

Company Profile 2004

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Ever since the LEGO Company was founded in 1932, we have always done things a little differently. Though we make toys, we are not just a toy company. Though we are famous for our product, we are defined by our philosophy. It was the Company founder, Ole Kirk Christiansen, who decided on the name LEGO in 1934. He combined the first letters of the two Danish words “LEG GODT”, which means “play well” – unaware that in Latin one meaning of the word LEGO is “put together”.

Play is vital in everything we do.

LEGO is both our name and our nature. We believe that play is the essential ingredient in a child’s growth and development. It nurtures the human spirit. It encourages imagination, conceptual thinking and creation. Play is vital in everything we do.

It is the LEGO philosophy that “good play” enriches the child’s life – and its subsequent adulthood. So we provide a variety of experiences based on the same underlying philosophy. A philosophy on learning and development – through play.

Values

Our values describe the core of the brand. Nothing can be true to our brand without being rooted in all of our core values. Our five core values have always shaped the LEGO Company, and today they are written into our tradition.



The LEGO Values

- Creativity

Having self-expression – empowering the individual in an open-ended way.

- Imagination

Having endless ideas – with the curiosity, discovery and exploration to bring ideas to life.

- Learning

Playing your way to knowledge all through your life – with room for reflection.

- Fun

Having active fun – and feeling the thrill of creation.

- Quality

Upholding product quality and ethical values – and a consistency in all our actions that engenders an ongoing feeling of trust.

Key Figures



The LEGO Company in key figures

The LEGO Company produces LEGO bricks at several sites. Moulding takes place at our own plants in Denmark and Switzerland – then the bricks are finished and packed for retail in the USA, Denmark, Switzerland, South Korea and the Czech Republic. Annual production is approx. 20bn elements – or about 2.3m an hour.

Not counting the many permutations of colours and materials, the LEGO range comprises about 2,800 different elements.

Concept and product development takes place in London, Los Angeles, Billund, Tokyo, Melbourne, Chenzen.



Production



LEGOLAND Parks



Concept- & Product development



Financial highlights (DKKm):

	2003	2002	2001	2000	1999	1998
Net sales	8,433	11,426	10,670	9,467	9,808	7,680
Result before tax	(1,432)	626	532	(1,190)	516	(282)
Net profit for the year	(1,072)	428	433	(916)	274	(194)
Investment in fixed assets	(673)	(1,253)	(1,453)	(1,156)	(968)	(1,398)
Net capital	5,249	6,952	6,643	6,262	6,976	5,841
Assets	9,646	12.144	13.683	12.280	12.933	11,250
No. of employees	8,278	8,297	7,641	7,880	8,190	9,079



History



Toy of the Century

At the start of the 21st century the LEGO brick was acclaimed “Toy of the Century” – first by Fortune Magazine, later by the British Association of Toy Retailers. When Carpenter Ole Kirk Christiansen began making wooden toys in 1932, he could scarcely have foreseen the process he was setting in motion. Today the LEGO Company is the fourth-largest toy manufacturer in terms of sales:

1. Mattel
2. Hasbro
3. Bandai
4. LEGO Company
5. LeapFrog

The aim of the LEGO Company is to bring out the child in all of us. It bases its approach on an uncompromising attitude to quality, an understanding of the universal needs of children, and a constant search for new methods to stimulate the imagination, creativity, play and learning.

Four eras

The LEGO Company has grown up through the different stages of play by passing on its know-how and visions from father to son – all the while adopting new technology in its products. During the first era, play centred on construction and building fun. In the second era, movement came to LEGO products in the form of wheels, small motors and gears. Role play and themes were the basis of the third era, which also saw LEGO bricks come to life in the guise of LEGO figures. A fourth era is currently under way, with intelligence and behaviour an integral part of the LEGO product.

LEGO System of Play

The classic LEGO socketing principle was developed more than 40 years ago. The many possible combinations challenged children to use their imagination and explore their own creative universe. In 1950 Godtfred Kirk Christiansen became Junior Director of the LEGO Company, and partly took over the leadership from his father, Ole Kirk Christiansen. Five years later the LEGO Company launched its revolutionary “LEGO System of Play” with the first “Play and Learn” concept, which stressed the importance of learning by playing. Shortly afterwards the Company passed another milestone event: in 1958 the LEGO brick was launched with its new socketing system.

Inventing the wheel

To the LEGO Company this was only the starting point for the LEGO System. In 1962 the wheel was reinvented and experiments with electric motors began. In 1966 the first LEGO train with accompanying rails and a 4.5-volt motor for propulsion was introduced. This was followed





by a series of innovations The LEGO TECHNIC range, introduced in 1977, included such parts as gears, beams and gearboxes. The product range encouraged older children to build vehicles and other machines which were as complex as “real-life” constructions.

