salling group

ANNUAL REPORT 2020

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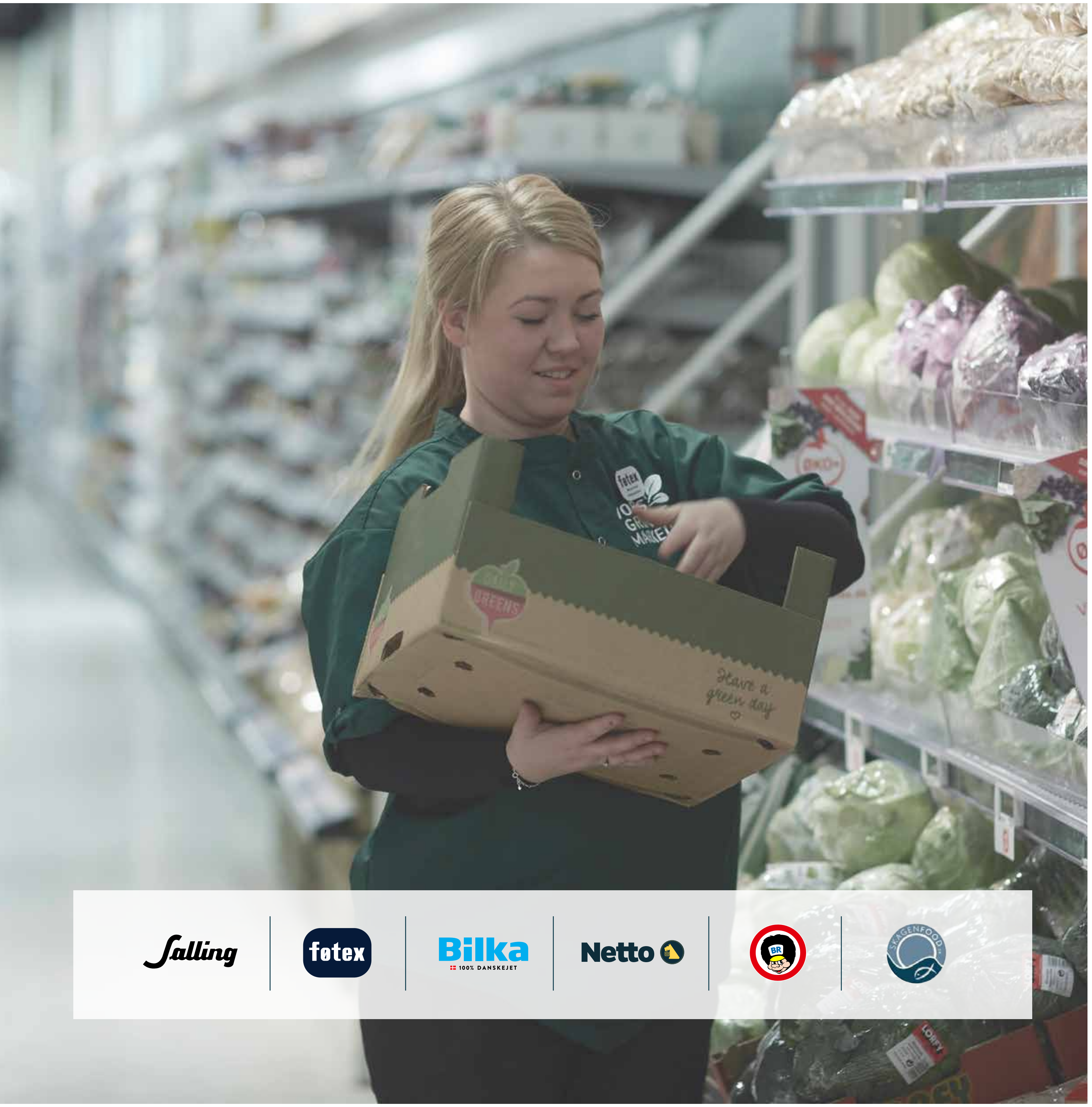

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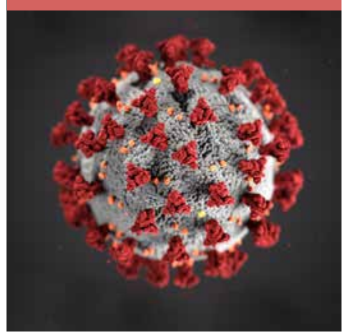
TIMELINE

CEO of Puma Bjørn Gulden is appointed new chairman of the Board

To help small and medium sized suppliers through the Corona pandemic, Salling Group releases DKK 500 million as instant settling of accounts multiple times

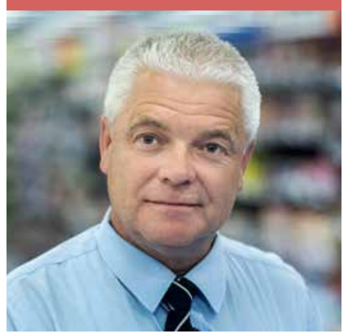


Netto Denmark reaches a landmark as store no. 100 is refurbished according to the Netto 3.0 concept

The Salling Foundations donate DKK 5 million to scientific research into the effect of face masks on COVID-19. More than 1,000 employees sign up to take part

Salling Group announces a deal with UK retailer Tesco for the acquisition of Tesco Poland, including 300 stores and 2 distribution centers

App. 1,900 employees are sent home from stores, warehouses, and HQs as part of Salling Group's COVID-19 precautions



Work begins on a DKK 300 million renovation and modernisation of Netto Denmark's main warehouse in Køge

As the first private company in Denmark Salling Group A/S declines public financial aid for businesses following the COVID-19 pandemic

HIGHLIGHTS 2020
TIMELINE

BilkaToGo

Due to COVID-19 customers increasingly turn to online grocery options with BilkaToGo capturing a large share of the growth

Together with the municipality of Aarhus the Salling Foundations launch an aid package of DKK 75 million to cultural institions struggling due to the COVID-19 pandemic

CITY OF AARHUS

Salling Group launches a brand new private label series in Bilka and føtex, comprising more than 6,000 different products under the Salling name

The Salling Foundations present together with the Danish Government and LEGO-owners KIRKBI Team Danmark with a DKK 40 million donation to help preparations for the delayed Olympic Games

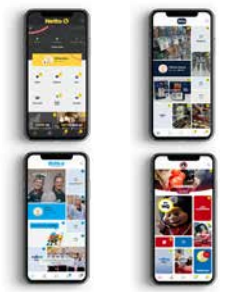
TEAM DANMARK

DKK 15 million is paid out in bonus to loyal employees in Denmark

Salling Group takes the lead in Danish retail on the handling of the COVID-19 pandemic

føtex announces the launch of a new food online home delivery scheme from Q1 2021

The roll out of loyalty apps across the Danish formats is completed by Netto+



FINANCIAL HIGHLIGHTS FOR THE GROUP 2016 - 2020
5-YEAR SUMMARY

DKK million	2016	2017	2018	2019	2020
Total revenue	57,899	58,689	55,851	56,689	60,855
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	3,006	3,006	3,158	4,105	4,702
Operating profit (EBIT)	2,164	2,472	2,072	2,272	2,818
Net financial items	-196	-248	-248	-557	-479
Profit for the year from continuing operations	-	-	1,413	1,322	1,852
Profit/loss for the year from discontinued operations, net of tax	-	-	-46	969	-
Total profit for the year	1,322	1,698	1,367	2,291	1,852
Net cash flows from operating activities	4,434	4,691	3,786	2,759	4,285
Total assets	31,870	30,476	30,871	35,550	37,533
Total equity	6,732	2,952	3,981	6,190	7,610
Net debt/EBITDA	2.2	2.6	1.8	2.2	1.5
Operating margin	3.7 %	4.2 %	3.7 %	4.0 %	4.6 %
Return on equity	17.3 %	35.1 %	39.4 %	45.0 %	26.8 %

Note: Salling Group introduces reporting according to IFRS 16 (regarding leases) from 2019 onward. Previous year figures have not been restated.
Net Debt/EBITDA is calculated including lease liabilities from 2019 onward.
Netto Sweden was sold in 2019 and is not reflected in revenue figures from 2018 - 2020. 2016 - 2017 includes revenue from Netto Sweden.
For definitions of main and key figures please refer to note 2 in the notes to the consolidated financial statements.

TOTAL REVENUE & OPERATING MARGIN, 2016 - 2020
Salling Group achieved record sales in 2020 and best-ever underlying operating margin.

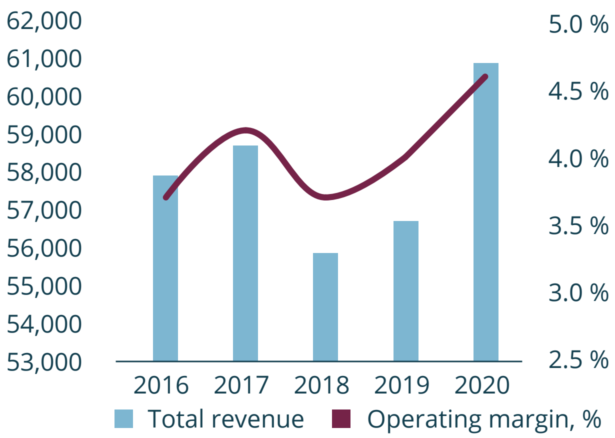
Netto Sweden was divested in 2019 and reported revenue for 2018 - 2019 was restated to exclude this activity, whereas 2016 - 2017 includes revenue from Netto Sweden. In 2017 the Operating margin was positively impacted by divestment of a non-core property.

