

Dansk Supermarked Ejendomme A/S

Rosbjergvej 33
DK-8220 Brabrand

Annual report

2015

CVR no. 21 50 38 94

The Annual report has been presented
and approved on the company's annual
general meeting at 30/3 2016



Chair

Table of contents

	<u>Page</u>
Management's review	
Financial highlights	1
Management's review	2
Statements	
Management's statement	3
Independent auditors' reports	4
Financial statements	
Accounting policies	6
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13

Financial highlights

DKK million	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income from leaseholds	1,232	1,223	1,297	1,246	1,178
Result before financial items	1,013	862	852	819	746
Net financial items	-70	-47	-6	-20	-22
Result for the year	729	617	650	602	543
Total assets	15,115	14,443	10,379	10,156	9,836
Equity	4,616	3,868	6,604	5,954	5,352
Investment in property, plant and equipment	227	288	392	503	1,140
Profit margin (%)	82.2	70.5	65.7	65.7	63.3
Return on equity (%)	17.2	11.8	10.4	10.6	10.7

Profit margin is result before financial items divided by net revenue.

Return on equity is the result for the year divided by the average equity (average of equity at the beginning of the year and at the end of the year).

Management's review

Primary business area

The company's primary business activity is leasing of property in Denmark to Dansk Supermarked A/S.

Development during the financial year

In 2015 the company has realised a result for the year after tax of DKK 729 million against a result after tax of DKK 617 million in 2014.

The result for 2015 is better than expected due to an increase in other operating income.

Social responsibility

Dansk Supermarked Ejendomme A/S considers social responsibility to be important for the company. Dansk Supermarked Ejendomme A/S is included in Dansk Supermarked Group's report on social responsibility to which we refer.

Diversity in management

In Dansk Supermarked Ejendomme A/S the target regarding the gender constitution of the Board of Directors is to have one person of one gender and two persons of the other gender elected by the general meeting. Today, there are 3 members of the Board of Directors two of which are men elected by the general meeting and one is a woman. The target regarding the under-represented gender must not compromise other recruitment criteria.

Particular risks

The company's financial risk is primarily related to interest rate risk. The interest rate risk concerns the company's mortgage loans where the risk is hedged by interest rate swaps. The company has no other particular risks. The property is rented out on contracts with long periods of irrevocability primarily to Dansk Supermarked A/S.

Expected development

The company expects that the result for the year 2016 will be at the same level as in 2014.

Subsequent events

No subsequent events have occurred that would affect the annual report for 2015.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Dansk Supermarked Ejendomme A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the results of the company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Brabrand, 23 March 2016

Executive Board

Jakob Røddik Thøgersen
CEO

Board of Directors

Per Bank
Chairman

Jakob Røddik Thøgersen

Randi Toftlund Pedersen

Independent auditors' reports

To the shareholder of Dansk Supermarked Ejendomme A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Dansk Supermarked Ejendomme A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' reports

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 23 March 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised Public Accountant



Morten Friis
State Authorised Public Accountant

Accounting policies

The annual report of Dansk Supermarked Ejendomme A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Accounting policies are unchanged compared to last year.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge are recognised in the equity, and are reclassified to the income statement in the periods when the hedged item affects the income statement. Changes in the fair value of other derivative financial instruments are recognised in the income statement. The positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

Income statement

Rental income

Rental income from rental of the company's leasehold is recognised in the income statement during the rental period. Rental income is measured exclusive of VAT and taxes charged on behalf of third parties.

Financial items

Financial income and expenses comprise interest income and expense.

Tax on the result for the year

Tax on the result for the year comprises current tax for the year and adjustment in deferred tax.

Until the 10 April 2014 the company was jointly taxed with A. P. Møller – Mærsk A/S. As of the 11 April 2014 the company became jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group . The tax effect of the joint taxation is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

Balance sheet

Intangible assets

Key money is measured at cost and is amortised on a straight-line basis based on an individual assessment over the estimated useful life, which in general is 3 – 10 years.

Property, plant and equipment

Land and buildings and leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use.

Accounting policies

Assets are depreciated on a straight-line basis over their estimated useful lives to residual value as follows:

Buildings	40 years
Leasehold improvements	12 years

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is evaluated annually for indications of impairment.

If indications of impairment exist, tests are performed to determine whether recognition of impairment losses is necessary for individual assets as well as groups of assets. If the recoverable amount is lower than an asset's carrying amount, an impairment loss is recognised so that the carrying amount is reduced to the recoverable amount.

