt Carstensen
(Chief Financial Officer)

LEADERSHIP TEAM

Steen Pedersen

Head of Global Real Estate

Born: 1960

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

Career and positions

1986-1993	ABB Energy and Industry, Project Manager and Manager
1993-2010	NNE Pharmaplan. (1993-1997) Manager. (1997-2010) Vice President
2010-2013	Alvent A/S. (2010-2011) Director. (2011-2013) CEO & Co-owner
2013-	KIRKBI A/S, Head of Global Real Estate

Other management positions
Member of the Board of nine fully owned subsidiaries of KIRKBI A/S

Thomas Lau Schleicher

CIO

Born: 1973

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

Career and positions

1999-2001	Handelsbanken, Associate
2000-2001	Alfred Berg Bank, Associate
2001-2010	(2001-2009) EQT Partners A/S, Director. (2009-2010) EQT Partners AB, Director
2010-	KIRKBI A/S, CIO

Other management positions
Member of the Board of Founders A/S, Boston Holding A/S and one fully owned subsidiary of KIRKBI A/S. Supervisory Board Member and Advisory Board Chairman of Minimax Viking Group

Søren Thorup Sørensen

CEO

Born: 1965

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

Career and positions

1987-2006	KPMG, Partner
2006-2009	A. P. Møller Mærsk, CFO
2010-	KIRKBI A/S, CEO

Other management positions
Chairman of the Board of Topdanmark A/S and Boston Holding A/S. Member of the Board of LEGO A/S, Koldingvej 2 Billund A/S, Ole Kirk's Foundation, Falck A/S, Merlin Entertainments plc and five fully owned subsidiaries of KIRKBI A/S

Kurt Carstensen

CFO

Born: 1961

Education: MSc in Finance and Accounting, University of Southern Denmark, 1990. State Authorised Public Accountant

Career and positions

1992-1997	Deloitte, Partner
1997-2004	LEGO System A/S, Vice President
2005-2006	Alstom Power FlowSystems, CFO
2006-2008	Louis Poulsen Lightning A/S, CFO
2009-2011	GPV International A/S, CFO
2011-	KIRKBI A/S, CFO

Other management positions
Chariman of the Board in Kvist Industries A/S. Member of the Board in Isabella Holding Vejle, A/S, Sirena A/S, Dansk Skorstensteknik A/S and twelve fully owned subsidiaries of KIRKBI A/S

BUSINESS AREAS

CONTENTS

THE LEGO GROUP

ABOUT THE LEGO GROUP

The LEGO Group is engaged in the development of children's creativity through play and learning. Based on the world-famous LEGO® brick, the company today provides unique play experiences to children.

The name LEGO® was created by the two Danish words LEg GOdt, meaning "play well", and the development of children's creativity through play and learning has been at the core of the company ever since its foundation. The LEGO brick, which was invented in its present form in 1958, and the LEGO building system form the platform for open-ended play, and provide children with endless possibilities of realising their true potential.

The mission of the company is to "inspire and develop the builders of tomorrow", and all products are based on the underlying philosophy of development through play. It is the LEGO philosophy that "good quality play" enriches a child's life – and lays the foundation for its development throughout life.

The LEGO Group was founded by the Kirk Kristiansen family in 1932 and has since then been headquartered in Billund, Denmark. Production takes place in Denmark, the Czech Republic, Hungary, China and Mexico, and other large locations are USA, Germany, Singapore and the UK.

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

HIGHLIGHTS FOR 2016

2016 was another year of record sales for the LEGO Group, but with slower growth than the extraordinary high levels seen in the past. Revenues increased by 6 % in 2016 to DKK 37.9 billion. Sales were driven by strong growth in Europe and Asia, while American markets experienced mixed performance.

The LEGO Group's profit before tax grew 2 % in 2016 to DKK 12.4 billion. The lower profit growth than in recent years is a result of a planned high level of investments in physical capacity and organisational capability building to equip the company for future growth. The investments in primarily further production capacity in Nyiregyháza (Hungary), Monterrey (Mexico), Jiaxing (China) and Billund (Denmark) amounted to DKK 2.9 billion. In November 2016, the new LEGO factory in Jiaxing, China was officially inaugurated.

The number of average full-time employees increased by 20 % to 16,836 employees for 2016.

During the coming years, the LEGO Group expects to grow moderately ahead of the global toy market that is expected to continue to grow low to mid-single digit.

EXECUTIVE LEADERSHIP TEAM

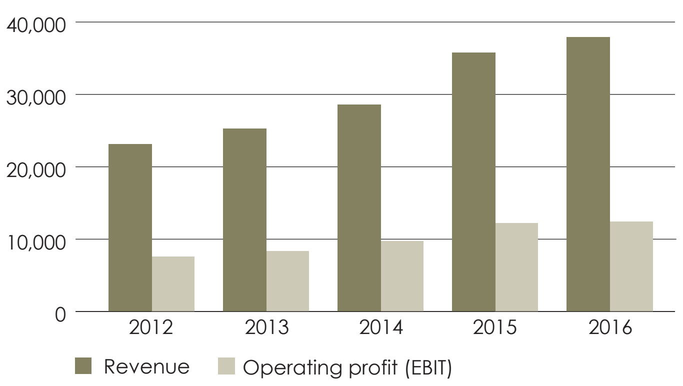
Bali Padda, Chief Executive Officer
Ulrik Gernow, Chief Business Transformation Officer
Julia Goldin, Chief Marketing Officer
Marjorie Lao, Chief Finanical Officer
Carsten Rasmussen, Chief Operating Officer
Loren I. Shuster, Chief Commercial Officer
Padma Thiruvengadam, Chief People Officer

BOARD OF DIRECTORS

Niels Jacobsen, Chairman
Thomas Kirk Kristiansen, Deputy Chairman
Eva Berneke
Kjeld Kirk Kristiansen
Jan Nielsen
Kåre Schultz
Søren Thorup Sørensen

LEGO Group – Jaixing opening November

5 YEARS' PERFORMANCE
(m DKK)



FINANCIAL HIGHLIGHTS

(m DKK)	2016	2015
Revenue	37,934	35,780
Operating profit	12,448	12,244
Profit for the year	9,436	9,174
Equity	20,039	17,751
Cash flow from operating activities	9,084	10,559
Investments	(3,000)	(2,948)
Average number of employees (FTE)	16,836	13,974

MERLIN ENTERTAINMENTS PLC

ABOUT MERLIN ENTERTAINMENTS PLC

Merlin Entertainments is Europe's leading and the world's second-largest visitor attraction operator. At the end of December 2016, Merlin operated 117 attractions in 24 countries across 4 continents. The aim for Merlin Entertainments is to deliver memorable experiences to over 65 million visitors worldwide.

Merlin Entertainments operates through three operating groups: LEGOLAND® Parks, Resort Theme Parks and Midway Attractions, using a number of international brands including SEA LIFE, Madame Tussauds, the Dungeons, LEGOLAND Discovery Centres and the Eye.

Midway Attractions are predominantly indoor attractions located in city centres or resorts providing visits of shorter duration. Resort Theme Parks are standalone national brands generally aimed at families, teenagers and young adults.

The seven LEGOLAND resorts across Europe, USA and Asia offer a unique LEGO® themed experience for families with children often including highly themed accommodation and based on interactivity, imagination and family fun. In the 16 LEGOLAND Discovery Centres across Europe, USA and Asia families with young children are offered an indoor, interactive and immersive experience.

Merlin Entertainments plc is a listed company on the London Stock Exchange.

KIRKBI is a significant shareholder of Merlin Entertainments plc with a 29.9 % interest.

HIGHLIGHTS FOR 2016

The performance in 2016 is testament to the benefits of Merlin's strategy of portfolio diversification. The external environment continued to present challenges in a number of markets, particularly for certain Midway attractions where international terrorism impacted tourism to larger cities. However, during 2016 there was the start of an encouraging recovery in Resort Theme Parks, steady growth in LEGOLAND Parks and a strong contribution from New Business Development.

Total number of visitors grew by 3.5 % to 65.1 million and revenue grew by 3.6 % in 2016 on a constant currency basis. Profit for the year increased by 9.3 % to GBP 211million.

Following two years of extremely strong growth, the 6 existing LEGOLAND® parks saw further positive momentum in 2016. In October a new LEGOLAND park in Dubai opened and the LEGOLAND park number 8 located in Japan is planned opened in April 2017. Merlin continues to make progress with the LEGOLAND Korea location and further potential sites in Asia and North America are beeing explored.

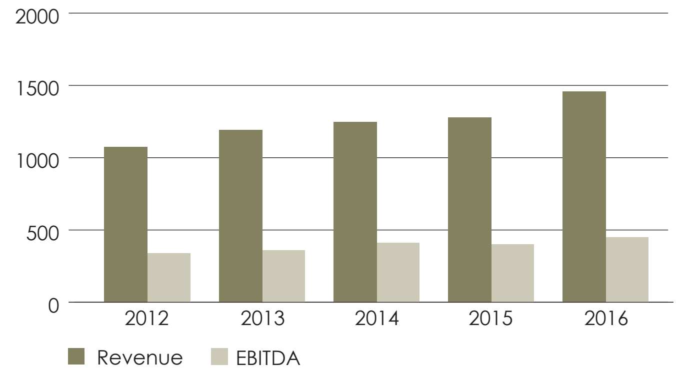
The number of LEGOLAND Discovery Centres increased during the year by 3 new Centres to a total number of 16 LEGOLAND Discovery Centres. The new openings were in Michigan, Arizona and Shanghai. A new LEGOLAND Discovery Centre is planned for Melbourne for 2017 with more sites in the pipeline.

