

F. Salling A/S

**Rosbjergvej 33 - 35
DK-8220 Brabrand**

Annual report

2015

CVR no. 30 51 13 36

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



Chair

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Financial highlights

DKK million	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net revenue	943	911	900	927	874
Result before financial items	65	6	76	1	95
Net financial items	6	4	118	110	55
Result for the year	54	8	151	83	112
Total assets	1,898	1,830	3,109	2,610	2,573
Equity	339	285	1,588	1,519	1,548
Investment in property, plant and equipment	12	12	60	154	18
Profit margin (%)	6.9	0.7	8.4	0.1	10.9
Return on equity (%)	17.3	0.9	9.7	5.4	7.0

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 activities primarily consist of retailing in 2 department stores.

Development during the financial year

In 2015 the company has realised a result for the year after tax of DKK 54 million against a result after tax of DKK 8 million in 2014.

In 2015 net revenue is DKK 943 million compared to DKK 911 million in 2014. Gross profit has increased compared to 2014. Result before financial items (EBIT) is DKK 65 million against DKK 6 million in 2014.

The result for 2015 is better than expected due to a higher revenue level and tight cost control.

During 2015 the share capital in the company was transferred from the previous owners, F. Salling Holding A/S and A.P. Møller - Mærsk A/S, to Dansk Supermarked A/S as part of an exchange of shares, in which F. Salling Holding A/S received a larger shareholding in Dansk Supermarked A/S in return for its shares in F. Salling A/S.

Employees

In 2015 F. Salling A/S employed 1,206 employees against 1,198 in 2014. Converted into the average number of full time employees this equals 684 against 692 in 2014.

Social responsibility

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

Diversity in management

In F. Salling A/S the target regarding the gender constitution of the Board of Directors is an equal number of both gender elected by the general meeting. Today, there are 6 members of the Board of Directors two of which are women elected by the general meeting, two are men elected by the general meeting, and two are women elected by employees. On the other management levels no gender is under-represented either. The target regarding the under-represented gender must not compromise other recruitment criteria.

Particular risks

The retailing activities include sale of consumers' goods and is to a degree market sensitive. The company is not significantly dependent on certain customers or suppliers. The company's financial risk is primarily related to interest rate risk. The interest rate risk concerns the company's mortgage loans.

Management's review

Expected development

The company expects that the result for the year 2016 will be at the same level as in 2015.

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 F. Salling 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.

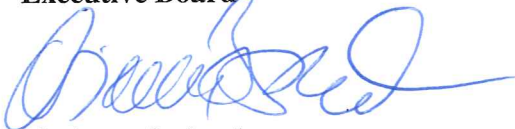
It is our opinion that the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January – 31 December 2015.

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, 18 March 2016

Executive Board



Marianne Bedsted
CEO

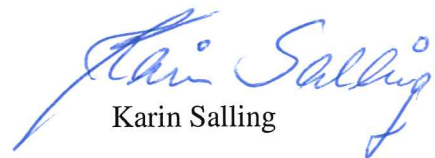
Board of Directors



Per Bank
Chairman



Jette Christiansen



Karin Salling



Jakob Røddik Thøgersen



Marianne Larsen
Employee representative



Marianne Olsen
Employee representative

Independent auditors' reports

To the shareholder of F. Salling A/S

Independent auditors' report on the financial statements

We have audited the financial statements of F. Salling 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, 18 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 for F. Salling 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.

Foreign currencies

Transactions in foreign currencies are translated into DKK at the exchange rates prevailing at the date of the transaction. Monetary items in foreign currencies, which are not settled at the balance sheet date, are translated into DKK at the exchange rate at the balance sheet date.

Foreign exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment / the balance sheet date are recognised in financial items in the income statement.

Income statement

Net revenue

Net revenue from sale of goods for resale is recognised in the income statement provided that delivery and transfer of risks and rewards to the buyer have taken place. Net revenue is measured exclusive of VAT and taxes charged on behalf of third parties, and net of discounts relating to sales.