The recoverable amount is the higher value of an asset's net sales price and its value in use. The value in use is assessed as the present value of the expected net cash flow from utilization of the asset or the group of assets and expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost price less write-down for expected loss.

Equity – Dividend

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting. The expected dividend payment for the year is presented in a separate line item within equity.

Corporation tax and deferred tax

Corporation tax payable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provision for deferred tax is made on differences between the accounting and tax values of assets and liabilities. Deferred tax assets are recognised at the value at which they are expected to be realised.

Liabilities other than provisions

Liabilities other than provisions are recognised as the net proceeds from the loan at the time of the raising of the loan. In the subsequent periods the debt is measured using amortisation of the cost price.

Other liabilities are measured at net realisable value.

Accounting policies

Other provisions

Other provisions comprise onerous lease and rental contracts. Other provisions are recognised based on specific calculations.

Cash flow statement

The company is included in the consolidated financial statements for Dansk Supermarked A/S, Brabrand, and in accordance with section 86, paragraph 4 of the Danish Financial Statements Act no cash flow statement has been prepared.

Segment information

The company's main activity is leasing of property in Denmark to Dansk Supermarked A/S. The company has no other significant activities.

Income statement

DKK million

<u>Notes</u>	<u>2015</u>	<u>2014</u>
Income from leaseholds	1,232	1,223
Other operating income	251	90
	<u>1,483</u>	<u>1,313</u>
1 Other external expenses	-306	-319
Gross profit	<u>1,177</u>	<u>994</u>
2 Staff expenses	-1	-1
Amortisation, depreciation and impairment losses	-163	-131
Result before financial items	<u>1,013</u>	<u>862</u>
3 Financial income	84	67
4 Financial expenses	-154	-114
Result before tax	<u>943</u>	<u>815</u>
5 Tax on the result for the year	-214	-198
Result for the year	<u>729</u>	<u>617</u>
Proposal for distribution of the result:		
Retained earnings	729	617
	<u>729</u>	<u>617</u>

Balance sheet

DKK million

Assets

<u>Notes</u>	<u>31/12 2015</u>	<u>31/12 2014</u>
Key money	1	0
6 Intangible assets	1	0
Land and buildings	8,024	8,038
Leasehold improvements	103	85
Assets under construction	46	46
7 Property, plant and equipment	8,173	8,169
Other non-current financial assets	12	0
Total financial assets	12	0
Total non-current assets	8,186	8,169
Other receivables	180	164
8 Receivables from affiliated companies	6,714	6,080
Corporation tax	35	30
Receivables	6,929	6,274
Total current assets	6,929	6,274
Total assets	15,115	14,443

Balance sheet

DKK million

Equity and liabilities

<u>Notes</u>	<u>31/12 2015</u>	<u>31/12 2014</u>
Share capital	500	500
Retained earnings	4,116	3,368
Total equity	4,616	3,868
9 Deferred tax	182	120
Other provisions	4	8
Total provisions	186	128
Mortgage credit institutions	9,980	10,131
Other non-current liabilities	132	158
10 Non-current liabilities other than provisions	10,112	10,289
10 Short-term part of non-current liabilities	142	69
Trade payables	23	31
Other payables	36	58
Current liabilities other than provisions	201	158
Total liabilities other than provisions	10,313	10,447
Total equity and liabilities	15,115	14,443
11 Contractual obligations and contingencies, etc.		
12 Related party disclosures		

Statement of changes in equity

DKK million

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	500	3,368	3,868
Cash flow hedges (Interest rate swaps)		25	25
Tax on cash flow hedges (Interest rate swaps)		-6	-6
Result for the year		729	729
Equity at 31 December 2015	500	4,116	4,616

The share capital is composed as follows:

5,000,000 shares of DKK 100	<u>500</u>
	<u>500</u>

Notes to the financial statements

DKK million

	<u>2015</u>	<u>2014</u>
1 Other external expenses		
Fees to the statutory auditors:		
Fee for auditing	0.2	0.2
2 Staff expenses		
Salaries	1.0	0.8
Pensions	0.1	0.1
Other social security costs	0.0	0.0
	<u>1.1</u>	<u>0.9</u>
Average number of full-time employees	<u>1</u>	<u>1</u>
3 Financial income		
Interest from affiliated companies	83	67
Other financial income	1	0
	<u>84</u>	<u>67</u>
4 Financial expenses		
Interest expense on mortgage loans	94	88
Interest rate swaps	55	22
Other financial expenses	5	4
	<u>154</u>	<u>114</u>
5 Tax on the result for the year		
Current tax for the year	165	91
Adjustment of deferred tax for the year	56	59
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25 % to 22 % (during 2014 - 2016)	1	-2
Adjustment to tax regarding previous years	-7	0
Adjustment of deferred tax regarding previous years	5	0
	<u>220</u>	<u>148</u>
Income tax recognised in the income statement	214	198
Income tax recognised in equity	6	-50
	<u>220</u>	<u>148</u>