BOARD OF DIRECTORS

Sir John Sunderland, Chairman
Nick Varney, CEO
Anne-Francoise Nesmes, CFO
Yun (Rachel) Chiang
Charles Gurassa
Fru Hazlitt
Ken Hydon
Trudy Rautio
Søren Thorup Sørensen

Photo: Merlin Entertainments plc, LEGOLAND Entrance Dubai

5 YEARS' PERFORMANCE
(m GBP)



FINANCIAL HIGHLIGHTS
(m GBP)

	2016	2015
Revenue	1,457	1,278
Underlying EBITDA	451	402
Profit for the year	211	170
Equity	1,424	1,145
Cash flow from operating activities	433	325
Visitors (millions)	65.1	62.9
Ownership of Merlin Entertainments plc	29.8 %	29.9 %
KIRKBI's share of profit for the year (m DKK)	**552**	**517**

Photo: Dong Energy – The Burbo Bank Extension wind farm

RENEWABLES

KIRKBI wants to make **a positive impact on the global environment** focusing on renewable energy, whereby Renewables is a strategic investment area for the KIRKBI Group

ABOUT RENEWABLES

Renewables is a strategic investment area for KIRKBI. The primary reason behind the investments is to support the LEGO Group's commitment towards balancing the global consumption of energy with renewable energy, while at the same time delivering attractive long-term returns on investment.

In addition, this investment area is also a clear evidence of the fact that the Kirk Kristiansen family wants to make a positive impact on the planet for future generations.

KIRKBI targets direct minority investments in solar, onshore wind and offshore wind assets. KIRKBI actively influences from a board perspective, but is not involved in the day-to-day asset operations. The intention is to form long-term partnerships and to be long-term owners of the underlying assets.

The geographic focus is on Northern Europe, North America and Japan.

HIGHLIGHTS FOR 2016

The optimisation and test phase on Borkum Riffgrund 1 was finalished on 18 June 2016, whereby KIRKBI entered into sharing risks and benefits for the windfarm.

On 10 February 2016, KIRKBI entered into an agreement to acquire 25 % of the Burbo Bank Extension offshore wind farm located in the UK.

ABOUT BURBO BANK EXTENSION

KIRKBI and PKA jointly invested in Burbo Bank Extension with DONG Energy, the seller, retaining 50 % ownership. DONG Energy is handling both the construction and operations of the wind farm.

Burbo Bank Extension is located approximately 7 kilometers off the coast of Liverpool in the UK. The wind farm consists of 32 MHI Vestas 8 MW turbines with a total capacity of 258 MW and is expected to provide green energy to 230,000 UK households.

First power was generated in November 2016 and as of December 2016, all 32 turbines have been installed. Full commissioning is expected during the first half of 2017.

ABOUT BORKUM RIFFGRUND 1

In 2012, KIRKBI and William Demant Invest jointly invested in Borkum Riffgrund 1, with KIRKBI owning 31.5 %. DONG Energy has retained 50 % ownership and is handling both the construction and operations of the wind farm.

Borkum Riffgrund 1 is located in Germany, approximately 54 kilometres from shore and 37 kilometers from the island Borkum in the North Sea. The wind farm consists of 78 Siemens 4 MW turbines with a total capacity of 312 MW and is capable of providing green energy to 320,000 German households.

First power was generated in February 2015. The wind farm was officially opened in October 2015.

LOCATION

FINANCIAL HIGHLIGHTS

(m DKK)	2016	2015
Profit for the year	118	(3)
Investments	5,953	2,838

INVESTMENT PORTFOLIO

The KIRKBI Fundamentals have formed the basis of the current investment strategy. **We build a sound financial foundation on ongoing value creation** to support the KIRKBI Fundamentals and inherently the shared mission

ABOUT OUR INVESTMENT ACTIVITIES

The KIRKBI Fundamentals have formed the basis of the current investment strategy. We build a sound financial foundation on ongoing value creation to support the KIRKBI Fundamentals.

The economic purpose for the investment portfolio is to balance financial security and flexibility for the KIRKBI Group with the objective of delivering a stable long-term growth of capital through an attractive risk-adjusted return.

The approach is fundamentally driven with investments actively managed by a dedicated and agile organisation within the principles of a family-owned company and our Fundamentals:

- Long-term focused, fundamentally and value-driven investor.
- Being ambitious and active business owners of the companies we invest in.
- Making responsible investments to act as a good corporate citizen, because we believe investing responsibly will create superior long-term value.
- In areas where we choose to work with external partners, we seek partners with high integrity and aim to build long-term relationships.
- Focusing on transparent investment structures in order to be comfortable with the underlying risk and return factors.

MAKING RESPONSIBLE INVESTMENTS

KIRKBI aspires to enable the Kirk Kristiansen family to succeed with the mission of inspiring and developing the builders of tomorrow through generations and to create a positive impact through responsible ownership and investments.

To fulfil the inherent responsibility in the Fundamentals, KIRKBI has made separate Promises to the planet, to its people and to its partners. The promises include an aspiration to ensure high ethical standards in investments and engagements as well as making a credible contribution to solving the sustainability issues that are most relevant to KIRKBI's business and of particular importance to the owner family.

KIRKBI finds sustainability factors to be a fundamental part of assessing the attractiveness and performance of an investment. Not only in the due diligence phase but also as part of the ongoing monitoring of our businesses and investments as KIRKBI will – as an ambitious and active owner – exercise our rights and encourage companies to improve the management of material risks in order to protect our value and enhance long-term returns.

In addition to the assessment of factors, we exclude investments in certain industries such as tobacco, armament, gambling and adult entertainment. The investments are regularly screened for their compliance with international conventions and norms.

Read more about the Promises on page 16.

PORTFOLIO STRATEGY

The investment portfolio is divided into long-term investments and financial investments with the purpose of securing diversification as well as sufficient flexibility at all times. Based on a belief in value creation through long-term focus as well as a long-term illiquidity premium, we expect long-term investments to be a growing part of the total portfolio.

HIGHLIGHTS FOR 2016

In 2016, the consolidated investment activities yielded a return of DKK 3.0 billion and the investment portfolio ended at DKK 44.2 billion.

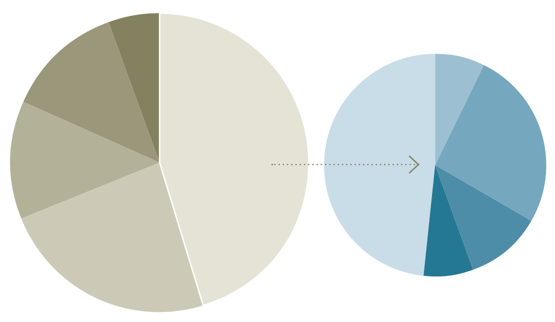
The return was predominantly driven by strong performance in Private Equity and Financial investments.

In the Private Equity portfolio, gains are attributable both to the preferred buyout funds and co-investments made. During 2016, we made two new commitments to funds and made two new co-investments with our partners.

The result from Financial investments reflects both solid allocation and selection as all asset classes showed strong returns above their targets. Allocation wise, the market volatility at the beginning of the year was used to increase the allocation to both equity markets and Corporate debt while retaining a more defensive stance in Core fixed income. Within Long-term equity, the gains are mainly attributable to solid performance of Minimax Viking Group as Falck A/S showed negative value adjustment and the stock price of ISS A/S had a flat year following the very strong 2015.

In 2016, Real Estate completed the acquisition of two new investment properties: A shopping centre of about 29,000m² located in Munich and a 12,400m² mixed-use property in Baar, Switzerland. We intend to upgrade the property in terms of environmental standards as well as its attractiveness during 2017-2019.

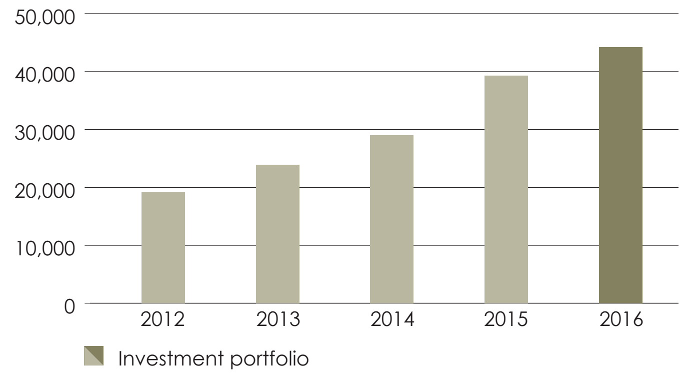
ALLOCATION OF INVESTMENT PORTFOLIO YEAR-END 2016



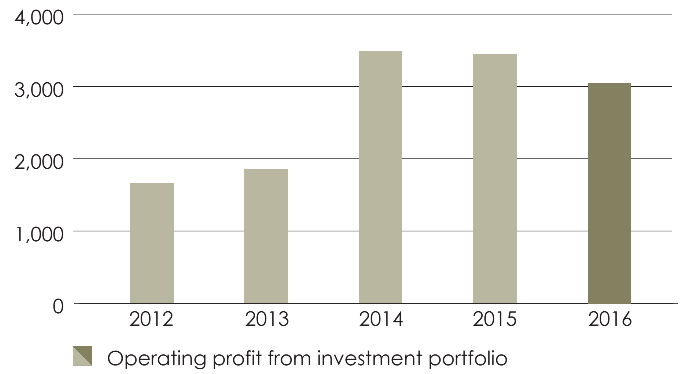
Long-term investments
- Financial Investments
- Long-term Equity
- Real Estate
- Private Equity
- Alternatives

Financial Investments
- Core Fixed Income
- Corporate Debt
- Other Bonds
- Developed Markets Equities
- Emerging Markets Equities

INVESTMENT PORTFOLIO AT YEAR-END
(m DKK)



5 YEARS' PERFORMANCE
(m DKK)



FINANCIAL HIGHLIGHTS

(m DKK)	2016	2015
Operating profit from investment activities	2,960	3,307

Photo: ISS

LONG-TERM EQUITY INVESTMENTS

It is a priority for the KIRKBI Group to **grow the long-term equity investments** with a wish of acquiring significant minority stakes of high-quality companies with a long-term value potential

ABOUT KIRKBI'S LONG-TERM EQUITY INVESTMENTS

Within the KIRKBI Investment portfolio strategy, focus is towards more long-term value creating assets. It is a priority for the KIRKBI Group to grow the long-term equity investments with a wish of acquiring significant minority stakes of high-quality companies with a long-term value potential.