The underlying sales development and profitability has been on a positive trend since 2016. The 2020 sales level and profitability is impacted positively by COVID-19.

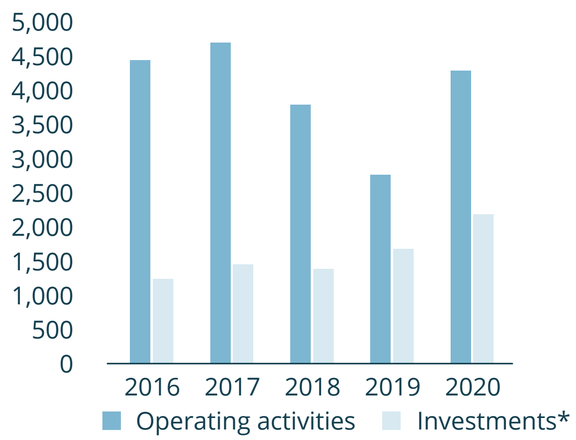
CASH FLOW FROM OPERATIONS AND INVESTMENTS, 2016 - 2020
Investments in intangible assets, property, plant and equipment and investment property in 2020 was the highest since 2011. We have increased the pace of Netto 3.0 conversions in all countries while also investing significantly in new stores in Poland, Digital and IT developments and further enhancement of our Supply Chain setup.

EQUITY AND NET DEBT/EBITDA, 2016 - 2020
Since 2017 we have consolidated our equity level and report an Equity ratio of 20.3 % in 2020. We have gradually reduced the amount of debt in the statement of financial position and report a Net Debt/EBITDA level of 1.5 in 2020 including lease liabilities.

TOTAL REVENUE & OPERATING MARGIN, 2016 - 2020

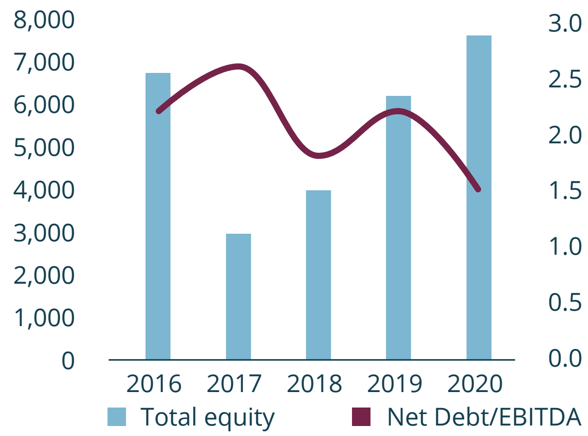


CASH FLOW FROM OPERATIONS AND INVESTMENTS, 2016 - 2020



* Investments in intangible assets, property, plant and equipment and investment property

EQUITY AND NET DEBT/EBITDA, 2016 - 2020



CEO LETTER
LEADING IN A TIME OF CRISIS

With 2020 proving to be a year of unprecedented events I am proud to say that Salling Group rose to the challenge. We are, however, mindful that the historical results were helped by a significant change in customer behavior caused by COVID-19 and that we are in one of the few industries that benefitted from the crisis.

Last year we delivered a record revenue of DKK 60.9 bn with an EBIT of 2.8 bn and a ROIC of 14.3 %.

I would like to start out by extending a sincere thank you to our teams out in stores and in warehouses who worked through very challenging conditions during 2020. The real risk of the COVID-19 virus was not fully known at the beginning of the pandemic and still our teams who were most exposed continued to deliver first class service to our customers every single day.

This has impressed me greatly and I am happy to report that absence rates remained low during 2020 with only few of our colleagues being infected with COVID-19.

Looking back at 2020 I am particularly pleased with the fact that we managed to decide on a number of important strategic priorities that will shape the Group for the future. Adding to the company's strong foundation we will seek to further strengthen the business on the back of the momentum gained in 2020 as Salling Group is well positioned to continue to lead in times of uncertainty.

Per Bank, CEO

IMPROVING EVERYDAY LIFE AFFECTED BY THE PANDEMIC

Little did we know when entering 2020 that many aspects of everyday life would be turned upside down in a matter of weeks in the beginning of the year. As events have shown since business as usual did not reoccur in 2020.

As an early precaution, and as part of temporary store closures, a total of app. 1,900 employees were sent home from stores in the spring due to government closure of department stores, restaurants and pure nonfood stores. Apart from assuming responsibility for customers and colleagues we acknowledge that as Denmark's largest retailer we have an opportunity and an obligation to assist our partners and benefit our surroundings where possible.

At a time when we were still not able to foresee the impact of COVID-19 on our business Salling Group declined the opportunity to apply for public financial aid packages as the first private company in Denmark. However, we felt at that point – as we still do – that other sectors would struggle more and that other businesses would require a helping hand more so than Salling Group.

I am pleased that we were able to help small suppliers through immediate payment of invoices totaling DKK 500 million during spring, summer and again in December when a new lock down was announced.

Our unique ownership structure allows us to make decisions that other companies may not have the same opportunities to make. We acknowledge that with this privilege comes great responsibility.

EXECUTING ON OUR STRATEGY

In 2020 we achieved significant progress within all three pillars of our overarching corporate strategy as we have delivered in accordance with the strategic direction we have set for the business.

Doubling Netto Poland

With the announcement in June 2020 of the intended acquisition of UK retailer Tesco's Polish business we reached a landmark in our ambition to become an important retailer in the Polish market. With the deal which was completed on 16 March 2021, Salling Group went a long way to consolidating Netto's presence in a growing market as we acquired 301 stores and two distribution centers as part of the deal.

Step changing food online

Following the lock down and the restrictions in the wake of COVID-19 consumer behavior has undergone rapid change as online food sales reached record levels in the market. As a consequence of customers switching to online food purchases Salling Group moved forward the plans to launch home delivery as we announced in August that we would initiate a roll out of delivery to customers' front door in 2021.

We expect to invest heavily in our online and digital activities over the next years as home delivery adds to an already increasing online footprint within our food sales. In 2020 our food click & collect solution in our hypermarkets increased dramatically reaching double digit percentages of all food sales in Bilka. The launch of loyalty apps across our Danish formats saw our customer program encompass over 1 million customers in Denmark alone helping us provide customers with even more value in their everyday life with personalised offers and enhanced ease of shopping.

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CEO LETTER
LEADING IN A TIME OF CRISIS

Strong foundation as basis for growth
Significant effort and investment has gone into strengthening the core of the business in 2020. Work has begun on a DKK 300 million extension and modernisation of our Netto Denmark main warehouse.

By developing and rolling out a proven BR concept we have succeeded in creating a world class toy universe adding four updated toy stores along the way.

Simultaneously refurbishments of our store portfolio continued across formats and countries among others with the Netto 3.0 concept extended throughout Poland, Germany and Denmark with Netto Denmark having remodeled, rebuilt or renovated 1/3 of its 530 stores by the end of 2020. In December we opened the first Netto concept store in Horsens Denmark, with focus on sustainability and improved customer experience.

Range development is an ongoing process in retail. Netto Denmark added a further 250 products to its range in 2020 while a new private label "Salling" was rolled out across Bilka and føtex. Substituting a variety of previous brands the Salling brand will encompass more than 6,000 different products when fully implemented across Bilka and føtex.

Ongoing development on track
The progress on the transformation continues on track with a consolidation of the portfolio following the divestment of Netto Sweden in 2019 and subsequent acquisition of Tesco Poland.

2020 has seen a further strengthening of the leadership teams in Netto Poland and Netto Germany and across the business leadership teams are now in place to complement and steer a lean, efficient and robust organisation ready to withstand the challenges ahead. The Polish and German conversion of stores has been very well received with a significant improvement in our image in Germany and a satisfactory gain in market share within discount.

The continued development within online channels and digital has been accelerated to accommodate customer needs advanced by COVID-19.

JOINING FORCES TO IMPACT OUR COMMUNITIES
Running a financially sustainable and resilient business has always been our number one priority as we believe that a financially robust business goes hand in hand with a sustainable approach to our activities. Without resources to back our ambitions within food waste, climate change, health, and responsible procurement they remain intentions that are not propelled forward. Our way is one of backing our goals financially and delivering on our ambitious targets even when it impacts the profitability of our business.

No business anywhere in the World is able to solve the complex challenges facing our Planet by itself. This is true of Salling Group as well as we share the responsibility with our stakeholders with whom we have succeeded in forging even closer bonds in 2020. Going forward we will continue to strive to make an impact in our local communities and wherever our footprint is visible throughout our value chain. We will continue to take an active role in overcoming the challenges facing the World today. Not by ourselves, but in close collaboration and partnership with our customers, employees, suppliers, and partners.

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CEO LETTER
LEADING IN A TIME OF CRISIS

Continuing to lead in times of uncertainty
As we look onward from 2020 it is safe to say that Salling Group is ready for the next phase. Financial results from the past year may prove difficult to replicate yet we expect to continue to deliver results which allows us to reinvest in our business. With the great support of our owners, the Salling

Foundations, we will continue to invest in improving everyday life for our customers, to develop our business, and to continue to play a key part in our local communities not least through the Salling Foundations.

While the acquisition of Tesco Poland and our substantial investment in food online may prove to be the most significant strategic steps taken in 2020 what I have been most proud of, however, is the way the organisation has risen to the challenge of the pandemic. It has required a tremendous effort by all colleagues across the business, working under very difficult circumstances and proving again and again throughout 2020 that they act and execute in accordance with our values.

In the leadership team it gives us great joy to witness how the esteem of our colleagues in the front line has grown in the wake of COVID-19.

