

# **F. Salling A/S**

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

**Annual report**

**2016**

**CVR no. 30 51 13 36**

The Annual report has been presented  
and approved on the company's annual  
general meeting at 19/ 4 2017



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**Chair**

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## Financial highlights

DKK million	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net revenue	942	943	911	900	927
Result before financial items	54	65	6	76	1
Net financial items	0	6	4	118	110
Result for the year	42	54	8	151	83
Total assets	1,885	1,898	1,830	3,109	2,610
Equity	381	339	285	1,588	1,519
Investment in property, plant and equipment	21	12	12	60	154
Profit margin (%)	5.7	6.9	0.7	8.4	0.1
Return on equity (%)	11.7	17.3	0.9	9.7	5.4

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 2016 the company has realised a result for the year after tax of DKK 42 million against a result after tax of DKK 54 million in 2015.

In 2016 net revenue is DKK 942 million compared to DKK 943 million in 2015. Gross profit has decreased compared to 2015. Result before financial items (EBIT) is DKK 54 million against DKK 65 million in 2015.

The result is below the expressed expectations for 2016 due to higher staff expenses as well as lower financial income.

### **Employees**

As at 31 December 2016 F. Salling A/S employed 1,254 employees against 1,273 as at 31 December 2015. Converted into the average number of full time employees this equals 747 against 745 in 2015.

### **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.

### **Expected development**

The company expects that the result for the year 2017 will be higher than in 2016.

## 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 2016.

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 2016 and of the results of the company's operations for the financial year 1 January – 31 December 2016.

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, 17 March 2017

### Executive Board



Marianne Bedsted  
CEO

### Board of Directors




Per Bank  
Chairman



Jakob Røddik Thøgersen

Jette Christiansen



Marianne Larsen  
Employee representative

Karin Salling



Marianne Olsen  
Employee representative

## **Independent auditors' reports**

**To the shareholder of F. Salling A/S**

### **Opinion**

We have audited the financial statements of F. Salling A/S for the financial year 1 January – 31 December 2016, 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 under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of company at 31 December 2016, and of the results of the company operations for the financial year 1 January – 31 December 2016 in accordance with 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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibilities 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 as Management determines is necessary to enable the preparation a financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Independent auditors' reports**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 exists. 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company'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 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 company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditors' reports**

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.

### **Statement on Management's review**

Management is responsible for the Management's review.

Our opinion on the 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 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 financial statements or our knowledge obtained during 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 17 March 2017

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 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Act no. 738 of 1 June 2015 has been implemented with effect as from 1 January 2015 resulting in the following change to recognition and measurement:

Annual review of the residual value of property, plant and equipment: An annual review of the residual value of property, plant and equipment must be performed. The change is implemented prospectively according to the transitional provisions in Act. no. 1849 of 15 December 2015, and has no effect on the income statement or balance sheet for 2016 or for the comparison figures.

Except from the above mentioned and changed presentation and disclosure requirements resulting from the amendment of the Financial Statements Act by Act no. 738 of 1 June 2015, the 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.

The company is 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).

## **Accounting policies**

### **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:**

Technical installations within the property	10 – 30 years
Foundation and bearing structure	80 years
Remaining property	40 years
Fixtures and fittings, tools and equipment	3 – 10 years

The residual values are reviewed at each financial year end and adjusted prospectively, if necessary.

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.

## **Accounting policies**

### **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.

### **Deferred income**

Deferred income is measured at the consideration received or receivable.

### **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.

### **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>2016</u>	<u>2015</u>
Net revenue	942	943
Other operating income	67	64
	<u>1,009</u>	<u>1,007</u>
Consumption of goods	-579	-571
1 Other external expenses	-135	-138
<b>Gross profit</b>	<b>295</b>	<b>298</b>
2 Staff expenses	-217	-209
3 Depreciation and impairment losses	-24	-24
<b>Result before financial items</b>	<b>54</b>	<b>65</b>
4 Financial income	12	19
5 Financial expenses	-12	-13
<b>Result before tax</b>	<b>54</b>	<b>71</b>
6 Tax on the result for the year	-12	-17
<b>Result for the year</b>	<b>42</b>	<b>54</b>

## Balance sheet

DKK million

### Assets

<u>Notes</u>	<u>31/12 2016</u>	<u>31/12 2015</u>
Land and buildings	552	556
Fixtures and fittings, tools and equipment	29	25
Assets under construction	0	4
<b>7 Property, plant and equipment</b>	<b>581</b>	<b>585</b>
<b>Total non-current assets</b>	<b>581</b>	<b>585</b>
<b>Inventories</b>	<b>190</b>	<b>170</b>
8 Receivables from affiliated companies	1,034	1,059
Other receivables	63	61
Corporation tax	5	10
<b>Receivables</b>	<b>1,102</b>	<b>1,130</b>
<b>Cash at bank and in hand</b>	<b>12</b>	<b>13</b>
<b>Total current assets</b>	<b>1,304</b>	<b>1,313</b>
<b>Total assets</b>	<b>1,885</b>	<b>1,898</b>