Financial items

Financial income and expenses comprise interest income and expenses and capital gains and losses on securities and price adjustment of receivables.

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

Property, plant and equipment

Property, plant and equipment 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.

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

Buildings	40 years
Fixtures and fittings, tools and equipment	3-10 years

Accounting policies

Property, plant and equipment (continued)

Impairment losses in excess of depreciations are recognised when deemed necessary.

Inventories

Inventories are measured at calculated cost (weighted averages) less write-down for obsolescence.

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.

Cash flow statement

The company is included in the consolidated financial statements for Dansk Supermarked A/S, Brabrand and the consolidated financial statements for Købmand Herman Sallings Fond, Brabrand, and in accordance with section 86, paragraph 4 of the Danish Financial Statements Act no cash flow statement has been prepared. As at 31 December 2014 the company was included in the consolidated financial statements for Købmand Herman Sallings Fond, Brabrand, and in accordance with section 86, paragraph 4 of the Danish Financial Statements Act no cash flow statement was prepared.

Segment information

The company's main activity is retailing in Denmark. The company has no other significant activities.

Income statement

DKK million

<u>Notes</u>	<u>2015</u>	<u>2014</u>
Net revenue	943	911
Other operating income	64	61
	<u>1,007</u>	<u>972</u>
Consumption of goods	-571	-571
1 Other external expenses	-138	-156
Gross profit	<u>298</u>	<u>245</u>
2 Staff expenses	-209	-216
3 Depreciation and impairment losses	-24	-23
Result before financial items	<u>65</u>	<u>6</u>
4 Financial income	19	16
5 Financial expenses	-13	-12
Result before tax	<u>71</u>	<u>10</u>
6 Tax on the result for the year	-17	-2
Result for the year	<u>54</u>	<u>8</u>
Proposal for distribution of the result:		
Retained earnings	54	8
	<u>54</u>	<u>8</u>

Balance sheet

DKK million

Assets

<u>Notes</u>	<u>31/12 2015</u>	<u>31/12 2014</u>
Land and buildings	556	563
Fixtures and fittings, tools and equipment	25	34
Assets under construction	4	0
7 Property, plant and equipment	585	597
Total non-current assets	585	597
Inventories	170	174
8 Receivables from affiliated companies	1,059	953
Other receivables	61	45
Corporation tax	10	47
Receivables	1,130	1,045
Cash at bank and in hand	13	14
Total current assets	1,313	1,233
Total assets	1,898	1,830

Balance sheet

DKK million

Equity and liabilities

<u>Notes</u>	<u>31/12 2015</u>	<u>31/12 2014</u>
Share capital	200	200
Retained earnings	139	85
Total equity	339	285
9 Deferred tax	42	40
Total provisions	42	40
Mortgage credit institutions	1,242	1,245
10 Non-current liabilities other than provisions	1,242	1,245
10 Short-term part of non-current liabilities	3	3
Payables to affiliated companies	77	64
Trade payables	99	108
Other payables	96	84
Deferred income	0	1
Current liabilities other than provisions	275	260
Total liabilities other than provisions	1,517	1,505
Total equity and liabilities	1,898	1,830

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	200	85	285
Result for the year		54	54
Equity at 31 December 2015	<u>200</u>	<u>139</u>	<u>339</u>

The share capital is composed as follows:

2,000,000 shares of DKK 100	<u>200</u>
	<u>200</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	189	196
Pensions	15	15
Other social security costs	5	5
	<u>209</u>	<u>216</u>
 Average number of full-time employees	 <u>684</u>	 <u>692</u>
<p>The board of directors received no fees. The remuneration to the registered member of the executive board is not disclosed in accordance with section 98b(3) of the Danish Financial Statements Act. During 2014 the company changed the members of the executive board. In 2014 the total remuneration to the registered members of the executive board amounted to DKK 3.4 million.</p>		
3 Depreciation and impairment losses		
Land and buildings	11	10
Fixtures and fittings, tools and equipment	13	13
	<u>24</u>	<u>23</u>
4 Financial income		
Interest from affiliated companies	15	11
Other financial income	4	5
	<u>19</u>	<u>16</u>
5 Financial expenses		
Interest expense on mortgage loans	12	11
Other financial expenses	1	1
	<u>13</u>	<u>12</u>

Notes to the financial statements

DKK million

	<u>2015</u>	<u>2014</u>
6 Tax on the result for the year		
Current tax for the year	15	0
Adjustment to tax regarding previous years	0	-1
Adjustment of deferred tax for the year	2	2
Adjustment of deferred tax regarding previous years	0	1
	<u>17</u>	<u>2</u>

7 Property, plant and equipment

	<u>Land and buildings</u>	<u>Fixtures and fittings, tools and equipment</u>	<u>Assets under construction</u>
Cost:			
1 January 2015	1,317	75	0
Additions during the year	0	4	8
Transfers	4	0	-4
31 December 2015	<u>1,321</u>	<u>79</u>	<u>4</u>
Depreciation and impairment losses:			
1 January 2015	-754	-41	
Depreciation for the year	-11	-13	
31 December 2015	<u>-765</u>	<u>-54</u>	
Carrying amount at			
31 December 2015	<u>556</u>	<u>25</u>	<u>4</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	40	37
Adjustment of deferred tax for the year	2	2
Adjustment of deferred tax regarding previous years	0	1
Deferred tax at 31 December	<u>42</u>	<u>40</u>
Deferred tax relates to:		
Property, plant and equipment	42	40
	<u>42</u>	<u>40</u>
10 Non-current liabilities other than provisions		
Mortgage credit institutions	1,245	1,248
	<u>1,245</u>	<u>1,248</u>
Short-term part of non-current liabilities	-3	-3
Total non-current liabilities other than provisions	<u>1,242</u>	<u>1,245</u>
Due as follows:		
Between 1 and 5 years	12	12
After 5 years	1,230	1,233
	<u>1,242</u>	<u>1,245</u>

11 Contractual obligations and contingencies, etc.

The company has entered contractual agreements about leasing of property. The total income from leaseholds during the contractual lease period is DKK 26 million as of 31 December 2015 (31 December 2014: DKK 24 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).

Notes to the financial statements

DKK million

11 Contractual obligations and contingencies, etc. (continued)

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, for 2015 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 at carrying amount of DKK 546 million have been provided as collateral (31 December 2014: DKK 542 million).

The company has not entered contractual commitments regarding acquisition or construction of properties at 31 December 2015 (31 December 2014: DKK 0 million).

12 Related party disclosures

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

Controlling interest

As at 31 December 2015 the company is included in the consolidated financial statements for Dansk Supermarked A/S, Rosbjergvej 33-35, Brabrand. As at 31 December 2015 and 31 December 2014 the company is included in the consolidated financial statements for Købmand Herman Sallings Fond, Rosbjergvej 33-35, Brabrand, which has controlling interest.

Ownership

The following shareholder owns 100 % of the share capital as at 31 December 2015:
Dansk Supermarked A/S, Rosbjergvej 33-35, Brabrand

As at 31 December 2014 the following shareholders owned more than 5 % of the share capital:
F. Salling Holding A/S, Rosbjergvej 33-35, Brabrand
A.P. Møller - Mærsk A/S, Esplanaden 50, København

During 2015 the share capital in the company was transferred from the previous owners, F. Salling Holding A/S and A.P. Møller - Mærsk A/S, to Dansk Supermarked A/S as part of an exchange of shares, in which F. Salling Holding A/S received a larger shareholding in Dansk Supermarked A/S in return for its shares in F. Salling A/S.