Per Bank
CEO

LETTER FROM THE CHAIRMAN
THANK YOU!

On behalf of the Board of Directors, I would like to thank our employees for the excellent job they did in 2020. The COVID-19 pandemic made it a very difficult year with a lot of fear and uncertainty. None of us has experienced anything like it before, but the way our employees and the leadership team handled this was very impressive.

The whole company acted like a family and everybody took on the tasks and challenges that were necessary to maneuver successfully through the year. This was very visible across formats, countries and functions.

Thanks to excellent leadership, good communication – both internally and externally, and the great positive attitude of our workforce, Salling Group did not only deliver a fantastic financial result but also gained a lot of recognition in 2020.

We are convinced that Salling Group will continue to strengthen its positioning in 2021 and beyond. Our financial strength allows us to continue to invest in the future. Continued upgrades of our formats, accelerated investments in digitalisation and "food online", and a very strategic investment with the acquisition of Tesco in Poland are current priorities that confirm our optimism and commitment to invest in the future.

We can allow us to think long-term, because our owners, the Salling Foundations, have decided that the profit of Salling Group shall only be used for two purposes: Investing in the Group to ensure a long-term healthy growth or for donations through the Foundations for good causes. All profits we generate

Bjørn Gulden, Chairman

will either be reinvested in the Group or used to improve the daily life of our customers and employees through donations to scientific research, cultural institutions, sports and community work. This is a major competitive advantage that we all can be very proud of and thankful for.

The performance in 2020 was excellent despite the very difficult circumstances created by the global pandemic. We know that 2021 will also have a "bumpy" start and that we will be affected by COVID-19 for parts of this year. The fact that we managed to get through the first ten months of the pandemic so well and that we have vaccines coming soon to stop COVID-19 from spreading makes me optimistic for the full year. Salling Group and our formats will continue to develop positively.

The board would also like to thank Nils Smedegaard Andersen for his exceptional contribution as a chairman for the last 12 years. He has been the architect of both the buyback for Salling Group and the transformation of the Group over the last decade. Salling Group would not be where it is today without him. Nils stepped down as chairman at the beginning of the year and it is an honour for me to follow in his footsteps as chairman of this great company.

I and the rest of the Board are very proud to be part of the Salling Group family and look forward to continuing the strong relationship and cooperation we have with the leadership team, the workers' representative and of course with all our employees.

Stay strong, stay healthy!

Bjørn Gulden
Chairman

STRATEGY & VALUES
IMPROVING EVERYDAY LIFE

Our purpose is to improve everyday life – for our customers and for the society we are a part of. We do this through more sustainable solutions, the best customer value, job opportunities for all and donations to good causes through our owners, the Salling Foundations.

BEST AT CREATING CUSTOMER VALUE

We strive to be our customers' trusted partner in their everyday lives. We continuously invest in activities and new solutions that our customers find valuable, inspiring and helpful, offering them better and easier shopping, broad range at competitive prices and inspirational modern stores.

MORE SUSTAINABLE SOLUTIONS

We believe that the majority of our customers would like to increase their share of responsible shopping. We nudge our customers with affordable prices, step-by-step solutions, label transparency and visibility in our stores and actively seek to reduce our impact on climate and environment, within animal welfare, organic products, food waste, reduction of plastic waste, recycling and our carbon Footprint.

OPPORTUNITIES FOR EVERYONE

A significant contribution to improving everyday life in society is creating job opportunities for people at all educational levels. We are a diverse organisation with more than 55,000 colleagues and we also have room for people who need a little extra help to gain foothold in the job market.

PROFIT USED FOR GOOD

Part of our profit is donated to good causes through our owners, the Salling Foundations. Since 2012, the Salling Foundations have donated more than DKK 1 billion to initiatives within culture, education, sports, social work and local inventiveness to help improve everyday life in our society.

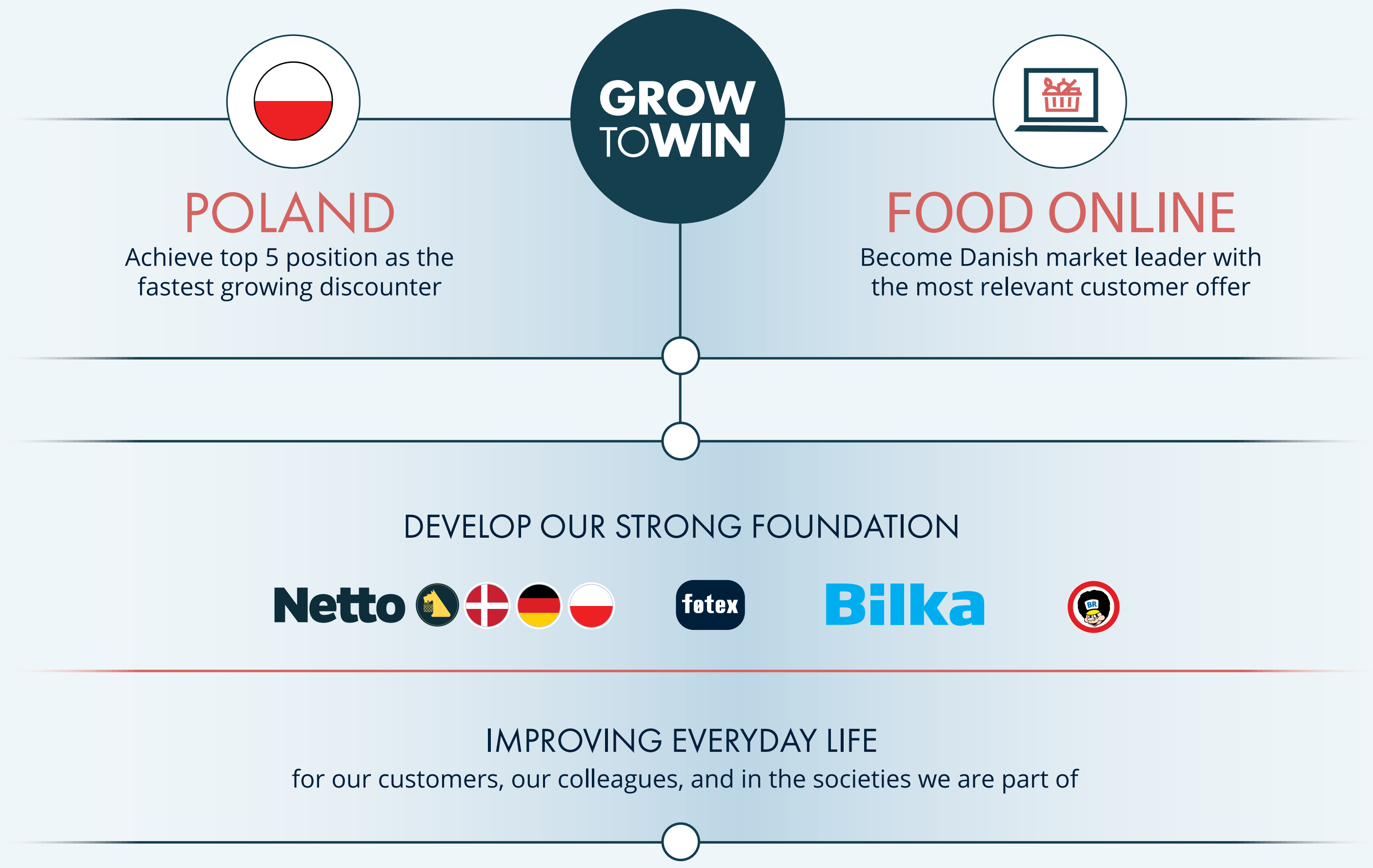
OUR STRATEGY

In 2019 Salling Group laid out a new overarching strategy steering our way towards 2025 and ensuring that we grow our business and further develop our position across Denmark, Poland and Germany. The three main pillars in our overall strategy towards 2025 are:

- Expanding in Poland: Becoming a significant retailer in one of Europe's largest markets which already constitutes our no. 1 growth opportunity.
- E-commerce & Food online: Strengthening our online offer in combination with offline brick & mortar channels with significant focus on online food solutions, over time enabling us to reach a market share online equivalent to that of food sales in the physical stores.
- Develop the foundation: Invest heavily in the core of our business to remain relevant across all formats powered by an up to date backbone within IT, digital, and supply chain & logistics.

Our overarching corporate strategy directs our investments in future growth areas while continuing our focus on core markets to ensure the foundation for continued development.

STRATEGY 2019-2025



STRATEGY & VALUES
RESPONSIBLE ACTION

The employees of Salling Group, and the products we sell in our stores, are fundamental for our business and hence also fundamental for our CSR strategy. We will act responsibly towards our employees and will make responsible purchases. This is crucial for our CSR strategy.

At the same time, we honour our commitment to act responsibly and address matters of concern to our customers and society at large. We will make responsible decisions and will help customers to do likewise, especially as regards climate action and health.

In 2019, in the process of ensuring an ambitious and structured corporate social responsibility programme, we launched our new CSR strategy platformed on the Global Goals (UN SDGs) 3, 12 and 13. Climate action and good health and well-being are special focus areas in our CSR strategy because we believe that we can make a difference in these areas. In 2020, these were incorporated organisation-wide to ensure that everyone within Salling Group engages in the efforts to fulfil the Global Goals.