KIRKBI INVESTS WITHIN ATTRACTIVE AND GROWING INDUSTRIES

KIRKBI's strategy is to be an active owner of significant minority stakes. Thus, KIRKBI is represented on the boards of most of the long-term equity investments in order to support the companies with strategic and operational issues in relation to their long-term growth, our Promises and further development.

KIRKBI'S PORTFOLIO OF LONG-TERM EQUITY INVESTMENTS

Falck A/S

Falck's activities are directed at preventing accidents and disease; providing assistance in situations of emergency, accidents and need; and helping people move on with their lives after illness or accidents.

Falck has more than 38,000 employees and business activities in 45 countries on six continents. Falck provides ambulance services to the general public and works in close collaboration with the authorities on 5 continents. Operating more than 2,500 ambulances, Falck has the world's largest international ambulance fleet. Falck is also the world's largest provider of fire services, healthcare and safety services.

KIRKBI owns 28 % of Falck A/S.

ISS A/S

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, Property and Support Services as well as Facility Management. ISS has approximately 500,000 employees and local operations in more than 50 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers.

ISS A/S is listed on OMX Nordic Stock Exchange.

KIRKBI owns more than 10 % of ISS A/S.

Minimax Viking Group

Minimax Viking is a global market leader in the active fire protection industry specialised in the development, manufacture and supply of fire suppression and prevention systems including related detection and control technology. The Minimax Viking Group also offers engineering, installation and commissioning of the systems as well as after-sales services for the business sector. Minimax Viking's primary markets are Germany and North America while business is emerging in Asia. Minimax Viking has more than 7,000 employees.

KIRKBI owns 29 % of Minimax Viking Group.

REAL ESTATE INVESTMENTS

The focus for the KIRKBI Group is to **maintain and increase the real estate portfolio** with sound and high-quality properties with a long-term value potential

ABOUT KIRKBI'S REAL ESTATE INVESTMENTS

The KIRKBI Group believes in value creation through long-term focus. In light of this belief, a growing real estate footprint is a strategic choice for KIRKBI. Consequently, the focus for the KIRKBI Group in terms of real estate is to maintain and increase the real estate portfolio with sound and high-quality properties as well as redevelopment opportunities with a long-term value potential, primarily within the office and retail sectors.

KIRKBI PRIMARILY INVESTS IN FOUR STRATEGIC LOCATIONS

KIRKBI's current real estate strategy identifies four strategic locations for the future real estate investments: Copenhagen, London, Munich and the German speaking part of Switzerland.

All investments are evaluated based on their long-term potential, where both the return component and the environmental impact and potential, the ESG component, are of high importance. Focusing on the environmental impact and potential of each property supports KIRKBI's Planet Promise.

KIRKBI currently has 23 real estate investments located in Copenhagen and Billund (Denmark), London (Great Britain), Baar, Olten and Rapperswil (Switzerland), Munich and Hamburg (Germany) and Prague and Kladno (Czech Republic).

The total size of the portfolio by end of 2016 measured more than 250,000 m^2 of space and KIRKBI Real Estate is managing more than 200 tenants.

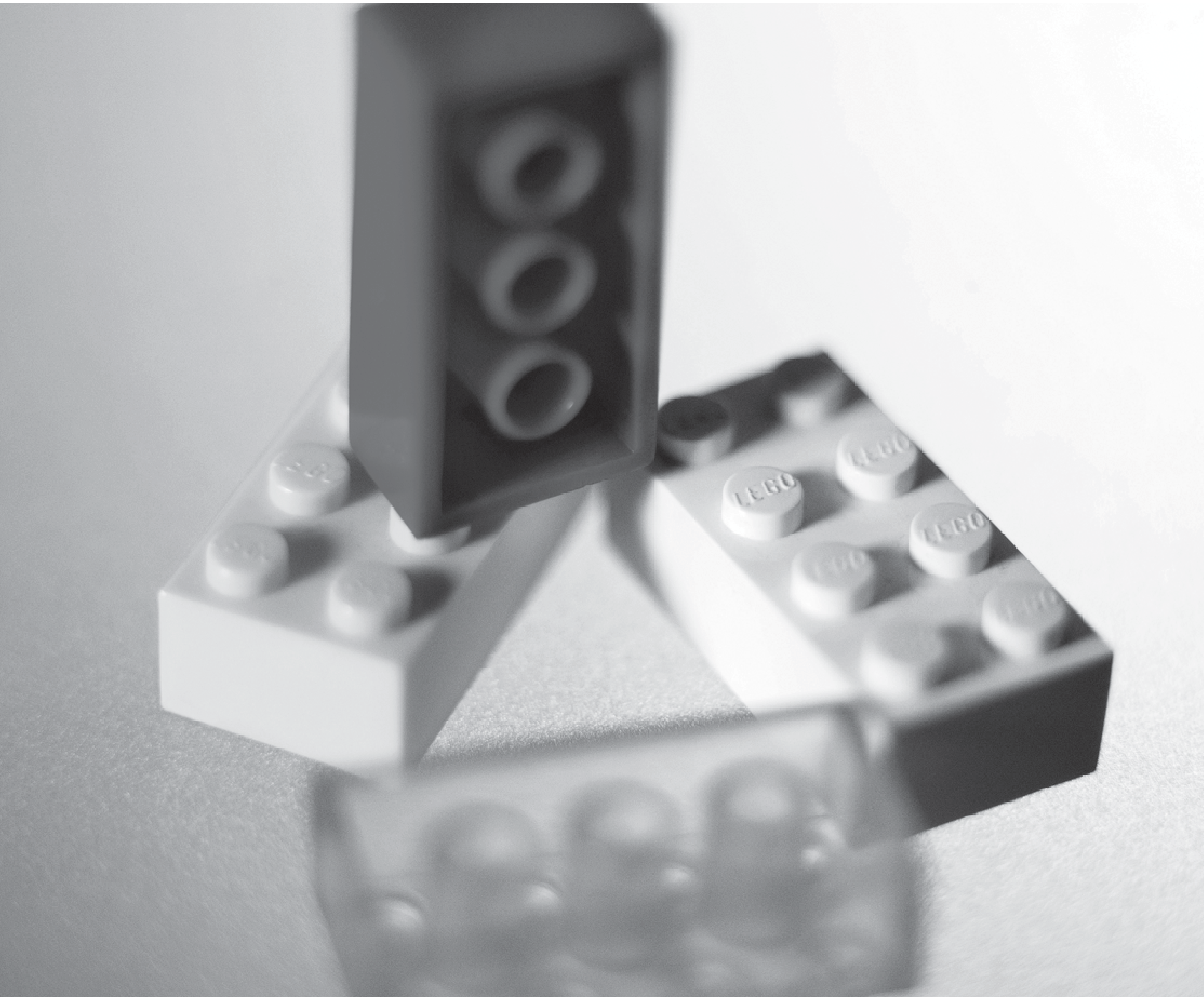
HIGHLIGHTS FOR 2016

In 2016, KIRKBI's real estate investment portfolio grew with two new acquisitions in Germany and Switzerland.

In April, KIRKBI acquired "Das Einstein" in Munich, which is a shopping centre of about 29,000 m^2 located east of the city centre, not far from Ostbahnhof, inside Munich's Mittlerer Ring. The property was redeveloped and extended back in 2009 to a high quality standard. Today it accommodates solid, long-term tenants, among them one of the largest fitness centres in Germany. KIRKBI acquired 90 % of the property, while the remaining share was acquired by one of our local partners.

In December, KIRKBI acquired a 12,400 m^2 mixed-use property in Baar, Switzerland, which was earlier used as one of LEGO's production facilities in the country. Today, the property consists of three buildings, being used as offices, warehouse, logistics as well as production facilities. The plan is to upgrade part of the property in terms of environmental standard as well as overall appeal in the period 2017 - 2019. KIRKBI acquired 100 % of the property.

Das Einstein in Munich



CONSOLIDATED FINANCIAL STATE-MENTS

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CONSOLIDATED INCOME STATEMENT

(m DKK)	Notes	2016	2015
LEGO Group [1] [2] [3]	2, 3, 4, 5	12,391	12,148
Royalties [1]		1,437	1,392
Merlin activities		571	504
Renewables		118	(3)
Operating profit from strategic activities		**14,517**	**14,041**
Operating profit from investment activities	4, 5, 6	2,960	3,307
Administration and trademark costs [3]	2, 3, 4, 5	(592)	(351)
Total operating profit		**16,885**	**16,997**
Financial items		(13)	(53)
Profit before tax		**16,872**	**16,944**
Tax on profit for the year	7	(3,587)	(3,548)
Profit for the year		**13,285**	**13,396**
Appropriation to			
Parent company shareholders		10,924	11,104
Non-controlling interests	17	2,361	2,292
		13,285	**13,396**

[1] Operating profit from the LEGO Group and royalties include royalty from the LEGO Group of DKK 1,363 million (2015 DKK 1,324 million)

[2] Revenue for the KIRKBI Group is DKK 38,747 million (2015 DKK 36,277 million) primarily from sale of goods

[3] Total operating expenses for the KIRKBI Group amounts to DKK 26,078 million (2015 DKK 23,887 million) as specified in note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(m DKK)	Notes	2016	2015
Profit for the year		**13,285**	**13,396**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to the income statement:			
Exchange differences, foreign subsidiaries and associates		(350)	217
Net gain/(loss) on cash flow hedges		(127)	231
Net gain/(loss) on cash flow hedges associates		(8)	36
Tax on entries directly in equity		25	(59)
Items that will not be reclassified to the income statement:			
Remeasurements of defined benefit plans		(7)	2
Other equity movements in associates		(15)	(3)
Other comprehensive income for the year		**(482)**	**424**
Total comprehensive income		**12,803**	**13,820**
Appropriation to			
Parent company shareholders		10,478	11,465
Non-controlling interests	17	2,325	2,355
		12,803	**13,820**