## Balance sheet

DKK million

### Equity and liabilities

<u>Notes</u>	<u>31/12 2016</u>	<u>31/12 2015</u>
Share capital	200	200
Retained earnings	81	139
Proposed dividends	100	0
<b>Total equity</b>	<b>381</b>	<b>339</b>
9 Deferred tax	44	42
<b>Total provisions</b>	<b>44</b>	<b>42</b>
Mortgage credit institutions	1,239	1,242
10 <b>Non-current liabilities other than provisions</b>	<b>1,239</b>	<b>1,242</b>
10 Short-term part of non-current liabilities	3	3
Trade payables	120	99
Payables to affiliated companies	0	77
Other payables	97	96
Deferred income	1	0
<b>Current liabilities other than provisions</b>	<b>221</b>	<b>275</b>
<b>Total liabilities other than provisions</b>	<b>1,460</b>	<b>1,517</b>
<b>Total equity and liabilities</b>	<b>1,885</b>	<b>1,898</b>
11 Contractual obligations and contingencies, etc.		
12 Related party disclosures		
13 Events after the reporting period		

## Statement of changes in equity

*DKK million*

<u>Notes</u>	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
<b>Equity at 1 January 2016</b>	<b>200</b>	<b>139</b>	<b>0</b>	<b>339</b>
14 Result for the year		-58	100	42
<b>Equity at 31 December 2016</b>	<b>200</b>	<b>81</b>	<b>100</b>	<b>381</b>

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>2016</u>	<u>2015</u>
<b>1 Other external expenses</b>		
Fees to the statutory auditors:		
Fee for auditing	0.1	0.2
<b>2 Staff expenses</b>		
Salaries	196	189
Pensions	16	15
Other social security costs	5	5
	<u>217</u>	<u>209</u>
Average number of full-time employees	<u>747</u>	<u>745</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.</p>		
<b>3 Depreciation and impairment losses</b>		
Land and buildings	12	11
Fixtures and fittings, tools and equipment	12	13
	<u>24</u>	<u>24</u>
<b>4 Financial income</b>		
Interest from affiliated companies	9	15
Other financial income	3	4
	<u>12</u>	<u>19</u>
<b>5 Financial expenses</b>		
Interest expense on mortgage loans	12	12
Other financial expenses	0	1
	<u>12</u>	<u>13</u>



## Notes to the financial statements

DKK million

	2016	2015
<b>6 Tax on the result for the year</b>		
Current tax for the year	10	15
Adjustment of deferred tax for the year	2	2
	<u>12</u>	<u>17</u>

### 7 Property, plant and equipment

	Land and buildings	Fixtures and fittings, tools and equipment	Assets under construction
Cost:			
1 January 2016	1,321	79	4
Additions during the year	0	14	7
Disposals during the year	-3	-8	0
Transfers	9	2	-11
31 December 2016	<u>1,327</u>	<u>87</u>	<u>0</u>
Depreciation and impairment losses:			
1 January 2016	-765	-54	
Disposals during the year	2	8	
Depreciation for the year	-12	-12	
31 December 2016	<u>-775</u>	<u>-58</u>	
<b>Carrying amount at</b>			
<b>31 December 2016</b>	<u>552</u>	<u>29</u>	<u>0</u>

### 8 Receivables from affiliated companies

No part of the receivables from affiliated companies falls due after more than 1 year in 2016 or 2015.

## Notes to the financial statements

DKK million

	2016	2015
<b>9 Deferred tax</b>		
Deferred tax at 1 January	42	40
Adjustment of deferred tax for the year recognised in the income statement	2	2
<b>Deferred tax at 31 December</b>	<b>44</b>	<b>42</b>
Deferred tax relates to:		
Property, plant and equipment	44	42
	44	42
<b>10 Non-current liabilities other than provisions</b>		
Mortgage credit institutions	1,242	1,245
	1,242	1,245
Short-term part of non-current liabilities	-3	-3
<b>Total non-current liabilities other than provisions</b>	<b>1,239</b>	<b>1,242</b>
Due as follows:		
Between 1 and 5 years	12	12
After 5 years	1,227	1,230
	1,239	1,242

### 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 70 million as of 31 December 2016 (31 December 2015: DKK 26 million).

The company has entered into leasing agreements with a duration of 1 year. The total leasing commitments amount to DKK 1 million as of 31 December 2016 (31 December 2015: DKK 0 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 497 million at 31 December 2016 (31 December 2015: DKK 418 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, 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 532 million have been provided as collateral (31 December 2015: DKK 546 million).

The company has not entered contractual commitments regarding acquisition or construction of properties at 31 December 2016 (31 December 2015: DKK 0 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, Brabrand and 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:  
Dansk Supermarked A/S, Rosbjergvej 33, Brabrand

### 13 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2016.

### 14 Proposal for distribution of result for the year

Proposed dividends  
Retained earnings

	2016	2015
	100	0
	-58	54
	<u>42</u>	<u>54</u>