In our efforts towards fulfilling the Global Goals, we perform ongoing monitoring and evaluation of the need for adjustments in order to continuously ensure that our efforts are applied to areas in which we can make the biggest difference. In 2018, these areas were Global Goal 3 (Good Health and Well-Being); 4 (Quality Education); and 12 (Responsible Consumption and Production). However, in 2019, when we adopted our new CSR strategy, in which our employees, together with our customers and products, are fundamental for our business, we decided to replace Global Goal 4 with Global Goal 13 (Climate Action) and continue our efforts towards Global Goals 3 and 12. With comprehensive training programmes for all of our 55,000 employees, we are still contributing to Global Goal 4, but with employee development being such a natural element in our daily undertaking, we judged that with Global Goal 13, we will be able to make a bigger difference by taking responsibility for, and intensifying our efforts in support of, climate action.

STRATEGY & VALUES
EMPLOYEES ARE THE GREATEST ASSET

Salling Group is one of the largest employers in Denmark and our employees are the Group's greatest asset and the key to our continued development. By focusing on creating a working environment that fosters co-operation, agile thinking and quick decision making in challenging situations we strive to give our colleagues the best opportunities for career development and personal growth.

We expect our managers to lead by example and to steer by a strong ethical compass ensuring that our competitive, passionate and efficient nature goes hand in hand with appropriate behavior.

Home to more than 55,000 employees encompassing a total of 104 different nationalities we know that running a sustainable company not only involves selling sustainable products but also entails acting with integrity and taking social responsibility.

A DIVERSE WORKPLACE
In Salling Group we are proud that there is room for everyone – and that everyone has the opportunity to make a difference, no matter who they are or what their background is. Every year, we reach out to fellow citizens who, because of stress diagnoses, long-term unemployment, physical and mental disabilities, refugee status or other reasons, find themselves on the edge of the labor market.

We do so because the success of each individual benefits not only the workplace, but society at large. In 2020 The Social Calculator* showed that Salling Group's work to include citizens on the fringes of the labor market indirectly benefitted the Danish society with more than DKK 88 million in increased taxes and saved social benefits. Our bi-annual employee satisfaction survey shows that employees hired from the edge of the labor market are still employed after 12 months.

**Please visit cabiweb.dk. Cabi is an autonomous information centre established by the Danish Ministry of Employment.*

THE SALLING GROUP ACADEMY
We believe that practical experience in everyday life, combined with periods of professional training, provides a strong starting point for personal and professional development. This is why we operate our own training centre, the Salling Group Academy. Here, our employees participate in customised professional courses – and also get the opportunity to share experiences with colleagues from other parts of the Group.

Prioritising training and education at all levels of the organisation we seek to offer some of the most attractive trainee and talent programmes in the business.

NURTURING THE NEXT GENERATION
For many young employees the job in the local store or warehouse leads to a part time job, an apprenticeship and later perhaps a career in retail. In any case, we make sure we prepare our young colleagues properly so they can fare well in the labor market – with us or in another organisation.

At Salling Group, we train more apprentices than any other Danish company with in excess of 1,000 apprentices being trained at a time. Our apprentices follow an individual education plan through a process

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VALUES

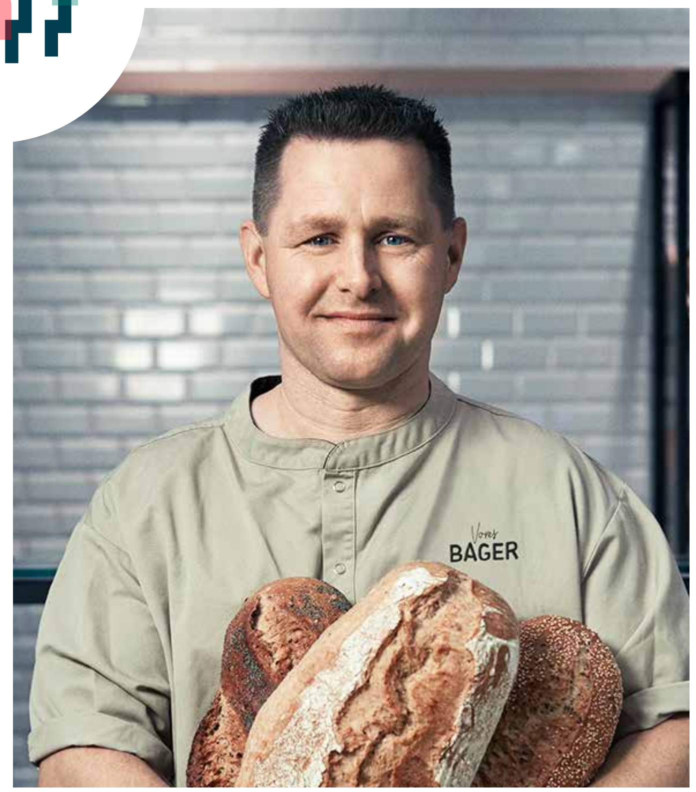
INTEGRITY

PASSIONATE

AGILE

COMPETITIVE

EFFICIENT



STRATEGY & VALUES
EMPLOYEES ARE THE GREATEST ASSET

in which work in the store is combined with a stay at our own academy. For some colleagues apprentice training in an international company is a powerful springboard in their career, and we recruit a large part of our leadership and key positions internally. In fact, more than a third of our store managers in Bilka and føtex and half of our section managers in those formats had their apprenticeship in Salling Group.

UNFOLDING THE TALENTS OF TOMORROW

2020 saw the culmination of long term work done by Salling Group to ensure the succession to key positions in stores and central functions including our Commercial team.

The first team of graduates from our internal Management Trainee Programme, supporting our pipeline for Team Coordinators, came through the ranks as 83 % of the management trainees were employed as Team Coordinators after finalising their apprenticeship.

Together with fellow founding partners such as Arla, Bestseller and Danish Crown last year Salling Group initiated and helped launch the MSc in Commercial and Retail Management at Aarhus University aimed at preparing students for a career in HQ functions of the rapidly evolving retail and consumer goods industry.

The successful launch of the degree programme in the fall of 2020 with a student intake of approx. 100 coincided with Salling Group leaping from 41 to 28 in the 2020 edition of the Universum Employer Brand ranking signaling that university graduates view Salling Group as an attractive potential future employer to an increasing degree.

*Please visit:
https://universumglobal.com/rankings/denmark/

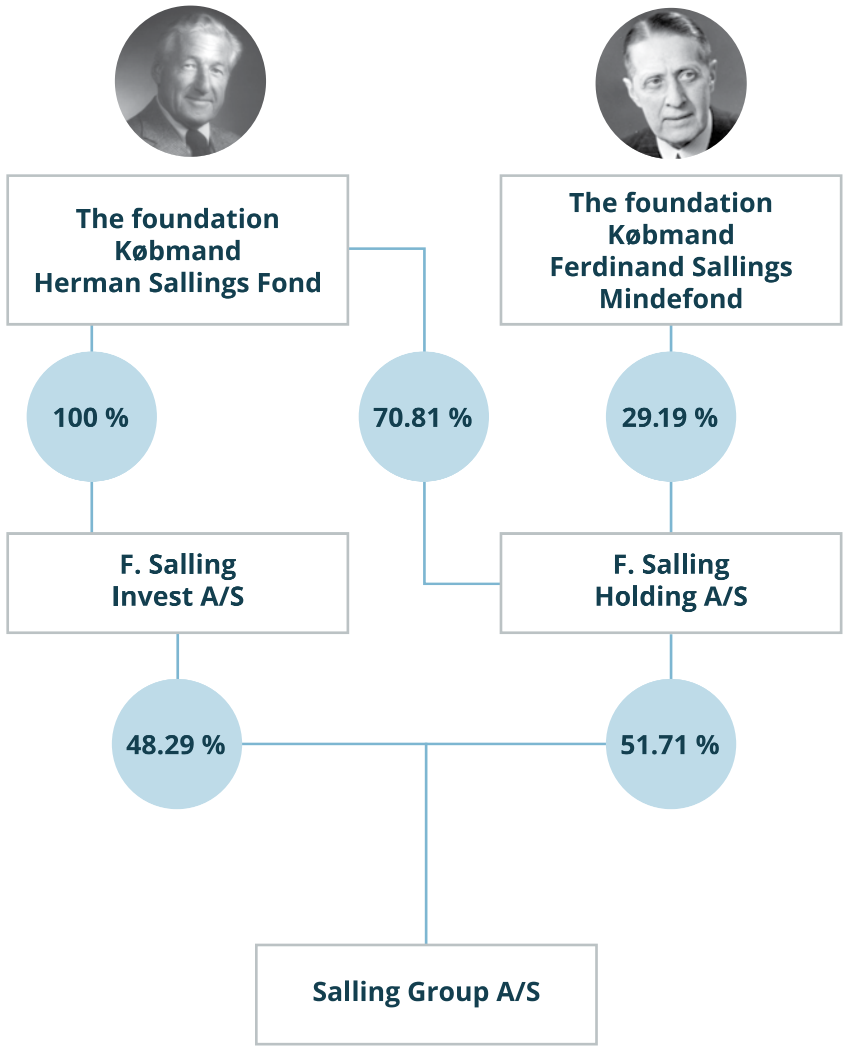
TAKING A FIRM STAND ON OFFENSIVE BEHAVIOR

While our corporate values guide our conduct in the workplace by expressing the behavior we expect of each other as colleagues and what others can expect from us, certain areas of corporate culture still require extra detail. As #metoo has swept through various industries in 2020 we too have taken steps to ensure that our practice is up to date.

To supplement existing procedures in 2020 we developed a policy explicitly aimed at preventing sexual harassment and offensive behavior which together with E-learning courses for managers and HR facilitated leader-sessions regarding behavior and culture could further aid all levels of the organisation. In order to strengthen the set up a toolbox is being developed specifically for managers and HR Business partners to take proactive actions against sexism and other forms of unacceptable behavior.