Big bricks for small hands

Another ground-breaking event occurred in the later 1960s: Instead of aiming at the broad target group “children”, LEGO products were split into age and development segments. Godtfred Kirk Christiansen realised that younger children could derive much greater benefit from playing with the LEGO system. But they needed a different set of tools. So LEGO DUPLO was launched to give the youngest children a chance to play with LEGO products. LEGO DUPLO bricks are twice as big in each dimension as ordinary LEGO bricks and are therefore easier for young hands to handle.

In 2004 the LEGO QUATRO brick is launched. It is eight times larger than a traditional DUPLO brick. It is made of a more light material and is therefore a perfect introductory building system for children from 1-3 years old.

LEGOLAND on the map

In 1968 the LEGO Company set up LEGOLAND Park in Billund. It was to prove itself the most famous and living symbol of creativity and imagination from a child’s perspective. LEGOLAND offers adventures for children and fun for the whole family.

Birth of the LEGO figure

The third era of LEGO history opened in 1974 with the birth of the first LEGO figures. They represented a brand-new LEGO concept – and brought role play and personality to the LEGO play universe.

Bringing system to the system

In 1978 Godtfred’s son, Kjeld Kirk Kristiansen, launched a business model which brought “system to the system” and set a goal for the LEGO Company’s product development: the various product ranges should take greater account of the child’s needs and abilities at each age level – in order continuously to provide optimum stimulation of the child’s creativity and imagination. Kjeld Kirk Kristiansen was appointed President and CEO of the LEGO Company in 1979. A company and its tradition had passed to the third generation.

Expanding the universe

Kjeld Kirk Kristiansen added a new dimension to the LEGO system of play. LEGO figures had already established their popularity, and the focus switched to story-telling, themes and role play. Still under the policy of unlimited play, children were introduced to brand-new LEGO worlds which they could explore and expand. In 1979 the LEGO Company reached beyond the Earth with its LEGO Space series. In January 2004 two LEGO minifigures – in the shape of a picture on a DVD – literally speaking landed on the planet Mars. The minifigures participate in the NASA Exploration Rover mission to the Red Planet.

Partnering science

In 1984 – before the digital development really took off – the LEGO Company set up a partnership with the Media Laboratory of Massachusetts Institute of Technology (MIT) in the United States.





Research in technology and learning processes gave the LEGO Company an opportunity to work at the cutting edge of development. By blending physical and virtual worlds into an integrated play universe, the Company was able to develop new products. One of the first tangible results of the partnership – LEGO TECHNIC Computer Control – was launched in 1986. LEGO products for educational use benefited greatly from this invention, which set the scene for the first computer-controlled LEGO robots.

Many products in the 1990s

The 1990s saw the introduction of many new products for the LEGO Company. In 1994 LEGO TECHNIC Supercar roared into the imagination of speed-happy youngsters throughout the world. In the same year, LEGO Belville was launched for girls – offering the nuclear family, horses and everyday, normal life events. LEGO Belville later shifted the focus to the classic fairytale theme with princesses, fairies and butterflies. In 1995 the LEGO Company introduced products for the very youngest, including LEGO PRIMO, which was designed for children in the 0-2 age group.

The LEGO Company marketed its first computer game in 1997. And also in the 1990s the Company opened two new LEGOLAND Parks outside Denmark: one at Windsor, England, in 1996, the other in California, USA, in 1999. The fourth park appeared on the map in 2002 at Günzburg, Germany.

Robot technology for children

The 1990s was the decade in which the LEGO Company moved into the fourth era. Intelligence and behaviour became well and truly an integral part of the LEGO product range. In 1998 the partnership with MIT produced amazing results. By integrating robot technology with the LEGO building system, LEGO MINDSTORMS enabled children to create and programme intelligent LEGO models. The philosophy that children should be able to impart behaviour to their toys has since proved the basis for development of such LEGO products as LEGO MyBot and LEGO Spybotics.

From Yoda to Bob the Builder

In 1998 the LEGO Company announced an exclusive licensing agreement with Lucasfilm Ltd. Under the deal, the LEGO Company is entitled to develop, manufacture and market a new series of LEGO sets based on themes from the original Star Wars® trilogy and the three new Star Wars movies. The LEGO Company has since signed similar agreements with other licence providers, including Disney, Hit Entertainment and Warner Bros. In 2000 the LEGO Company launched yet another partnership – this time with another of the movie world's master storytellers, Steven Spielberg – to develop LEGO Studios. This product places the child in the director's chair, encouraging it to shoot its very own movies starring favourite LEGO figures.