BALANCE SHEET AT 31 DECEMBER

ASSETS (m DKK)	Notes	2016	2015
Non-current assets			
Goodwill, trademarks, patents and other intangible rights	9	1,873	1,886
Software		270	138
Development projects		39	139
Intangible assets	8	**2,182**	**2,163**
Property		7,057	6,510
Plant and equipment		6,657	3,033
Other fixtures, fittings, tools and equipment		1,635	1,649
Fixed assets under construction		5,232	4,302
Property, plant and equipment	10	**20,581**	**15,494**
Investment real estate	11	6,371	5,362
Investments in associates	12	3,894	3,654
Receivables from associates		268	78
Other investments		109	40
Prepayments		159	170
Deferred tax assets	18	603	313
Other non-current assets		**11,404**	**9,617**
Total non-current assets		**34,167**	**27,274**
Current assets			
Inventories	13	3,103	2,850
Trade receivables	14	7,294	6,436
Other receivables		1,320	1,989
Prepayments		135	180
Current tax receivables		493	399
Securities	15	37,541	34,032
Cash		1,614	2,303
Total current assets		**51,500**	**48,189**
TOTAL ASSETS		**85,667**	**75,463**

EQUITY AND LIABILITIES (m DKK)	Notes	2016	2015
EQUITY			
Share capital	16	200	200
Retained earnings		66,207	56,095
KIRKBI Group's share of equity		**66,407**	**56,295**
Non-controlling interests	17	5,105	4,460
Total equity		**71,512**	**60,755**
LIABILITIES			
Non-current liabilities			
Borrowings		2,307	3,454
Deferred tax liabilities	18	783	596
Pension obligations	19	198	95
Provisions	21	323	101
Other long-term liabilities	20	250	145
Total non-current liabilities		**3,861**	**4,391**
Current liabilities			
Borrowings		1,144	925
Trade payables		2,896	3,210
Current tax liabilities		256	217
Provisions	21	78	160
Other short-term liabilities	20	5,920	5,805
Total current liabilities		**10,294**	**10,317**
Total liabilities		**14,155**	**14,708**
TOTAL EQUITY AND LIABILITIES		**85,667**	**75,463**

STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained compre-hensive income	KIRKBI Group's share of equity	Non-controlling interests	Total equity
Balance at 1 January 2016	**200**	**56,095**	**56,295**	**4,460**	**60,755**
Profit for the year	–	10,924	10,924	2,361	13,285
Other comprehensive income for the year	–	(446)	(446)	(36)	(482)
Total comprehensive income for the year	**–**	**10,478**	**10,478**	**2,325**	**12,803**
Acquisition of non-controlling interest in subsidiaries	–	–	–	70	70
Equity-settled share-based transactions in associates	–	34	34	–	34
Dividend	–	(400)	(400)	(1,750)	(2,150)
Balance at 31 December 2016	**200**	**66,207**	**66,407**	**5,105**	**71,512**
Balance at 1 January 2015	**200**	**45,018**	**45,218**	**3,206**	**48,424**
Profit for the year	–	11,104	11,104	2,292	13,396
Other comprehensive income for the year	–	361	361	63	424
Total comprehensive income for the year	**–**	**11,465**	**11,465**	**2,355**	**13,820**
Acquisition of non-controlling interest in subsidiaries	–	–	–	24	24
Equity-settled share-based transactions in associates	–	12	12	–	12
Dividend	–	(400)	(400)	(1,125)	(1,525)
Balance at 31 December 2015	**200**	**56,095**	**56,295**	**4,460**	**60,755**

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

(m DKK)	Notes	2016	2015
Profit before tax		16,872	16,944
Income tax paid		(3,745)	(3,841)
Reversals of items with no effect on cash flows	25	(234)	(1,324)
Changes in working capital	26	(377)	297
Cash flows from operating activities		**12,516**	**12,076**
Acquisition of securities, net		(2,349)	(7,321)
Acquisition of intangible assets		(92)	(126)
Sale of property, plant and equipment		24	148
Acquisition of property, plant and equipment		(7,596)	(4,621)
Cash flows from investing activities		**(10,013)**	**(11,920)**
Dividend paid to shareholders		(400)	(400)
Dividend paid to non-controlling interests		(1,750)	(1,125)
New borrowings		354	2,912
Repayments of borrowings		(1,396)	(651)
Cash flows from financing activities		**(3,192)**	**736**
Net cash flows for the year		**(689)**	**892**
Cash and cash equivalents at 1 January		2,303	1,411
Cash and cash equivalents at 31 December		**1,614**	**2,303**

THE KIRKBI GROUP

CONTENTS

NOTE 1. 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 which management assesses to be material for the annual report.

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

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

Entities, in which the KIRKBI Group has significant influence, which are included in the investment portfolio (Long-term equity) are accounted for using fair value through profit and loss and accounted for in accordance with IAS 39, which goes for the investments in Falck and Minimax Viking.

Please refer to the KIRKBI Group Structure for a complete overview of which companies are accounted for using the equity method and which companies are accounted for using fair value through profit and loss.

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

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

The most subjective parameter in the valuation model is the multiples from comparable companies. If the multiples were reduced by 1.0x point, it would have a negative effect on profit before tax of around DKK 600 million, which is described in note 15.

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

Real estate investments
Within other non-current assets the valuation of Real estate requires estimates and judgements on future cash flows, yields and market values for similar properties. The most subjective parameter is the yield used in the calculation. If the yield in the calculations increases by 1 % point, the impact on profit before tax would be negative with around DKK 1,100 million. Please refer to note 11 for a description of the impact on each geografical area. It is management's assessment that the estimates are reasonable.

NOTE 2. EXPENSES BY NATURE

(m DKK)	2016	2015
Raw materials and consumables	5,587	5,366
Employee expenses	6,788	5,956
Depreciation and amortisation	1,295	1,081
License and royalty expenses	2,893	2,523
Other external expenses	8,923	8,610
Total operating expenses from LEGO Group activities	**25,486**	**23,536**
Administration and trademark costs	592	351
Total operating expenses for the KIRKBI Group activities	**26,078**	**23,887**
Research and development costs charged during the year	**567**	**533**

NOTE 3. AUDITORS' FEES

(m DKK)	2016	2015
Fee to Deloitte:		
Statutory audit of the financial statements	2	2
Other assurance engagements	–	–
Tax assistance	2	1
Other services	4	2
	8	**5**
Fee to PwC:		
Statutory audit of the financial statements	11	10
Other assurance engagements	3	1
Tax assistance	11	20
Other services	21	34
	46	**65**
Total auditors´ fees	**54**	**70**

NOTE 4. EMPLOYEE EXPENSES

(m DKK)	2016	2015
Wages and salaries	6,281	5,486
Termination benefit and restructuring	33	25
Pension costs, defined contribution plans	348	242
Other expenses and social security costs	625	484
	7,287	**6,237**
Average number of full-time employees	**17,136**	**14,241**
Executive Management and Board of Directors:		
Salaries and other remuneration	21	20
Short-term incentive plans	2	3
Long-term incentive plans	12	12
	35	**35**

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

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

NOTE 5. DEPRECIATION AND AMORTISATION

(m DKK)	2016	2015
Trademarks, patents and other intangible rights	13	13
Software	60	51
Property	234	254
Plant and equipment	870	662
Other fixtures, fittings, tools and equipment	209	253
	1,386	**1,233**

In 2016, the KIRKBI Group did not recognise impairment losses on intangible assets (2015 DKK 0 million) or on property, plant and equipment (2015 DKK 73 million).

NOTE 6. OPERATING PROFIT FROM INVESTMENT ACTIVITIES

(m DKK)	2016	2015
Net gain or loss on financial assets at fair value through profit and loss	1,481	1,318
Net income from Investment real estate (note 11)	334	767
Realised net gain or loss on financial assets	1,145	1,222
	2,960	**3,307**

NOTE 7. INCOME TAX EXPENSES

(m DKK)	2016	2015
Current tax on profit for the year	3,637	3,738
Deferred tax on profit for the year	(82)	(93)
Other	6	27
Prior year adjustments	26	(124)
	3,587	**3,548**
Income tax expenses are specified as follows:		
Calculated 22 % (23.5 %) tax on profit for the year before income tax	3,712	3,982
Tax effect of		
Higher/(lower) tax rate in subsidiaries	70	101
Non-taxable income	(244)	(748)
Non-deductible expenses	95	206
Effect of change in tax rate	1	–
Adjustment of tax relating to previous years	26	(124)
Other	(73)	131
	3,587	**3,548**
Effective tax rate	21.3 %	20.9 %

NOTE 8. INTANGIBLE ASSETS

2016 (m DKK)	Goodwill, Trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,062	325	139	2,526
Exchange adjustment to year-end rate	20	–	–	20
Additions	–	18	74	92
Transfers	–	174	(174)	–
Cost at 31 December	**2,082**	**517**	**39**	**2,638**
Amortisation and impairment losses at 1 January	(176)	(187)	–	(363)
Exchange adjustment to year-end rate	(20)	–	–	(20)
Amortisation for the year	(13)	(60)	–	(73)
Amortisation and impairment losses at 31 December	**(209)**	**(247)**	**–**	**(456)**
Carrying amount at 31 December	**1,873**	**270**	**39**	**2,182**

2015 (m DKK)	Goodwill, Trademarks, patents and other intangible rights	Software	Development projects	Total
Cost at 1 January	2,053	461	85	2,599
Exchange adjustment to year-end rate	6	–	–	6
Additions	3	6	117	126
Disposals	–	(205)	–	(205)
Transfers	–	63	(63)	–
Cost at 31 December	**2,062**	**325**	**139**	**2,526**
Amortisation and impairment losses at 1 January	(162)	(335)	–	(497)
Exchange adjustment to year-end rate	(1)	(6)	–	(7)
Amortisation for the year	(13)	(51)	–	(64)
Disposals	–	205	–	205
Amortisation and impairment losses at 31 December	**(176)**	**(187)**	**–**	**(363)**
Carrying amount at 31 December	**1,886**	**138**	**139**	**2,163**

NOTE 9. IMPAIRMENT TEST

Impairment test of trademarks
Annual impairment test is carried out of the carrying amount of trademarks with indefinite useful lives. The impairment test in 2016 did not give rise to recognising any impairment losses.