Furthermore, process descriptions for employees and managers who are concerned that someone is violating our values or policies were updated and information about our existing whistle blower solution repeated.

OWNERSHIP & DONATIONS
OWNED BY THE SALLING FOUNDATIONS



Salling Group is owned by the Salling Foundations. This means that Salling Group's annual profit is reinvested in the business for the benefit of customers who enjoy even better customer experiences. In addition, the Salling Foundations make annual donations to worthy causes in Denmark.

Since 2012, the Salling Foundations have donated more than DKK 1 billion in support of cultural, sports, charitable, educational and research activities. In 2020, the Salling Foundations donated DKK 139.1 million to beneficiaries including Energy and Climate Academy of Denmark, CONCITO Climate Database and supported a relief package for sports and athletics in Aarhus.

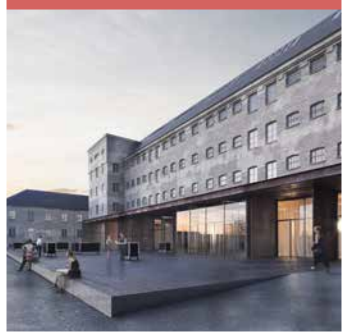
Salling Group and subsequently the Salling Foundations were established by the founders Herman Salling and Ferdinand Salling. In 2014, the Salling Foundations initiated the gradual reacquisition of shareholdings from A. P. Møller – Mærsk A/S, which held a stake in the business. Today, Salling Group is owned by the Salling Foundations.

In 2018, the Salling Foundations' sole shareholding was cemented by the change of name from Dansk Supermarked to Salling Group in recognition of our corporate history, and in tribute to the ties to the Salling Foundations.

OWNERSHIP & DONATIONS
HIGHLIGHTS DONATIONS – FROM THE SALLING FOUNDATIONS

RIGSHOSPITALET, CARDIOLOGY CLINIC
Support for establishing and conducting a research study to determine the benefit of face mask during both the current COVID-19 epidemic and any similar epidemics in the future
4,973,000 DKK

BYGNINGSFONDEN FÆNGSLET
Completion of the Vestsalen arts and culture, event and conferencing venue project at FÆNGSLET, Horsens Prison Museum
5,000,000 DKK



CONSTRUCTIVE INSTITUTE
Journalism for tomorrow

CONSTRUCTIVE INSTITUTE
Supporting the Constructive Institute to make Aarhus a global hub for changing the international news culture
2,000,000 DKK

HORSENS ART MUSEUM
Construction of an extension to Horsens Art Museum
4,000,000 DKK

TEAM DANMARK
Financial helping hands for Olympic athletes provide light in the midst of the pandemic
15,000,000 DKK

COVID-19
Relief package for arts and culture in Aarhus of up to
25,000,000 DKK

MUSIKHUSET AARHUS
With the donation, Musikhuset gets the opportunity to expand and upgrade the house's lower foyer
11,000,000 DKK

COVID-19
Relief package for sport and active recreation organisations in Aarhus of up to
10,000,000 DKK

OWNERSHIP & DONATIONS
HIGHLIGHTS DONATIONS – FROM THE SALLING FOUNDATIONS

BØGEHØJ SUMMERCAMP
Hosting of Bøgehøj Summer Camp 2021 for vulnerable families among Salling Group employees
640,000 DKK

CONCITO
CONCITO and Rethos Academy establish the "Climate Academy" for young graduate students
1,000,000 DKK

RANDERS TEATER
Enlargement of auditorium, facade and foyer at the performing arts theatre Randers Teater
6,500,000 DKK

MADKULTUREN
Food shopping and food preparation course targeting young people who have recently left home
2,200,000 DKK

FILMBY AARHUS
Realisation of a significant art project by the visual artist Jesper Just
2,000,000 DKK

AARHUS UNIVERSITY
Creation of a new master's-level degree programme in Commercial and Retail Management at the Department of Management
1,700,000 DKK

DET KÆRLIGE MÅLTID
Project start-up of a unit in Aalborg where families severely affected by acute critical illness receive healthy meals for 8 weeks
1,000,000 DK

HELLO KITCHEN
Development of a 2-year Daddy's Kitchen cookery and food appreciation project
1,900,000 DKK

OUR BUSINESS
DIGITALISATION AND SUPPLY CHAIN

Digital development influences customer shopping patterns. Advances in digitalisation hold new opportunities, and responding to customer digital adoption calls for high-level agility. Constant changes mean that Salling Group is continually adapting to the new digital capabilities, catering to customer needs and creating competitive solutions. 2020 was the year in which Salling Group also saw significant results generated by the digital development undergone by the business. Salling Group today has a state-of-the-art digital architecture on all platforms, in which its SAP system is pivotal, a range of microservices and an array of front ends enabled for rapid implementation and realignment in response to demand. In 2020, this presented an opportunity for initiating a series of business critical digital activities and implementing them at a rapid rate.

NEW ONLINE ENGAGEMENT

Growth in e-commerce increased significantly during 2020. COVID-19 resulted in a boom in customer preferences for ordering products online for collection or home delivery. At the same time, Salling Group pursued new opportunities by offering customers unprecedented options for shopping online in its supermarkets and department stores.

Bilka registered significant growth with its BilkaToGo concept in 2020 and as a new service for Bilka and føtex customers, over the year, we launched a click-and-collect concept for non-food products whereby customers can reserve items online for in-store collection.

In the spring, we made a strategic decision to become a prominent player in home delivery of groceries to Danish customers via føtex.dk. In early 2021, customers in Greater Copenhagen will be first in line for the roll out of our state-of-the-art solution based on the large assortment and best-value prices in føtex supplemented by a high-profile additional assortment from the Løgismose and Skagenfood brands for example.

The ambition is to offer customers unbeatable service in Denmark via our own fleet of refrigerated trucks and specially trained føtex service couriers plus a world-class digital platform.

CUSTOMER LOYALTY PROGRAMMES

During 2020, we launched Bilka+, føtex+ and Netto+ as new customer loyalty programmes. With this initiative, our customers gain easier access to even more competitive offers generally, but also personalised offers adapted to individual purchasing patterns.

Within 2020, we had already gained one million unique members.

OPTIMISED FORECAST MODELS

In 2020, the efforts to convert the Group's large data volumes into business development were intensified, and a new strategy for this area was launched.
The aim is, by harnessing Artificial Intelligence (AI) and Machine Learning, to gain optimised forecasting models for the benefit of customers, while minimising losses and further improving our food waste avoidance.

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OUR BUSINESS
DIGITALISATION AND SUPPLY CHAIN

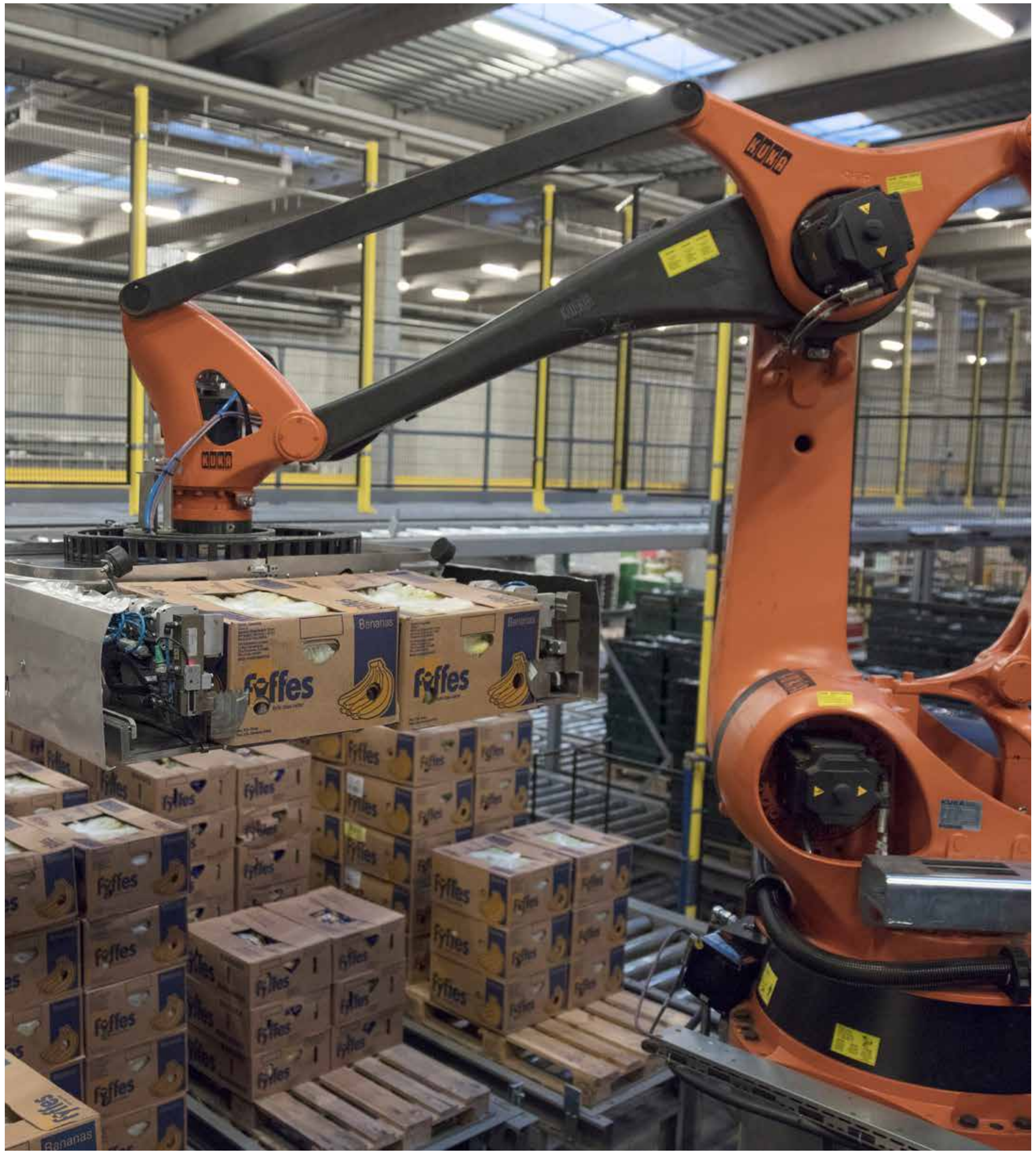
LOGISTICS AND SUPPLY CHAIN

In 2020, we launched a substantial renovation and modernisation of our distribution centre in Køge for Netto Denmark with an investment in excess of DKK 300 million. With this enlargement, we will be fully able to support Netto's continued expansion. With a semi-automated warehouse, we ensure our capacity to keep costs down and thereby to continue offering our customers the right assortment at the best prices.