In 2001 the BIONICLE universe landed on retailers shelves – with the LEGO Company for the first time building up a complete story from scratch as a basis for a product series. In a combination of physical products and a complex online universe, children are invited to tell the story and research the action behind it.

In 2004 a new product line is launched: Knights' Kingdom. It contains some of the same elements as in the BIONICLE universe, but target consumers are younger – from 5-7 years



old. Knights' Kingdom is action figures in a knight universe. They are based on a story and can be combined in many different ways.



play on



Commercial fields

Over the years, enough LEGO bricks have been manufactured to give an average of 52 each to every single one of the world's 6 billion inhabitants. Although our core business remains firmly based on the LEGO brick, the commercial fields in which we are active are widespread. LEGOLAND Parks, media products, educational materials – these are just some of the areas in which we engage. And in the past year we have also opened our first LEGO brand test stores. The first was inaugurated in Cologne, Germany, on October 1, 2002, followed later the same year by one store each in London and Moscow. We have 24 brand stores. In 2004 we expect to open further 15 brand stores worldwide.

In 2002 we have signed a number of strategic alliances with exciting partners. These include extensive merchandising and marketing agreements covering several years with the National Basketball Association (NBA) and the National Hockey League (NHL) in the United States. These deals mean that the LEGO Company will be able to use league and team logos and special characteristics of players in marketing the product line LEGO Sports. In 2004 LEGO Company has signed a deal for a three year co-operation with Ferrari. The deal means a launch of a range of LEGO RACERS Ferrari Formula 1 products, starting in April 2004.

LEGO play materials

Coinciding with the new slogan "Play on", we have adopted a clearer means of grouping LEGO play materials. The result is four portals, which will guide families into the LEGO universe. The four portals are:

- Pre-school

LEGO@PRE-SCHOOL products are designed for infants and pre-school children. All products make up a fully integrated development range: The Complete Discovery System.

- Make & Create

LEGO@Make & Create is for making, building and creating. This is where you find those favourite products for building models purely from your own creative imagination.

- Stories & Action

LEGO@Stories & Action is a range of products for which the story, the universe or a figure is the motive force. The products start the story – the children pick it up and continue.

- Next

LEGO@Next highlights the latest advances in building concepts. Under this portal we find innovative and visionary products which are quite likely to contain technology.

The whole product range offers varying degrees of difficulty, adapting to children as they grow and develop. In this way, all children from 0-16 years can use LEGO play material in a meaningful way.





LEGOLAND Parks

LEGOLAND Parks are family parks which welcome children into an exciting world built mainly from LEGO bricks. Our objective for our LEGOLAND Parks is to provide an attractive excursion destination for families with children. The LEGO Company currently has four LEGOLAND Parks in Billund (Denmark), Windsor (Britain), Carlsbad (California) and Günzburg (Germany).

LEGOLAND BILLUND

When it opened in 1968, LEGOLAND Billund quickly became the most popular tourist attraction outside Copenhagen. A total of 36,000,000 visitors have passed through its gates. In 2003 1,630,000 visitors from all over the world came to see buildings and landscapes in Miniland, enjoy and take part in the Park's exhibitions and shows, and explore LEGO play materials.

LEGOLAND Billund has seven themed areas, and it has used 50,000,000 LEGO bricks to create its unique settings with knights, pirates, cowboys and other impressive LEGO models. The Park offers more than 50 exciting activities – and 1,000 employees are standing by to ensure a superb standard of safety and service.

LEGOLAND Billund is open daily from March 27 to October 24, 2004.

LEGOLAND WINDSOR

In 1996 we repeated the Billund success and opened another park – this time in Windsor in England. LEGOLAND Windsor is situated about 25 miles west of London – its closest neighbour is Windsor Castle. By 1997 the Park had been acclaimed the most popular new attraction in Britain. A total of 11,000,000 people have visited the Park since it opened.

The 2004 season at LEGOLAND Windsor opens on March 20 and closes on October 1.

LEGOLAND CALIFORNIA

The third LEGOLAND Park opened in 1999 in Carlsbad, California, 30 miles north of San Diego. In common with the other LEGOLAND Parks, LEGOLAND California combines interactive attractions, family activities, shows, restaurants, shops and LEGO models. A total of 30,000,000 bricks were used to build the 5,000 LEGO models that “live” in the Park.

This park, too, has proved an immense success, and since opening has attracted more than 6,000,000 visitors. The Park is open throughout the year – closing only on certain days.