The carrying amount of trademarks at 31 December is related to the cash-generating operational units and breaks down as follows:

(m DKK)	2016	2015
LEGO Group	**1,831**	**1,831**

The recoverable amount is based on the value in use, which is calculated by means of the realised net cash flows from trademark royalties for the current year using a discount rate (WACC) of 8 % (2015 8 %).

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

2016 (m DKK)	Real Estate	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	7,666	6,964	2,749	4,302	21,681
Exchange adjustment to year-end rate	(199)	(1)	(28)	(70)	(298)
Additions	422	903	227	5,214	6,766
Disposals	(56)	(250)	(90)	(19)	(415)
Transfers	592	3,603	0	(4,195)	–
Cost at 31 December	**8,425**	**11,219**	**2,858**	**5,232**	**27,734**
Depreciation and impairment losses at 1 January	(1,156)	(3,931)	(1,100)	–	(6,187)
Exchange adjustment to year-end rate	21	(2)	2	–	21
Depreciation for the year	(234)	(870)	(209)	–	(1,313)
Disposals	1	241	84	–	326
Depreciation and impairment losses at 31 December	**(1,368)**	**(4,562)**	**(1,223)**	**–**	**(7,153)**
Carrying amount at 31 December 2016	**7,057**	**6,657**	**1,635**	**5,232**	**20,581**
Including assets held under finance leases	**15**	**–**	**–**	**–**	**15**

Proterty, plant and equipment in general
An obligation related to the purchase of property, plant and equipment of DKK 4,108 million exists at 31 December 2016 (DKK 2,014 million at 31 December 2015).

2015 (m DKK)	Real Estate	Plant and equipment	Other fixtures, fittings, tools and equipment	Fixed assets under construction	Total
Cost at 1 January	5,225	6,023	2,512	5,371	19,131
Exchange adjustment to year-end rate	4	15	65	78	162
Additions	843	882	215	2,365	4,305
Disposals	(66)	(278)	(168)	–	(512)
Reclassification	–	–	–	(1,405)	(1,405)
Transfer	1,660	322	125	(2,107)	–
Cost at 31 December	**7,666**	**6,964**	**2,749**	**4,302**	**21,681**
Depreciation and impairment losses at 1 January	(956)	(3,529)	(913)	–	(5,398)
Exchange adjustment to year-end rate	(6)	(6)	(30)	–	(42)
Depreciation for the year	(181)	(662)	(253)	–	(1,096)
Impairment losses for the year	(73)	–	–	–	(73)
Disposals	60	266	96	–	422
Depreciation and impairment losses at 31 December	**(1,156)**	**(3,931)**	**(1,100)**	**–**	**(6,187)**
Carrying amount at 31 December	**6,510**	**3,033**	**1,649**	**4,302**	**15,494**
Including assets held under finance leases	**19**	**–**	**–**	**–**	**19**

NOTE 11. INVESTMENT REAL ESTATE

(m DKK)	2016	2015
Fair value:		
Fair value at 1 January	5,362	4,186
Exchange adjustment to year-end rate	(233)	244
Additions, new real estates	867	665
Additions, improvement of existing real estate	31	11
Disposals	–	(80)
Fair value adjustment for the year, net	344	336
Fair value at 31 December	**6,371**	**5,362**
Net income:		
Rental income	315	284
Direct expenses	(92)	(84)
Net result from operation	**223**	**200**
Fair value adjustments:		
Fair value adjustment for the year, net	344	336
Exchange adjustment to real estate for the year, net	(233)	244
Exchange adjustment for the year related to debt	–	(13)
Fair value adjustments:	**111**	**567**
Net income from Investment real estate	**334**	**767**

Valuation method:
The fair value is assessed by the KIRKBI Group's real estate team at year-end on the basis of a return-based model. Valuations rely substantially on non-observable input (level 3) and are based on cash flow estimates and on the required rate of return (yield) calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return (yield) on a property is dertermined on the basis of its location, type, possible uses, layout and condition as well as on the terms of lease agreements, rent adjustment and the credit quality of lessees.

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

Investment properties are stated at fair value, using the following yields based on location:	Yield 2016	Yield 2015	Effect of 1% point increase in yield (mDKK)
Billund, Denmark	5.75 - 9.00 %	5.75 - 9.00 %	(11)
Copenhagen, Denmark	4.50 - 6.00 %	5.00 - 6.00 %	(188)
London, UK	4.5 %	4.50 - 5.00 %	(276)
Prague and Kladno, Czech Republic	6.75 - 8.75 %	7.25 - 8.75 %	(44)
Baar, Switzerland	4.50 - 5.00 %	4.50 - 5.25 %	(310)
Hamburg, Germany	6.25 %	6.25 %	(19)
Munich, Germany	4.25 - 4.50 %	4.50 %	(270)
			(1,118)

NOTE 12. INVESTMENTS IN ASSOCIATES

(m DKK)	2016	2015
Cost at 1 January	2,573	3,328
Disposals	–	(755)
Cost at 31 December	**2,573**	**2,573**
Value adjustment at 1 January	1,081	459
Exchange adjustment to year-end rate	(471)	208
Disposals	–	198
Share of profit	552	492
Share of comprehensive income	351	(61)
Dividend	(192)	(215)
Value adjustment at 31 December	**1,321**	**1,081**
Carrying amount at 31 December	**3,894**	**3,654**

The KIRKBI Group's shareholding in Merlin Entertainments plc is defined as long-term strategic investment and is classified in the balance sheet as Other non-current assets.

Merlin Entertainments plc is listed on the London Stock Exchange. The investment has a carrying amount at 31 December 2016 of DKK 3,891 million (2015 DKK 3,651 million) and a market value of DKK 11,817 million (2015 DKK 13,955 million).

General information on associates

Company name	**Merlin Entertainments plc**
Country	UK
Ownership / Votes	29.8 %
Functional currency	GBP

Financial information of associates

(m DKK)	Merlin Entertainments plc	Other	2016	2015
Revenue	12,717	–	12,717	13,005
Profit for the year	1,845	–	1,845	1,705
KIRKBI Group's share of profit for the year	**552**	**–**	**522**	**492**
Total assets	28,674	–	28,674	27,656
Total equity	12,381	–	12,381	11,578
KIRKBI Group´s share of equity	3,701	3	3,704	3,464
Goodwill	190	–	190	190
Carrying amount of associates	**3,891**	**3**	**3,894**	**3,654**

NOTE 13. INVENTORIES

(m DKK)	2016	2015
Raw materials and components	138	177
Work in progress	1,405	1,073
Finished goods	1,448	1,497
Farming inventories	112	103
	3,103	**2,850**
The cost of inventory recognised as an expense in operating profit from the LEGO Group	**7,569**	**7,201**
including write-down of inventories to net realisable value	**69**	**37**

NOTE 14. TRADE RECEIVABLES

(m DKK)	2016	2015
Trade receivables (gross)	7,667	6,796
Provisions for bad debts:		
Balance at the beginning of the year	(360)	(79)
Exchange adjustment to year-end rate	(4)	(2)
Change in provisions for the year	(28)	(291)
Realised losses for the year	19	12
Provisions for bad debt at year-end	**(373)**	**(360)**
Trade receivables (net)	**7,294**	**6,436**

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

The age distribution of gross trade receivables is as follows:

(m DKK)	2016	2015
Not overdue	7,272	6,260
0 - 60 days overdue	296	449
61 - 120 days overdue	22	13
121 - 180 days overdue	7	21
More than 180 days overdue	70	53
	7,667	**6,796**

The KIRKBI Group has no single significant trade debtor, nor are the trade receivables concentrated in specific countries. The KIRKBI Group has fixed procedures for determining the KIRKBI Group's granting of credit. The KIRKBI Group's risk relating to trade receivables is considered to be moderate.

NOTE 15. SECURITIES

Securities consist of bonds, corporate debt, quoted equities, private equity and investments in associated companies. Associated companies classified as investment activities and included in Securities are listed in note 30.

All securities and investments recognised under Securities are classified as "financial assets at fair value through profit or loss" and are reported at fair value by level of the following fair value measurement hierarchy for:

- Quoted prices (unadjusted) in active markets for identical assets (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the assets either directly or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

Specification of Securities into fair value measurement, currency allocation in DKK/EUR and % of investments rated:

2016 (m DKK)	2016 Fair value measurement hierarchy	% of investment in DKK or EUR	% of investments rated	Carrying amount 2016	2015
Liquid bonds	Level 1	100 %	100 % AAA	6,484	5,928
Corporate debt etc.	Level 1	90 %	45% inv. Grade	4,455	4,293
Quoted equities and long-term equity	Level 1	57 %	n/a	16,950	16,512
Private and unquoted long-term equity	Level 3	61 %	n/a	9,652	7,299
Carrying amount at 31 December				**37,541**	**34,032**

For descriptions on credit risk and foreign exchange risk, please refer to note 23, where risks from a group perspective are considered low.

Reconciliation of fair value of level 3 financial instruments

The KIRKBI Group carries unquoted equity as financial assets at fair value through profit and loss classified as level 3 within the fair value hierarchy.

Private and unquoted long-term equity

(m DKK)	2016	2015
1 January	7,299	6,156
Total gains and losses recognised in profit and loss	1,273	244
Purchases	1,894	1,614
Sales	(814)	(715)
Carrying amount 31 December	**9,652**	**7,299**

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

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

For unquoted equities (Long-term equity), valuation is based on a valuation model using input such as relevant multiples of a set of comparable companies, pro-forma adjusted operating income and adjusted net interest bearing debt. For the carrying amount of 2016 valuation based on this method is used for the investments in Falck Holding and Minimax Viking.

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

(m DKK)	2016	2015
Pro-forma adjusted operating income	Individual	Individual
Multiples for comparable companies	9.9x - 15.3x	8.8x - 14.8x
Adjusted net interest bearing debt	Individual	Individual

The most significant input for the valuation model is the multiples for comparable companies. If this multiple decreased by 1.0x, the fair value would be reduced by around DKK 600 million.

For financial information about associates accounted for using fair value through profit and loss, please refer to the websites of the associates to have sufficient, relevant and updated information. For Falck Holding please refer to www.falck.com/en/company/financials/ and for Minimax Viking please refer to www.minimax.de/en/.