We re-insourced our fresh in-store baked goods transportation logistics from our existing baked goods suppliers to all stores in Denmark. Two new terminals in Eastern and Western Denmark are now the hubs for the Group's fresh in-store baked goods deliveries to all stores. Our suppliers supply the goods to the two terminals and from there we handle the distribution to the stores. This solution – when fully implemented in April 2021 – saves 40,000 lorry deliveries annually for the benefit of our stores and the climate.

TESCO POLAND

In June 2020, we announced Salling Group's largest intended acquisition on record of the UK retail business Tesco's Polish activities. This acquisition will give us an additional 301 stores and two logistics centres, making Netto a substantial player in one of Europe's largest high-growth markets. This is a key element in Salling Group's main strategy and will generate growth for the Group for many years to come.
The acquisition was completed on 16 March 2021.



NUMBER OF STORES

• Netto Denmark	522
• Netto Germany	343
• Netto Poland	394
• Bilka	19
• føtex and føtex food	104
• Salling	2
• BR	28
• Starbucks	16
• Carl's Jr.	16
In total	**1,444**

NUMBER OF WEB SHOPS

• bilka.dk	
• føtex.dk	
• salling.dk	
• wupti.com	
• flowr.dk	
• skagenfood.dk	
• husetsforsikring.dk	
• bilkatogo.dk	
In total	**8**

GROUP PERFORMANCE
FINANCIAL YEAR 2020

Salling Group runs five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling and BR are operated as physical stores while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group operate with Bilka.dk, Salling.dk, føtex.dk, BR.dk, wupti.com, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark. The parent company's activities include all retail activities in Denmark.

MARKET DEVELOPMENT

In 2020, due to the COVID-19 pandemic the market for groceries grew at an unusually high pace in all markets. Customers were forced to eat out less due to restrictions which moved consumption into our stores. In Salling Department stores, our restaurants and BR the restrictions had an adverse impact on sales.

During 2020, Netto rolled out more of the new Netto 3.0 store concept through refurbishment of existing stores and expansion with new locations. In total, during 2020 182 Netto stores were refurbished or opened as 3.0 stores and the customer response to the new concept is promising. In Germany the number of 3.0 conversions was 67 stores and in Poland 33 new stores or converted stores opened as 3.0.

The non-food market grew at a higher pace than previous years due to COVID-19 and all online channels grew rapidly. On online food BilkaToGo grew very fast as customers were looking for new ways to shop groceries. During the year "føtex Køb & Hent" was launched as a click-and-collect offer in føtex. Salling Group maintained its food market share in Denmark in 2020 and is the largest player in the Danish grocery market.

STRUCTURAL DEVELOPMENT

In June 2020 Salling Group announced the acquisition of Tesco Polska, the deal was completed on 16 March 2021.

During 2020, Salling Group announced the planned launched of a new online food home delivery option through føtex.dk in the Greater Copenhagen area. Go-live took place during the first quarter of 2021.

RESULT FOR THE YEAR

The annual report for Salling Group A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU. In 2019 the Group applied IFRS 16 regarding leases for the first time.

The total revenue from continuing operations for 2020 amounts to DKK 60,855 million, an increase of DKK 4,166 million compared to 2019.

The expansion continued in all countries in 2020 with the opening of 27 new stores. During the year Salling Group closed 6 stores.

> >

60.9

BDKK REVENUE

2.8

BDKK EBIT

10.9

MILLION CUSTOMERS PER WEEK IN 2020

GROUP PERFORMANCE
FINANCIAL YEAR 2020

Operating profit (EBIT) for 2020 amounts to DKK 2,818 million.

Profit before tax is DKK 2,339 million.

The result in 2020 is significantly ahead of expectations due to strong momentum from COVID-19.

Cash flows from operating activities amount to DKK 4,285 million, which is positively impacted by the improved profit. Investments in intangible assets, property, plant and equipment and investment property amount to DKK 2,182 million in 2020 (DKK 1,676 million in 2019). Net cash flows from financing activities include dividend paid out of DKK 200 million (DKK 200 million in 2019).

EMPLOYEES

As at 31 December 2020 Salling Group employed 55,471 employees against 53,531 as at 31 December 2019. The average number of full time employees in Salling Group equals 26,693 in 2020 (25,769 in 2019).

SOCIAL RESPONSIBILITY AND DIVERSITY IN MANAGEMENT

Salling Group considers social responsibility to be important for the Group. Regarding the efforts in 2020 we refer to our report on social responsibility in pursuance of sections 99a and 99b of the Danish Financial Statements Act.

The report is available on: https://sallinggroup.com/ansvarlighed/csr-report-2020/

PARTICULAR RISKS

The Group's financial risks include interest and exchange rate risks. The interest rate risk is related to the Group's mortgage loans where the risk is hedged by interest rate swaps. The exchange rate risk primarily concerns purchase of goods in USD where the major part hereof is covered by short-term forward contracts.

EXPECTED DEVELOPMENT

With a gradual reduction in the impact from COVID-19 and due to the integration of Tesco Poland, the expected profit for 2021 will be below that of 2020.

Due to the acquisition of Tesco Polska Sp. Z o.o. in March 2021, Salling Group expects an increase in revenue in the financial year 2021.

SUBSEQUENT EVENTS

No subsequent events have occurred that affect the annual report for 2020.

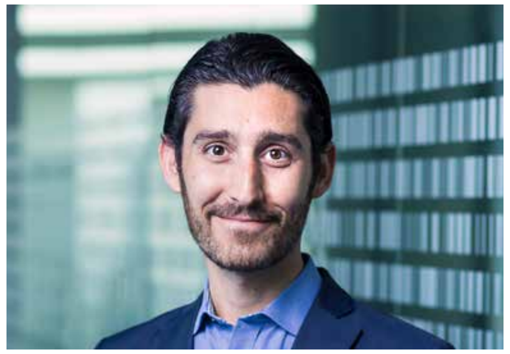
BOARD OF DIRECTORS
INTERNATIONAL EXPERIENCE

The Board of Directors consists of representatives with major international experience from the private sector, as well as members who represent the Group's employees. The Board is composed of Chairman Bjørn Gulden, 4 external members and three employee representatives.

BJØRN GULDEN
Chairman
CEO, Puma SE

JENS BJERG SØRENSEN
Deputy Chairman
CEO, Schouw & Co A/S

MARIANNE KIRKEGAARD KNUDSEN
CEO, CSM Bakery Solutions



FREDDY SOBIN
CEO, Kicks AB

THOMAS TOCHTERMANN
Director Emeritus & Senior Advisor, McKinsey & Co

HELLE BECH
Employee Representative

LASSE LIPPERT LAURSEN
Employee Representative

MORTEN AGERHOLM
Employee Representative

FINANCIAL STATEMENTS

Consolidated financial statements

Parent company financial statements

Statements

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

DKK million		2020	2019
NOTES			
	Revenue from contracts with customers	60,489	56,305
	Other revenue	366	384
4	Total revenue	60,855	56,689
	Cost of sales	-43,794	-40,627
	Gross profit	17,061	16,062
5	Staff expenses	-7,663	-7,213
6	External expenses	-4,696	-4,744
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	4,702	4,105
	Depreciation and amortisation	-1,878	-1,822
	Impairment losses, net	-19	7
	Net gain/loss on disposal of investment property, property, plant and equipment and intangible assets	13	-18
	Operating profit (EBIT)	2,818	2,272
15	Share of profit from joint ventures, net of tax	-	1
7	Financial income	38	44
8	Financial expenses	-517	-601
	Profit before tax	2,339	1,716
9	Income tax	-487	-394
	Profit for the year from continuing operations	1,852	1,322
10	Profit for the year from discontinued operations, net of tax	-	969
	Total profit for the year	1,852	2,291

The total profit for the year is attributable to the shareholders of Salling Group A/S.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK million		2020	2019
NOTES			
	Profit for the year	1,852	2,291
	Other comprehensive income, net of tax:		
	Items that will not be reclassified to the consolidated income statement:		
9	Remeasurement of defined benefit plans	2	-8
		2	-8
	Items that subsequently are or may be reclassified to the consolidated income statement:		
9	Exchange differences on translating foreign operations	-271	21
9	Exchange differences related to the disposal of discontinued operations	-	167
9	Cash flow hedges, value adjustment for the year	-43	-144
9	Cash flow hedges, reclassified to financial expenses	80	82
		-234	126
	Other comprehensive income for the year, net of tax	-232	118
	Total comprehensive income for the year	1,620	2,409