LEGOLAND Deutschland

The fourth LEGOLAND Park opened on May 17, 2002, in Günzburg in southern Germany. A total of 50,000,000 LEGO bricks went into its many constructions – including life-size giraffes and hippopotami. And interactive games and learning, attractions and shows guarantee that visitors will enjoy a fun, exciting time. The Park has more than 40 entertainment features and a staff of 130 fulltime and 900 seasonal employees.



LEGOLAND Deutschland has seven themed areas, each containing entertainments, play facilities for children of all ages, restaurants and shops to keep the whole family happy.

Last year the park had 1,300,000 visitors. The 2004 season opens on April 1 and closes on November 7.

LEGO Lifestyle

LEGO Lifestyle is the division of our Company that handles licensees use of the LEGO brand. The objective is to publicise the LEGO brand and promote sales of our other products. Licensed products include LEGO Wear with collections of high-quality children's clothing and bags, books and watches.

Electronic games

Licence partners take care of developing electronic games for the 6-12 year group. All games are based on familiar universes in our play materials. The aim of the software is to stimulate children's imagination and encourage them to break free of their own boundaries and investigate places they haven't been before. Games contain no violence whatsoever – the Company recognises its responsibility in developing safe and instructive games. The goal is to launch games for consoles and PCs based on LEGO values. LEGO figures are brought to life, and players are free to explore, compete and create.

LEGO.com

The intention with LEGO.com is to create a virtual LEGO universe, offering a series of intense LEGO experiences. LEGO.com is much more than simply a catalogue of products. It is a place where children, their parents and LEGO enthusiasts of all ages can play and experience for themselves the LEGO Company values and ideas in the form of games, stories, activities and exciting happenings.

The visitor to LEGO.com finds not only new products but also special building instructions and tips, information about historical and classic LEGO sets, a virtual building environment, and the global LEGO Club, which now has about 2,500,000 members.

At LEGO.com you can also buy single bricks and elements in different sizes and colours.

LEGO.com heads the list of Internet sites for families and children. No fewer than 5,600,000 LEGO fans visited LEGO.com in December 2003 – and more than 53,000,000 visited the site during the year as a whole. The average visit to LEGO.com lasts about 48 minutes.



Learning



Learning through play

Research in the fields of play and learning has always been an important segment of the LEGO Company's area of activity. In recent years we have taken a number of initiatives which combine the two sides of the LEGO Company: toy manufacturer and research-based institution.

LEGO Learning Institute

In May 2002 the LEGO Company set up the LEGO Learning Institute (LLI). The task of the Institute is to focus on research and innovative thinking in play, learning and creativity – collectively referred to as “Playful Learning”.

The job of the LLI is to systemise the experience of play and learning accumulated over many years by the LEGO Company. The Institute acts as a link between leading university people, experts in child development and the LEGO Company's own development teams. The aim is to ensure that the development processes going on internally within the LEGO Company closely parallel the latest research. At the same time a number of the Company's contacts in the academic community will be formalised with the establishment of an international advisory panel: Playful Learning Panel.

The LEGO Learning Institute currently collaborates with a number of internationally renowned research centres in the development of play and learning. In autumn 2002 the LLI published its first report, LEGO Study, on children's time. The Institute questioned 3,000 parents in the USA, Britain, France, Germany and Japan on their attitudes to children's leisure (a copy of the study can be obtained via www.LEGOlearning.net). Regular publication of research results through LEGO Study is intended to help create closer contacts with parents and teachers through an ongoing public debate on the significance of Playful Learning and child development.

LEGO Educational Division

The LEGO Educational Division works closely in conjunction with the LEGO Learning Institute. Although products marketed through the Division are based on the LEGO brick, the product range should not be seen merely as toys for schools. They offer teachers and children a broad range of options, providing convenient access to the study especially of scientific concepts through practical exercises. All concepts behind the products of the LEGO Educational Division have been developed in close collaboration with educationists and teachers. The products are particularly popular in subjects in which pupils learn about technical subjects, nature or IT.

The LEGO Educational Division is involved in many projects all over the world, often in collaboration with local educational authorities. Among others we have signed a contract with the Moscow city



authorities to supply educational concepts to the value of EUR 2m, and Madrid City Corporation has signed a contract for the supply of LEGO RCX Robots to 283 public schools.



LEGO Serious Play

In 2002 the LEGO Company launched the first LEGO product ever designed specifically for adults. Entitled LEGO SERIOUS PLAY, it is designed to help participants see their companies from a new angle. With the aid of LEGO bricks and the application of corporate imagination, a company's employees can achieve greater understanding of solutions and strategies.