NOTE 16. SHARE CAPITAL

The share capital consists of: (m DKK)	
1	A-share of DKK 1,000 or multiples thereof
199	B-shares of DKK 1,000 or multiples thereof
200	**Total shares at 31 December 2016**

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

Dividend has been distributed at DKK 2.00 per share (2015 DKK 2.00).

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

NOTE 17. NON-CONTROLLING INTERESTS

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

Non-controlling part	Koldingvej 2, Billund A/S			Other
Subsidiary	LEGO A/S			Other
(m DKK)	2016	2015	2016	2015
Statement of comprehensive income in subsidiary				
Revenue	37,934	35,780	50	0
Net profit (loss) for the year allocated to the parent company shareholders	9,436	9,174	26	0
Total comprehensive income allocated to the parent company shareholders	9,288	9,419	26	0
Balance sheet in subsidiary				
Non-current assets	12,836	11,224	1,122	0
Current assets	17,101	16,653	97	0
Total Liabilities	(9,898)	(10,126)	(104)	0
Equity	20,039	17,751	1,115	0
Cash flow in subsidiary				
Cash flow from operating activities	9,084	10,559	20	0
Cash flow from investing activities	(2,992)	(2,935)	(705)	(415)
Dividend to shareholders	(7,000)	(4,500)	–	0
Ownership interest of non-controlling interests	25 %	25 %	6-10 %	6 %

Consolidation into the KIRKBI Group

(m DKK)	2016	2015	2016	2015	Total 2016	Total 2015
Carrying amount 1 January	**4,438**	**3,208**	**22**	**(2)**	**4,460**	**3,206**
Share of net profit allocated to the non-controlling interests	2,358	2,292	3	–	2,361	2,292
Non-controlling interests of net profit	**2,358**	**2,292**	**3**	**–**	**2,361**	**2,292**
Share of comprehensive income allocated to non-controlling interest	(36)	63	–	–	(36)	63
Non-controlling interests of total comprehensive income	**2,322**	**2,355**	**3**	**–**	**2,325**	**2,355**
Other adjustments:						
Aquisition of non-controlling interests	–	–	70	24	70	24
Dividend paid	(1,750)	(1,125)			(1,750)	(1,125)
Carrying amount 31 December	**5,010**	**4,438**	**95**	**22**	**5,105**	**4,460**

NOTE 18. DEFERRED TAX

(m DKK)	2016	2015
Deferred tax, net at 1 January	(283)	(365)
Exchange adjustment to year-end rate	3	–
Income statement charge	63	139
Charged to other comprehensive income	37	(59)
Other	–	2
Deferred tax, net at 31 December	**(180)**	**(283)**
Classified as:		
Deferred tax assets	603	313
Deferred tax liabilities	(783)	(596)
	(180)	**(283)**

2016 (m DKK)	Deferred tax asset	Deferred tax liability	Deferred tax net
Non-current assets	132	(920)	(788)
Receivables	77	(1)	76
Inventories	271	(138)	133
Provisions	164	–	164
Other liabilities	157	(41)	116
Other	121	(22)	99
Offset	(339)	339	–
Tax loss carry-forwards	20	–	20
	603	**(783)**	**(180)**

2015 (m DKK)	Deferred tax asset	Deferred tax liability	Deferred tax net
Non-current assets	124	(794)	(670)
Receivables	49	(3)	46
Inventories	245	(183)	62
Provisions	147	–	147
Other liabilities	133	(47)	86
Other	68	(28)	40
Offset	(459)	459	–
Tax loss carry-forwards	6	–	6
	313	**(596)**	**(283)**

Tax loss carry-forwards

Tax assets relating to tax loss carry-forwards are capitalised based on an assessment of whether they can be utilised in the future. DKK 20 million of the KIRKBI Group's capitalised tax losses expires after 5 year (DKK 6 million in 2015 expires after 5 years).

NOTE 19. PENSION OBLIGATIONS

Defined contribution plans:
In defined contribution plans, the KIRKBI Group recognises in the income statement the premium payments (e.g. 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 KIRKBI Group has no further pension obligations towards current or past employees. The pension plans in the Danish companies and some of the non-Danish companies are defined contribution plans. In the KIRKBI Group, DKK 233 million (DKK 235 million in 2015) has been recognised in the income statement as costs relating to defined contribution plans.

Defined benefit plans:
In defined benefit plans, the KIRKBI Group is obliged to pay a certain pension benefit. The defined benefit plans include employees in Germany and in the UK. In the KIRKBI Group, a net obligation of DKK 198 million (DKK 95 million in 2015) has been recognised relating to the KIRKBI Group's obligations towards current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. In the KIRKBI Group, DKK 105 million (DKK 12 million in 2015) was recognised in the income statement and DKK -9 million (DKK 2 million in 2015) has been recognised in other comprehensive income. All defined benefit plans relate to the LEGO Group and no new employees will be included in the defined benefit plans.

NOTE 20. OTHER LIABILITIES

(m DKK)	2016	2015
Liabilities related to wages and other charges	1,643	1,866
Other current liabilities	4,527	4,084
	6,170	**5,950**
Specified as follows:		
Non-current	250	145
Current	5,920	5,805
	6,170	**5,950**

Financial obligations
The fair value of obligations regarding assets under finance leases amounts to DKK 27 million (DKK 35 million in 2015).

NOTE 21. PROVISIONS

(m DKK)	2016	2015
Restructuring	55	41
Decommisioning windfarms	236	–
Other	110	220
Provisions at 31 December	**401**	**261**
Specified as follows:		
Non-current	323	101
Current	78	160
	401	**261**

Provisions for restructuring relate primarily to close-down and movement of activities and redundancy programmes in the LEGO Group. The majority of these obligations are expected to result in cash outflows in 2017.

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

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

NOTE 22. CONTINGENT ASSETS, LIABILITIES AND OTHER OBLIGATIONS

Contingent liabilities and other obligations

(m DKK)	2016	2015
Remaining obligations in investments	11,016	6,685
Guarantees	681	127
Operating lease obligations	2,530	2,349
Other obligations	422	584
	14,649	**9,745**

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

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

Lease expenses for the year charged to the income statement amount to:	**820**	**747**

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

(m DKK)	2016	2015
0-1 year	576	501
1-5 years	1,388	1,430
> 5 years	566	418
	2,530	**2,349**

Security has been given in land, buildings and installations at a net carrying amount of DKK 3,236 million (DKK 2,921 million in 2015) for the mortgage loans.

The KIRKBI Group has utilised tax losses in non-Danish jurisdictions in the Danish joint taxation until 31 December 2004. The deferred tax of this amounts to DKK 80 million, of which DKK 0 million has been recognised as a provision for deferred tax. The amount of DKK 80 million is not expected to be recaptured.

NOTE 23. FINANCIAL RISKS

The financial risks of the KIRKBI Group are managed centrally from the Parent Company as well as decentralised by the operating companies. The overall risk management guidelines have been approved by the Board of Directors and include the KIRKBI Group's treasury and investment policy related to securities. The KIRKBI Group's risk management guidelines are established to identify and analyse the risk faced by the KIRKBI Group, to set the appropriate risk limits and controls to monitor the risks and ensure adherence to limits.

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

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

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

The guidelines are reviewed regularly to reflect changes in market conditions, the KIRKBI Group's activities and financial position. A separate and independent risk management function reviews managers' compliance with the mandates and the adequacy of the mandates to risks and exposures facing the KIRKBI Group.

Investment approach and asset allocation
The KIRKBI Group's activities consist of holdings in the strategic assets, the LEGO Group, Merlin Entertainments plc and renewables and investments within the areas of real estate, long-term equity, private equity, quoted equities and fixed income.

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

Financial risk management
For the KIRKBI Group, the concept of risk is divided into two sub-concepts:
- Short-term risk of temporary loss of capital – i.e. quotation risk
- Long-term risk of permanent loss of capital – i.e. capital loss risk

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

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

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

For banks and financial institutions, only independently rated parties with an acceptable long-term rating are accepted. Credit risk regarding trade receivables is disclosed in note 14. The credit risks of the KIRKBI Group are considered to be moderate.

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

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

The foreign exchange risks of the investments are managed centrally from the Parent Company. The overall risk management guidelines have been approved by the Board of Directors and include the KIRKBI Group's treasury and investment policy.

The most significant exchange risks are in the currencies of USD and GBP. A negative 10 % change in the GBP currency would not effect the income statement of the KIRKBI Group significantly, but reduce equity by DKK 700 million. A negative 10 % change in the USD currency would effect the income statement by DKK 800 million and reduce equity by DKK 550 million. A negative 10 % change in the CHF currency would effect the income statement and the equity by DKK 250 million. Based on this, the foreign exchange risks from a group perspective are considered moderate.

Interest rate risk
The KIRKBI Group's interest rate risk relates mainly to the portfolio of core fixed income and corporate debt instruments. With the current interest rate levels and the composition of the portfolio, an increase of 1 % in the interest rate would negatively effect the income statement with maximum DKK 200 million. The KIRKBI Group's interest rate risk is considered low.

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

NOTE 24. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The changes in fair value of the financial instruments not qualifying for hedge accounting are recognised directly in the income statement. This includes the time value of options.

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

Hedging of forecast transactions
The main hedging of forecast transactions relates to USD where the LEGO Group is hedging for a period up to 14 months. For 2016, a total of DKK 3.2 billion (2015 DKK 3.4 billion) has been recognised as forecast transactions in USD qualifying for hedge accounting. The fair value adjustment for USD directly in the income statement is below DKK 100 million and is not considered material to the consolidated KIRKBI Group income statement.

Hedging of balance sheet items
The main hedging of balance items relates to USD where the LEGO Group is hedging for a period up to 2 months. For 2016, a total of DKK 0.6 billion (2015 DKK 0.9 billion) has been recognised as hedging of balance sheet items in USD. The fair value adjustment for USD directly in the equity of the consolidated KIRKBI Group is below DKK 100 million and is not considered material.

Cash flow hedges for which hedge accounting is not applied
Cash flow hedges for which hedge accounting is not applied are insignificant in the consolidated KIRKBI Group figures.