The total comprehensive income for the year is attributable to the shareholders of Salling Group A/S.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

NOTES	DKK million	2020	2019
	Non-current assets		
11	**Intangible assets**		
	Goodwill	131	131
	Software	842	848
	Software development in progress	155	101
	Brands	93	95
	Other intangible assets	42	49
	Total intangible assets	1,263	1,224
12	**Property, plant and equipment**		
	Land and buildings	15,893	15,701
	Fixtures and fittings, tools and equipment	2,224	1,873
	Leasehold improvements	498	450
	Assets under construction and prepayments	274	280
	Total property, plant and equipment	18,889	18,304
13	**Right-of-use assets**		
	Land and buildings	5,023	5,478
	Fixtures and fittings, tools and equipment	82	88
	Total right-of-use assets	5,105	5,566
14	**Investment property**	299	311
	Financial assets		
15	Investments in joint ventures	-	-
16	Other non-current financial assets	41	-
	Total financial assets	41	-
17	**Deferred tax assets**	75	25
	Total non-current assets	**25,672**	**25,430**

NOTES	DKK million	2020	2019
	Amount transferred	25,672	25,430
	Current assets		
18	**Inventories**	5,084	4,911
	Receivables		
16	Trade receivables	72	120
	Income tax receivables	149	46
16	Other receivables	507	433
	Prepayments	65	95
16	Other current financial assets	-	10
	Total receivables	793	704
16	**Securities**	4,452	2,804
16	**Cash and short-term deposits**	1,528	1,687
19	**Assets classified as held for sale**	4	14
	Total current assets	**11,861**	**10,120**
	Total assets	**37,533**	**35,550**

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Equity and liabilities

NOTES	DKK million	2020	2019
	Equity		
	Share capital	524	524
	Retained earnings	7,522	5,868
	Cash flow hedge reserve	-304	-341
	Foreign currency translation reserve	-332	-61
	Proposed dividends	200	200
	Total equity	**7,610**	**6,190**

NOTES	DKK million	2020	2019
	Amount transferred	7,610	6,190
	Liabilities		
	Non-current liabilities		
20	Pensions	254	271
17	Deferred tax liabilities	524	460
21	Provisions	153	140
16	Mortgage loans	7,520	7,649
13, 16	Lease liabilities	4,866	5,245
16	Other non-current financial liabilities	311	344
16	Other non-current payables	619	225
	Total non-current liabilities	14,247	14,334
	Current liabilities		
21	Provisions	37	32
16	Mortgage loans	269	79
13, 16	Lease liabilities	600	577
16	Bank loans	1	1
16	Other current financial liabilities	699	627
16	Trade payables	11,558	11,259
	Income tax payable	41	13
16	Other payables	2,423	2,399
	Deferred income	48	39
	Total current liabilities	15,676	15,026
	Total liabilities	**29,923**	**29,360**
	Total equity and liabilities	**37,533**	**35,550**

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED CASH FLOW STATEMENT

DKK million		2020	2019
NOTES			
	Profit before tax from continuing operations	2,339	1,716
	Loss before tax from discontinued operations	-	-15
22	Adjustments	2,371	2,442
23	Change in working capital	601	-504
	Net cash flows from operating activities before financial items and tax	5,311	3,639
	Financial income received	49	41
	Financial expenses paid	-512	-563
	Income tax paid	-563	-358
	Net cash flows from operating activities	**4,285**	**2,759**
11	Purchase of intangible assets	-272	-185
12	Purchase of property, plant and equipment	-1,906	-1,485
14	Purchase of investment property	-4	-6
	Proceeds from sale of investment property, property, plant and equipment and intangible assets	31	56
24	Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-42	-9
	Purchase of securities	-5,061	-2,446
	Sale of securities	3,413	2,982
25	Sale of subsidiaries, net of cash sold	-	1,683
	Repayment, receivables	10	121
15	Dividends received from joint venture	-	1
	Net cash flows from investment activities	**-3,831**	**712**

DKK million		2020	2019
NOTES			
	Amount transferred	454	3,471
	Net repayments to related parties	-14	-12
13	Payment of lease liabilities	-536	-512
	Net repayments from related parties	81	113
	Proceeds from borrowings	61	-
	Repayment of borrowings	-	-2,658
	Dividends paid to the shareholders of the parent	-200	-200
	Net cash flows from financing activities	**-608**	**-3,269**
	Net change in cash and cash equivalents	-154	202
	Cash and cash equivalents at 1 January	1,686	1,485
	Net foreign exchange difference	-5	-1
26	**Cash and cash equivalents at 31 December**	**1,527**	**1,686**

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million

2019:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency trans-lation reserve	Proposed dividends	Total equity
Equity at 1 January 2019	524	3,785	-279	-249	200	3,981
Profit for the year	-	2,091	-	-	200	2,291
Remeasurement of defined benefit plans	-	-8	-	-	-	-8
Exchange differences on translating foreign operations	-	-	-	21	-	21
Reclassification to the consolidated income statement on disposal of discontinued operations	-	-	-	167	-	167
Cash flow hedges, value adjustment for the year	-	-	-144	-	-	-144
Cash flow hedges, reclassified to financial expenses	-	-	82	-	-	82
Other comprehensive income	-	-8	-62	188	-	118
Total comprehensive income for the year	**-**	**2,083**	**-62**	**188**	**200**	**2,409**
Payment of dividends	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-**	**-**	**-**	**-200**	**-200**
Equity at 31 December 2019	**524**	**5,868**	**-341**	**-61**	**200**	**6,190**

DKK million

2020:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency trans-lation reserve	Proposed dividends	Total equity
Equity at 1 January 2020	524	5,868	-341	-61	200	6,190
Profit for the year	-	1,652	-	-	200	1,852
Remeasurement of defined benefit plans	-	2	-	-	-	2
Exchange differences on translating foreign operations	-	-	-	-271	-	-271
Reclassification to the consolidated income statement on disposal of discontinued operations	-	-	-	-	-	-
Cash flow hedges, value adjustment for the year	-	-	-43	-	-	-43
Cash flow hedges, reclassified to financial expenses	-	-	80	-	-	80
Other comprehensive income	-	2	37	-271	-	-232
Total comprehensive income for the year	**-**	**1,654**	**37**	**-271**	**200**	**1,620**
Payment of dividends	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-**	**-**	**-**	**-200**	**-200**
Equity at 31 December 2020	**524**	**7,522**	**-304**	**-332**	**200**	**7,610**

CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million

NOTES

1 General information

The primary business area of Salling Group is the running of five different formats of retail stores. In Denmark, Bilka, føtex, Netto, Salling and BR, and in Germany and Poland we are present with Netto stores. In e-commerce we operate with Bilka.dk, Salling.dk, føtex.dk, BR.dk, wupti.com, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark.

The parent company's activities include all retail activities in Denmark.

In June 2020, Salling Group announced the largest acquisition in the history of the Group, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021.

During 2020 Salling Group A/S' subsidiary Skagenfood A/S acquired 51 % of the company Bodebjerg ApS. During June 2019 Salling Group A/S sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB. In 2019 Salling Group A/S founded the subsidiaries Fastighetsbolaget den 10. Maj 2019 AB and Salling Group Sverige AB. Fastighetsbolaget den 10. Maj 2019 AB was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB) during December 2019.

Salling Group A/S is a public limited company with its registered office located at Rosbjergvej 33, 8220 Brabrand in Denmark.

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2020 comprises the consolidated financial statements of Salling Group A/S and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements of Salling Group and the separate parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish requirements for class C large enterprises.

Changes to accounting policies

Several amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2020. The Group has assessed the changes, and it has been concluded

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CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million

NOTES

2 Summary of significant accounting policies - continued

that the application of the changes has not had a material impact on the consolidated financial statements or the separate parent company financial statements in 2020, and no significant impact on future periods from the changes is expected. Salling Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Basis of preparation

The functional currency of Salling Group A/S is Danish kroner. The presentation currency of the consolidated financial statements and the separate parent company financial statements is Danish kroner. All amounts have been rounded to the nearest million, unless otherwise indicated.

The consolidated financial statements and the separate parent company financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Basis of consolidation

The subsidiaries, which are consolidated in the Group, are:

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Salling Group Ejendomme A/S	100 %	Brabrand, Denmark
Salling Group Forsikring A/S	100 %	Brabrand, Denmark
Dansk Netto Deutschland ApS	100 %	Brabrand, Denmark
Skagenfood A/S	90 %	Strandby, Denmark
Bodebjerg ApS	51 %	Marslev, Denmark
Netto Supermarkt GmbH	100 %	Stavenhagen, Germany
NETTO ApS & Co. KG	100 %	Stavenhagen, Germany
Netto Sp. Z o.o.	100 %	Szczecin, Poland
Salling Group Sverige AB	100 %	Stockholm, Sweden

During 2020 Skagenfood A/S acquired 51 % of the company Bodebjerg ApS. Skagenfood A/S holds call options to purchase the remaining 49 % of the shares in Bodebjerg ApS at a favourable price. The call options can be exercised in 2023 and 2025. As the call options in reality give Skagenfood A/S present access to the returns associated with that ownership interest, the non-controlling interests that are comprised by the call options are considered to be purchased at the point in time, where the call options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. The call option liability is recognised at fair value at acquisition date as part of other non-current financial liabilities and is subsequently measured at amortised costs.