Notes to the financial statements

DKK million

6 Intangible assets

	<u>Key money</u>
Cost:	
1 January 2015	0
Additions during the year	<u>1</u>
31 December 2015	<u>1</u>
Amortisation and impairment losses:	
1 January 2015	0
Amortisation for the year	<u>0</u>
31 December 2015	<u>0</u>
Carrying amount at 31 December 2015	<u>1</u>

7 Property, plant and equipment

	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Assets under construction</u>
Cost:			
1 January 2015	13,840	166	46
Additions during the year	19	37	171
Transfers	173	-2	-171
Disposals during the year	-133	-8	0
31 December 2015	<u>13,899</u>	<u>193</u>	<u>46</u>
Depreciation and impairment losses:			
1 January 2015	-5,802	-81	
Depreciation for the year	-152	-10	
Disposals during the year	79	1	
31 December 2015	<u>-5,875</u>	<u>-90</u>	
Carrying amount at 31 December 2015	<u>8,024</u>	<u>103</u>	<u>46</u>

8 Receivables from affiliated companies

No part of the receivables from affiliated companies falls due after more than 1 year in 2015 or 2014.

Notes to the financial statements

DKK million

	<u>2015</u>	<u>2014</u>
9 Deferred tax		
Deferred tax at 1 January	120	63
Adjustment of deferred tax for the year	56	59
Adjustment of deferred tax regarding previous years	5	0
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25 % to 22 % (during 2014 - 2016)	1	-2
Deferred tax at 31 December	<u>182</u>	<u>120</u>
 Deferred tax relates to:		
Property, plant and equipment	183	126
Provisions	-1	-6
	<u>182</u>	<u>120</u>
 10 Non-current liabilities other than provisions		
Mortgage credit institutions	10,063	10,155
Other non-current liabilities	191	203
	<u>10,254</u>	<u>10,358</u>
Short term part of non-current liabilities	-142	-69
Total non-current liabilities other than provisions	<u>10,112</u>	<u>10,289</u>
 Due as follows:		
Between 1 and 5 years	233	212
After 5 years	9,879	10,077
	<u>10,112</u>	<u>10,289</u>

11 Contractual obligations and contingencies, etc.

The company has entered contractual agreements about leasing of property to affiliated companies. The leaseholds normally run for 20 years. The total income from leaseholds during the contractual lease period is DKK 6 billion as of 31 December 2015 (31 December 2014: DKK 6 billion).

The company has entered contractual agreements about leasing of property to external parties. The leaseholds normally run for 10 years. The total income from leaseholds during the contractual lease period is DKK 248 million as of 31 December 2015 (31 December 2014: DKK 184 million).

Notes to the financial statements

DKK million

11 Contractual obligations and contingencies, etc. (continued)

The company has entered into leasing agreements with an usual duration of up to 10 years. The total leasing commitments amount to DKK 747 million as of 31 December 2015 (31 December 2014: DKK 561 million).

The company is part of the joint registration with companies in the Dansk Supermarked Group and F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and is thus jointly liable for the total liability of DKK 418 million at 31 December 2015 (31 December 2014: DKK 405 million).

The company is jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group. As a jointly taxed company, which is not wholly owned, the company has limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. However, the company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Dansk Supermarked A/S subgroup. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the company's liability will increase.

As security for mortgage loans land and buildings with a carrying amount of DKK 7,643 million have been provided as collateral (31 December 2014: DKK 7,928 million).

The company has entered contractual commitments regarding acquisition and construction of properties of a total of DKK 120 million (31 December 2014: DKK 214 million).

12 Related party disclosures

Transactions with related parties take place at arm's length terms.

Controlling interest

The company is included in the consolidated financial statements for Dansk Supermarked A/S, Rosbjergvej 33-35, Brabrand and the consolidated financial statements for Købmand Herman Sallings Fond, Rosbjergvej 33-35, Brabrand, which has controlling interest.

Ownership

The company is 100% owned by Dansk Supermarked A/S, Rosbjergvej 33-35, Brabrand.