NOTE 25. REVERSALS OF ITEMS WITH NO EFFECT ON CASH FLOWS

(m DKK)	2016	2015
Depreciation, amortisation and impairment	1,109	919
Revaluation of securities etc.	(875)	(1,977)
Net movements in provisions	243	(50)
Net income from associates	(711)	(216)
	(234)	**(1,324)**

NOTE 26. CHANGES IN WORKING CAPITAL

(m DKK)	2016	2015
Inventories	(253)	(572)
Trade and other receivables	(144)	(1,479)
Trade and other payables	20	2,348
	(377)	**297**

NOTES – KIRKBI GROUP PART 3

NOTE 27. RELATED PARTY TRANSACTIONS

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

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

In the financial year, a limited number of transactions related to services took place between the owners of KIRKBI A/S and the KIRKBI Group. These services were paid on normal market terms and the total fee paid to KIRKBI A/S amounts to DKK 18 million (2015 DKK 21 million).

Transactions related to sales of products and services between associates and the KIRKBI Group amounted to DKK 610 million (DKK 566 million in 2015). These transactions were paid on normal market terms.

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

For information about remuneration to the Board of Directors and the Executive Management, please refer to note 4.

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

NOTE 28. POST BALANCE SHEET EVENTS

From the period from 31 December 2016 and until adoption at the annual report, no events have occurred that could have significant effect on the annual report for 2016.

NOTE 29. SIGNIFICANT ACCOUNTING POLICIES

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

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net result, shareholders' equity or cash flows as previously reported.

EFFECTS OF NEW AND AMENDED ACCOUNTING STANDARDS

All new and amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2016 have been adopted by the KIRKBI Group. The application of the new IFRS has not had a material impact on the Consolidated Financial Statements in 2016 and no significant impact on future periods from the adoption of these new IFRS's are anticipated.

The following standards, which are not yet effective, are relevant for the KIRKBI Group:

* IFRS 9, Financial instruments which will be effective from 1 January 2018.
* IFRS 15, Revenue from contracts with customers which will be effective from 1 January 2018.

It is management's assessment that the above mentioned changes in accounting standards and interprerations will not have any significant impact on the consolidated financial statements upon adoption of these standards.

IASB has issued IFRS 16 Leases with the effective date 1 January 2019. The change in lease accounting requires capitalisation of the majority of the KIRKBI Group's operational lease contracts, which will have an impact on the KIRKBI Group's assets, and a corresponding impact on the liabilities. Hence, this will affect the financial ratios related to the balance sheet. The changes will have a minor impact on net profit as IFRS 16 requires the lease payment to be split between a depreciation charge included in operation costs and an interest expense on lease liabilities. Management has not yet finalized the investigation of the impact of the Consolidated Financial Statements upon adoption of IFRS 16.

CONSOLIDATION PRACTICE

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

Associates are all entities over which the KIRKBI Group has significant influence, but which it does not control, and are generally represented by a shareholding of between 20 % and 50 % of the voting rights. Associates classified as strategic investments are accounted for using the equity method of accounting and are initially recognised at cost. Assoicates classified as investments are valuated using fair value through profit and loss (IAS 39).

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

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

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

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

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

Classification of joint arrangements

Borkum Riffgrund I offshore Windpark A/S Gmbh & Co. OHG and Burbo Extension Holding Ltd. are limited companies whose legal form confers separation between the parties to the joint arrangement and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties of the respective joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangement. However, there is a contractual arrangement that secures the parties with control over the output from the joint arrangement. Accordingly, Borkum Riffgrund I offshore Windpark A/S Gmbh & Co. OHG and Burbo Extension Holding Ltd. are classified as joint operations in the KIRKBI Group, and consolidated on a pro rata basis.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as reserve for exchange rate adjustments.

Group companies

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

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

Derivative financial instruments

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

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

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

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

INCOME STATEMENT

Recognition of sales and revenues

Sales represent the fair value of the sale of goods excluding VAT 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.

Revenue from the sale of goods is recognised 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.
- Revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the KIRKBI Group.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Licence fees are recognised on an accruals basis in accordance with the relevant agreements.

Revenue is measured at the fair value of the consideration received or receivable.

Operating profit from investment activities
Operating profit from investment activities includes return from the investment portfolio and other investment activities in the KIRKBI Group, which include liquid bonds, quoted equities, corporate debt, private equities, real estate etc. Profit from investment activities is net gains and losses on financial assets at fair value, fair value adjustments, income and expenses from investment properties and realised gains and losses on financial assets.

Taxes
The tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case, tax is also recognised in other comprehensive income.

Deferred tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full in the consolidated financial statements, using the liability method.

Deferred tax reflects the effect of any temporary differences. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

BALANCE SHEET

INTANGIBLE ASSETS

Goodwill, trademarks, patents and other intangible rights
Goodwill and trademarks are initially recognised in the balance sheet at cost and are not amortised. Acquired patents and other intangible rights are capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

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

Software and development projects
Research expenses are charged to the income statement as incurred. Software and development projects that are clearly defined and identifiable and which are expected to generate future economic profit are recognised as intangible non-current assets at historical cost less accumulated amortisation and any impairment loss. Amortisation is provided on a straight-line basis over the expected useful life which is normally 5–10 years. Other development costs are recognised in the income statement. An annual impairment test of the intangible fixed assets under construction is performed.

Borrowing costs related to financing development projects that take a substantial period of time to complete 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 capitalised on the basis of the costs incurred. These costs are amortised over the shorter of their estimated useful lives and the contractual duration.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly factories, warehouses and offices. Property, plant and equipment 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	25-50 years
Installations	10-20 years
Plant and machinery	2-15 years
Wind turbines	20-25 years
Other fixtures, fittings, tools and equipment	3-10 years

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

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

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.

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

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

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

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

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

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

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

Investment in associates
The KIRKBI Group's investment in entities in which the group has significant influence is allocated to either strategic or investment portfolio

Strategic portfolio
Entities which are allocated to the strategic portfolio are accounted for using the equity method. Under the equity method, investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the share of the net assets of the associate since the acquisition date.

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

Investment portfolio
Entities which are allocated to the investment portfolio are managed and evaluated on a fair value basis in accordance with the KIRKBI Group's investment strategy. The investment portfolio are therefore designated at fair value through profit or loss and accounted for in accordance with IAS 28. The fair value is based on internationally accepted valuation models for private equity.

INVENTORIES

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

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

RECEIVABLES

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

SECURITIES

The KIRKBI Group invests its cash in deposits with major financial institutions, in mortgage bonds, notes issued by Danish and European governments, corporate debt and equities which all are classified as securities. The securities can be purchased and sold in established markets.

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

EQUITY

Proposed dividends

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

LIABILITIES

BORROWINGS

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

Borrowings are classified as current liabilities unless the KIRKBI 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 KIRKBI Group. Where the KIRKBI Group provides long-term employee benefits, the costs are accumulated to match the rendering of the services by the employees concerned.

Retirement benefit obligation

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

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

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

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

PROVISIONS

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

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

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

OTHER LIABILITIES

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

CASH FLOW STATEMENT

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

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

Cash flows from investing activities comprise payments relating to acquisitions and disposals of securities, intangible assets, property, plant and equipment, fixtures and fittings as well as fixed asset investments. 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 and non-controlling interests.

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

FINANCIAL RATIOS

Financial ratios have been calculated in accordance with the "Guidelines and Financial Ratios 2015", issued by the Danish Society of Financial Analysts.

$$\text{Return on equity (ROE):} \quad \frac{\text{Profit for the year (excl. non-controlling interests) x 100}}{\text{Average equity (excl. non-controlling interests)}}$$

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

NOTE 30. GROUP STRUCTURE

Ownership is 100 % unless stated otherwise

KIRKBI A/S

LEGO A/S, 75% (Denmark / Danmark)

Denmark
LEGO System A/S
LEGO Security Billund ApS

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

Americas
LEGO do Brasil Comercio e Distribuicão de Brinquedos Ltda
LEGO Canada Inc.
LEGO Mexico S.A. de C.V
Administración de Servicios LEGO, S. de R.L. de C.V. (Mexico)
LEGO Operaciones de Mexico S.A. de C.V. (Mexico)
LEGO Real Estate, S.A. de C.V. (Mexico)
LEGO System Inc. (US)
– LEGO Brand Retail Inc. (US)

Asia,Africa and Australia
LEGO Hong Kong Limited
LEGO Australia Pty. Ltd.
LEGO New Zealand Ltd.
LEGO Korea Co. Ltd.
LEGO South Africa (Pty.) Ltd.
LEGO Japan Ltd.
LEGO Company Ltd. (Hong Kong)
LEGO Singapore Pte. Ltd.
LEGO Trading CO Ltd. (Beijing)
LEGO India Private Limited
LEGO Trading Sdn. Bhd (Malaysia)
LEGO Toy Manufacturing Co., Ltd. (Jiaxing)
LEGO Toy Co., Ltd. (Shanghai)
LEGO Trading Co., Ltd. (Taiwan)

Associates
KAABOOKI A/S, 19,8 % (Denmark / Danmark)

KIRKBI Invest A/S, 100% (Denmark)

Denmark
LEGO Juris A/S
KIRKBI Anlæg A/S
KIRKBI Real Estate Investment A/S
K & C Holding A/S
– Blue Hors ApS
– Schelenborg Gods ApS

Europe
KIRKBI Estates Ltd. (UK)
KIRKBI Palác Karlin Property s.r.o (Czech Republic)
KIRKBI Real Estate Investment s.r.o (Czech Republic)
Valdek Praha Spol s.r.o (Czech Republic)
KIRKBI Real Estate Investment GmbH (Germany)
Einsteinstrasse GmbH, 90 % (Germany)
Maxor 4 GmbH, 94 % (Germany)
KIRKBI AG (Switzerland)

Asia
LLJ Investco KK (Japan)

Associates (accounted for using the equity method)
Merlin Entertainments plc, 29.8 % (UK)
Founders A/S, 33.3 % (Denmark)
Axcel IKU Invest A/S, 33.3 % (Denmark)