The first result of LEGO SERIOUS PLAY – Real Time Strategy – was launched in 2002. An adviser helps conduct guided sessions to enable participants to derive optimum benefit from this new means of developing corporate strategy.

A Real Time Strategy session begins with participants building their company's identity in LEGO bricks. During the building process, metaphors and storytelling are used to express a company's characteristics, processes, communication, products and core skills.

Vision Lab

Vision Lab was set up in September 2002 as the LEGO Company's centre for future research. The task of Vision Lab is to make a qualified assessment of how the future will look to children and families with children. Vision Lab draws up holistic scenarios which compare future perspectives for the individual child, for the family and for society. It adopts both a sociological and an anthropological approach, combined with LEGO Company values, in indicating the future direction of product development at the LEGO Company.

Part of the work of the new research centre will be to gather and analyse data on global family patterns of the future in an attempt to see how families will look upon such concepts as time and technology. Vision Lab bases its assessments on sociology, anthropology, philosophy, culture, consumer awareness, consumer patterns, architecture/design and technology.

One of the major challenges facing Vision Lab is to render research material comprehensible and applicable to product developers. The LEGO Company's development teams already work in co-operation with actors, architects, authors and musicians, and Vision Lab will be expanding this relationship.

LEGO Bricks



How LEGO bricks are made

The LEGO Company has production facilities in several places. Moulding takes place at our own plants in Denmark and Switzerland – then the bricks are finished and packed for retail in the USA, Denmark, Switzerland, South Korea and the Czech Republic. Since 1949, the LEGO Company has manufactured more than 203 billion LEGO bricks.

The Company produces bricks round the clock, seven days a week. Moulds are engineered at two LEGO plants in Germany and Switzerland – accurate to two-thousandths of a millimetre.

During the moulding process the raw plastic material is heated to 232 degs. C until it takes on the consistency of bread dough. At this point it is injected into the moulds, which close under a pressure of between 25 and 150 tons, depending on which parts are being produced. It takes seven seconds to cool and eject new elements. As a measure of the accuracy of our moulding processes, we can reveal that only 18 bricks in every 1,000,000 fail to live up to the Company's high quality specifications.

All LEGO elements are fully compatible, irrespective when they were made during the period 1958-2004 or which of the Company's factories manufactured them.

Regardless where they are made, LEGO products must be suitable for sale on all markets. Which means that all LEGO products conform with all safety standards in all markets. The LEGO Company's own standards equal the toughest external requirements anywhere in the world.



Figures



LEGO facts and figures

- It would take 40,000,000,000 LEGO bricks stacked on top of each other to reach from the Earth to the Moon.
- A LEGO set is sold across the counter somewhere in the world every 7 seconds.
- The eight robots in the LEGO Warehouse in Billund can move 660 crates of LEGO bricks an hour.
- The King's Castle in LEGOLAND Billund cost DKK 45,000,000 to build. A total of 160 tons of crushed granite and 150 tons of boulders were used in its decoration. The castle was built in only eight months – the fastest castle construction in Danish history.
- The big Dockosaurus, part of the water ride at LEGOLAND Deutschland, is made of 90,750 LEGO bricks and weighs 262 tons.
- Children all over the world spend 5 billion hours a year playing with LEGO bricks.
- There are 102,981,500 different ways of combining six eight-stud bricks of the same colour.
- On average each person on earth owns 52 LEGO bricks.
- With an annual output of about 306 million tyres, the LEGO Company is the world's leading tyre manufacturer.
- If all LEGO sets sold in the past 10 years were laid end to end, they would reach from London, England, to Perth, Australia.
- Visitors to www.LEGO.com spend an average of 48 minutes exploring the site.
- The largest model at LEGOLAND Windsor is a Technosaurus, which required more than one million bricks. The smallest? A pigeon on Trafalgar Square.
- When you manufacture a LEGO brick, accuracy is measured to 2/1000 of a millimetre.



The Brand



Writing the LEGO brand name

Please help us to protect our brand name:

- The LEGO brand name should always be written in capitals.
- The word LEGO must not be used generically – nor should it be used in the plural form or the possessive, e.g. “LEGO’s”.
- When the LEGO brand name is used as a noun, it must never stand alone. It must always be accompanied by another noun. For example: LEGO set, LEGO products, LEGO Company, LEGO play materials, LEGO bricks, LEGO universe, etc.
- The first time the LEGO brand name is used in a heading and in the following text it should be accompanied by the registration symbol ®.

Thank you for your help



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