Associates (accounted for using fair value through profit and loss)
Falck A/S, 27.7 % (Denmark)
MV Holding GmbH, 29.4 % (Germany)

Joint Operations (accounted for using pro-rata consolidation)
Boston Holding A/S, 63 % (Denmark)
– Borkum Riffgrund I Offshore Windpark A/S Gmbh & Co. OHG, 50 % (Germany)
KIRKBI Burbo Extension Holding Ltd. (UK)
– Burbo Extension Holding Ltd., 25 % (UK)
– Burbo Extension Ltd., 25 % (UK)

INTERLEGO AG, 100 % (Switzerland)

Europe / (Europa)
KIRK AG (Switzerland)
Hotel Valbella Inn AG (Switzerland)

PARENT COMPANY

CONTENTS

INCOME STATEMENT & COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2016	2015
Dividend from investments in subsidiaries		5,250	3,375
Other net income		22	20
Administration costs	2	(377)	(134)
Operating profit		**4,895**	**3,261**
Financial income	3	–	4
Financial expenses	4	(7)	(82)
Profit before tax		**4,888**	**3,183**
Tax on profit for the year	5	49	35
Profit for the year		**4,937**	**3,218**
Statement of comprehensive income			
Profit for the year		4,937	3,218
Other comprehensive income after tax		(4)	4
		4,933	**3,222**
Proposed distribution			
Dividend		200	200
Transferred to retained comprehensive income		4,733	3,022
		4,933	**3,222**

BALANCE SHEET AT 31 DECEMBER

(m DKK)	Note	2016	2015
ASSETS			
Non-current assets			
Property		436	478
Other fixtures, fittings, tools and equipment		9	8
Fixed assets under construction		140	–
Property, plant and equipment	6	**585**	**486**
Investments in subsidiaries	7	17,442	17,442
Other non-current assets		**17,442**	**17,442**
Total non-current assets		**18,027**	**17,928**
Current assets			
Receivables from subsidiaries		20,595	16,092
Current tax receivables		486	632
Other receivables		23	13
Cash		2	11
Total current assets		**21,106**	**16,748**
TOTAL ASSETS		**39,133**	**34,676**

BALANCE SHEET AT 31 DECEMBER

(m DKK)	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital		200	200
Retained comprehensive income		37,713	33,180
Proposed dividend		200	200
Total equity		**38,113**	**33,580**
LIABILITIES			
Non-current liabilities			
Borrowings	8	175	183
Deferred tax liabilities	9	2	2
Other long-term liabilities	8	53	46
Total non-current liabilities		**230**	**231**
Current liabilities			
Borrowings	8	8	7
Payables to subsidiaries		644	725
Trade payables		25	16
Other short-term liabilities		113	117
Total current liabilities		**790**	**865**
Total liabilities		**1,020**	**1,096**
TOTAL EQUITY AND LIABILITIES		**39,133**	**34,676**
Contingent liabilities and other obligations	10		

STATEMENT OF CHANGES IN EQUITY

(m DKK)	Share capital	Retained comprehen-sive income	Proposed dividend	Total
2016				
Equity at 1 January	**200**	**33,180**	**200**	**33,580**
Profit for the year	–	4,737	200	4,937
Other comprehensive income for the year	–	(4)	–	(4)
Total comprehensive income for the year	**–**	**4,737**	**200**	**4,933**
Dividend	–	(200)	(200)	(400)
Equity at 31 December	**200**	**37,713**	**200**	**38,113**
2015				
Equity at 1 January	**200**	**30,358**	**200**	**30,758**
Profit for the year	–	3,018	200	3,218
Other comprehensive income for the year	–	4	–	4
Total comprehensive income for the year	**–**	**3,022**	**200**	**3,222**
Dividend	–	(200)	(200)	(400)
Equity at 31 December	**200**	**33,180**	**200**	**33,580**

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

(m DKK)	Note	2016	2015
Operating profit		4,895	3,261
Interest received		–	4
Interest paid		(7)	(82)
Income tax (paid)/received		49	35
Reversals of items with no effect on cash flows		21	28
Changes in working capital		(4,443)	(3,217)
Cash flows from operating activities		**515**	**29**
Purchases of property, plant and equipment		(118)	(87)
Proceeds from sale of property, plant and equipment		1	4
Proceeds from other associates		–	469
Cash flows from investing activities		**(117)**	**386**
Dividend paid to shareholders		(400)	(400)
New borrowings		–	–
Repayments of borrowings		(7)	(8)
Cash flows from financing activities		**(407)**	**(408)**
Net cash flows		**(9)**	**7**
Cash at 1 January		11	4
Cash at 31 December		**2**	**11**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The annual report of the Parent Company KIRKBI A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for reporting class C enterprises (Large).

The accounting policies for the Parent Company and for the KIRKBI Group are identical (see note 29 for the KIRKBI Group) except for the following:

Dividend from investments in subsidiaries
Dividend from investments in subsidiaries is recognised in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

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

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

NOTE 2. EMPLOYEE EXPENSES

(m DKK)	2016	2015
Wages and salaries	327	121
Pension costs	2	1
Other staff costs and social security costs	1	1
	330	**123**
Including fee to Executive Management and Board of Directors	**34**	**34**
Number of employees	**81**	**56**

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

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

NOTE 3. FINANCIAL INCOME

(m DKK)	2016	2015
Income from other investments and securities	–	3
Other interest and exchange gains	–	1
	–	**4**

NOTE 4. FINANCIAL EXPENSES

(m DKK)	2016	2015
Interest to subsidiaries	2	5
Other interest and exchange losses	5	77
	7	**82**

NOTE 5. TAX ON PROFIT FOR THE YEAR

(m DKK)	2016	2015
Current tax on profit for the year	(53)	(41)
Changes in deferred tax	–	1
Adjustment of tax relating to previous years, current tax	4	5
	(49)	**(35)**
Income tax expenses are specified as follows:		
Calculated 22 % (23.5 %) tax on profit for the year before income tax	1,075	748
Non-taxable income	(1,134)	(793)
Non-deductable costs	6	3
Change in valuation of deferred tax	–	2
Adjustment of tax relating to previous years	4	5
	(49)	**(35)**

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

2016 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	500	10	79	589
Additions	3	1	114	118
Disposals	(2)	–	–	(2)
Transfer	53	–	(53)	–
Cost at 31 December	**554**	**11**	**140**	**705**
Depreciation and impairment losses at 1 January	101	2	–	103
Depreciation for the year	18	–	–	18
Disposals	(1)	–	–	(1)
Depreciation and impairment losses at 31 December	**118**	**2**	**–**	**120**
Carrying amount at 31 December	**436**	**9**	**140**	**585**

2015 (m DKK)	Property	Other fixtures, fittings, tools and equipment	Fixed asset under construction	Total
Cost at 1 January	484	6	75	565
Additions	4	4	79	87
Disposals	(63)	-	-	(63)
Transfer	75	-	(75)	-
Cost at 31 December	**500**	**10**	**79**	**589**
Depreciation and impairment losses at 1 January	146	2	–	148
Depreciation for the year	14	–	–	14
Disposals	(59)	–	–	(59)
Depreciation and impairment losses at 31 December	**101**	**2**	**–**	**103**
Carrying amount at 31 December	**399**	**8**	**79**	**486**

NOTE 7. INVESTMENTS IN SUBSIDIARIES

(m DKK)	2016	2015
Cost at 1 January	17,442	17,442
Cost at 31 December	**17,442**	**17,442**

Subsidiaries	Domicile	Currency	Nominal capital	Ownership/Votes %
LEGO A/S	Denmark	DKK	20,000,000	75 %
KIRKBI Invest A/S	Denmark	DKK	120,000,000	100 %
INTERLEGO AG	Switzerland	CHF	67,000,000	100 %

NOTE 8. NON-CURRENT LIABILITIES

(m DKK)	Total debt	Due within 1 year	Due between 2 and 5 years
Borrowings	183	8	41
Other long-term liabilities	53	–	53
	236	**8**	**94**

NOTE 9. DEFERRED TAX

(m DKK)	2016	2015
Deferred tax, net at 1 January	2	1
Change in deferred tax	–	1
Provision for deferred tax, net at 31 December	**2**	**2**
Classified as:		
Deferred tax liabilities	2	2
	2	**2**

NOTE 10. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

(m DKK)	2016	2015
Remaining obligations in investment projects	1,544	15
Guarantees for group enterprises´ balances with credit institutions	889	882
Liabilities operational lease contracts	5	4
Total	**2,438**	**901**

Security has been given in land, buildings and installations at a net carrying amount of DKK 260 million (DKK 211 million in 2015) for the company's mortgage loans.

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

NOTE 11. RELATED PARTY TRANSACTIONS

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

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

In the financial year, a limited number of transactions related to services took place between the owners of KIRKBI A/S and the KIRKBI Group. These services have been paid on normal market conditions and the total fee paid to KIRKBI A/S does not exceed DKK 1 million (2015 DKK 1 million).

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

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

Transactions with subsidiaries and associates have included the following:

(m DKK)	2016	2015
Financial income	–	3
Rental income	41	43
Sale of services	63	72
Financial expenses	(2)	(5)
Rental expenses	(3)	(3)
Purchase of services	(28)	(27)
	71	**83**

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

ADDITIONAL INFOR-MATION

CONTENTS

MANAGEMENT's STATEMENT

Today, the Board of Directors and Executive Management have discussed and approved the annual report of KIRKBI A/S for the financial year 1 January – 31 December 2016.

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

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operation and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

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

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

Billund, 7 March 2017

EXECUTIVE MANAGEMENT

Søren Thorup Sørensen,
CEO

BOARD OF DIRECTORS

Kjeld Kirk Kristiansen,
Chairman

Niels Jacobsen,
Deputy Chairman

Jeppe Fonager Christiansen

Peter Gæmelke

Thomas Kirk Kristiansen

INDEPENDENT AUDITOR's REPORTS

To the shareholders of KIRKBI A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of KIRKBI A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the management's review.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the consolidated financial statements and the parent financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 7 March 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bill Haudal Pedersen
State Authorised Public Accountant

Nikolaj Thomsen
State Authorised Public Accountant

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