DKK million

NOTES

2 Summary of significant accounting policies - continued

During June 2019 Salling Group A/S sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB. In 2019 Salling Group A/S founded the subsidiaries Fastighetsbolaget den 10. Maj 2019 AB and Salling Group Sverige AB. Fastighetsbolaget den 10. Maj 2019 AB was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB) during December 2019.

As put options regarding non-controlling interests in subsidiaries, which are written in connection with business combinations, are treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put options are considered to be purchased at the point in time where the put options are written, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. In 2017, when Salling Group A/S acquired 80 % of the issued share capital and voting rights of Skagenfood A/S, it also wrote put options regarding the 20 % of Skagenfood A/S, which were then owned by Kuba Holding ApS. A further 10 % were acquired during 2019, and a put option remains regarding the 10 %, which continues to be owned by Kuba Holding ApS. No non-controlling interests regarding the 10 % of Skagenfood A/S are recognised in the consolidated financial statements. The put option liability is recognised at fair value at acquisition date as part of other non-current financial liabilities and is subsequently measured at amortised costs.

The following shareholders own more than 5 % of the share capital and the voting rights in Salling Group A/S:

F. Salling Invest A/S, Rosbjergvej 33-35, Brabrand, Denmark
F. Salling Holding A/S, Rosbjergvej 33-35, Brabrand, Denmark

Salling Group A/S and its subsidiaries are included in the consolidated financial statements of Købmand Herman Sallings Fond, which is the ultimate controlling party of Salling Group A/S.

Accounting policies, income statement

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services taking into account the amount of any trade discounts and expected returns, and excluding amounts collected on behalf of third parties such as sales taxes and value added taxes. Thus, revenue from the sale of goods is recognised at the point of sale (at delivery) in the store and for online purchases at collection in a store or at delivery of the goods, i.e. when the performance obligations are satisfied.

The Group provides customers with a right to return the goods within a specified period, and a refund liability and a right of return asset will be recognised if not immaterial.

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CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million

NOTES

2 Summary of significant accounting policies - continued

The Group uses historical return data to estimate the expected return percentages. These percentages are applied to determine the expected value of the variable consideration related to returns.

In situations where Salling Group is acting as an agent the recognised revenue equals the amount of commission plus any other amounts received from the principal or other parties.

Customer loyalty programmes give rise to a separate performance obligation, and the portion of the transaction price that is allocated to the customer loyalty programmes based on the relative stand-alone selling prices is deferred, and is recognised as revenue when the obligations to supply the discounted products are fulfilled or no longer probable.

Other revenue comprises rental revenue and revenue from other income sources e.g. sale of cardboard. Rental revenue arising from operating leases on buildings and investment property and operating leases regarding in-store rental is recognised on a straight-line basis over the lease terms, and is recognised in other revenue in the consolidated income statement.

Cost of sales
Cost of sales comprises the costs incurred in generating revenue. Supplier discounts attributable to the purchase price of the sold articles are recognised as part of cost of sales.

Staff expenses
Staff expenses comprise wages and salaries, post-employment benefits as well as related expenses.

External expenses
External expenses include direct and indirect costs related to short-term and low value leases, franchise fees, operating expenses regarding properties, sales and distribution costs as well as office supplies etc. Supplier discounts related to cost reimbursements are recognised as part of external expenses.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses comprise depreciation on property, plant and equipment, right-of-use assets and investment property and amortisation of intangible assets, unless it is included in the carrying amount of another asset, as well as impairment losses.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction of the related expense. When the grant relates to an asset, it is recognised as a deduction of the carrying amount of the asset, and is recognised in the income statement as a deduction of the related depreciation.

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NOTES

2 Summary of significant accounting policies - continued

Share of profit/loss from subsidiaries, net of tax
Investments in subsidiaries are measured in the parent company's statement of financial position using the equity method. The share of profit/loss from subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries is recognised in the parent company's income statement.

Share of profit/loss from joint ventures, net of tax
Joint arrangements, which are classified as joint ventures, are recognised using the equity method. The share of profit/loss from joint ventures after elimination of unrealised gains and losses resulting from transactions between the Group and the joint ventures to the extent of the interest in the joint ventures is recognised in the income statement.

Financial income and expenses
Financial income and expenses comprise interest income and expenses including interest expenses related to lease liabilities (all leases except for short-term leases and leases of low value assets), exchange gains and losses on transactions denominated in foreign currencies as well as fair value adjustments of financial assets held for trading. Moreover, financial income and expenses comprise amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax.

Borrowing costs from general borrowing or loans directly related to acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

Income tax
Salling Group A/S and its Danish subsidiaries are included in the joint taxation in Købmand Herman Sallings Fond Group. Tax for the year is allocated between the jointly taxed companies in proportion to their taxable income (full allocation). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense is recognised in the income statement, other comprehensive income or directly in equity.

Profit/loss for the year from discontinued operations, net of tax
Profit/loss for the year from discontinued operations, net of tax includes the results of discontinued operations and the eliminations between the continuing and the discontinued operations. The gain on the sale is also included as part of profit/loss for the year from discontinued operations, net of tax.

Accounting policies, statement of financial position

Intangible assets

Goodwill
Goodwill is measured initially at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the identifiable assets acquired and liabilities assumed.

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NOTES

2 Summary of significant accounting policies - continued

Subsequent to initial recognition goodwill is measured at cost net of accumulated impairment losses, if any. Goodwill is not amortised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the combination.

Software and software development in progress
Acquired software and software licenses are measured on initial recognition at cost. Subsequent to initial recognition acquired software and software licenses are measured at cost net of accumulated amortisation and accumulated impairment losses, if any.

Development costs, that are directly attributable to the design and testing of identifiable and unique software controlled by the Group, are recognised as software development in progress, if it is the intention to complete the software, if sufficient resources to complete the software are available, if the costs can be measure reliably, and if the software is expected to generate probable future economic benefits.

The cost of the internally developed software comprises employee related costs, external costs as well as interest expenses during the period of production.

When internally developed software is available for use, it is reclassified from the line item software development in progress to the line item software. Internally developed software, which is available for use, is measured at cost net of accumulated amortisation and accumulated impairment losses, if any.

Brands and other separately acquired intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost net of accumulated amortisation and accumulated impairment losses, if any.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Goodwill	No amortisation
Acquired software	3 - 10 years
Internally developed software	3 - 10 years
Software development in progress	No amortisation
Brands	10 - 15 years
Other separately acquired intangible assets	3 - 10 years

Property, plant and equipment
Property, plant and equipment comprises land and buildings, fixtures and fittings, tools and equipment, leasehold improvements and assets under construction and prepayments. Property, plant and equipment is measured initially at cost comprising

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NOTES

2 Summary of significant accounting policies - continued

purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use. Government grants related to assets are deducted in arriving at the carrying amount of the asset. Subsequent to initial recognition property, plant and equipment is measured at cost net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land	No depreciation
Buildings, including investment property:	
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 - 20 years

Leasehold improvements are depreciated over the shorter of the expected lease term of the related lease and the estimated useful lives of 12 years.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if necessary.

Right-of-use assets
At contract inception it is assessed whether a contract is, or contains, a lease. A single recognition and measurement approach is applied for all leases, except for short-term leases and leases of low value assets. Right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments are recognised.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	1 - 60 years
Fixtures and fittings, tools and equipment	1 - 5 years

The short-term lease recognition exemption is applied to short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The lease of low value assets recognition exemption is applied to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

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2 Summary of significant accounting policies - continued

Investment property
Investment property is property held to earn rentals or for capital appreciation or both, not for use in the supply of goods or services or for administrative purposes. Investment property is measured initially at cost comprising purchase price and any directly attributable expenditure including transaction costs. Subsequent to initial recognition investment property is measured at cost net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the investment property. The useful lives are similar to those of other buildings.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

Investments in subsidiaries
Investments in subsidiaries are measured in the parent company's statement of financial position using the equity method. The share of profit/loss from subsidiaries, net of tax is recognised in the parent company's income statement.

Investments in joint ventures
Investments in joint ventures are measured in the statement of financial position using the equity method. The share of profit/loss from joint ventures, net of tax is recognised in the income statement.

Impairment testing of non-current assets
Goodwill and software development in progress are tested annually. The carrying amount of other non-current assets 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 utilisation of the asset or the group of assets and the expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

Non-current assets held for sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered primarily through a sales transaction rather than through continuing use. Such non-current assets are measured at the lower of their carrying amount and fair value less

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NOTES

2 Summary of significant accounting policies - continued

costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale is expected to occur within one year from the date of the classification. Non-current assets are not depreciated or amortised once classified as held for sale.

Inventories
Inventories are valued at the lower of calculated cost (weighted averages) and net realisable value.

Calculated cost comprises the purchase cost and other costs incurred in bringing the inventories to their present location and condition, which include cost of transportation from central warehouses to individual stores. Supplier discounts attributable to the articles in inventory reduce the calculated cost. Borrowing costs are not included in calculated cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Trade receivables, securities and other financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss, based on two criteria: the business model for managing the assets, and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. Purchases or sales of financial assets are recognised on the trade date. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at transaction price.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired. This category is most relevant for the Group, and generally it applies to trade and other receivables.

Subsequently financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as financial expenses (negative net changes in fair value) or financial income (positive net changes in fair value) in the income statement. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments. This category includes derivatives not designated as hedges and securities, as they are held for trading.

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2 Summary of significant accounting policies - continued

At present the category financial assets at fair value through other comprehensive income is not relevant for the Group.

A financial asset or a part of a financial asset is derecognised from the statement of financial position, when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and the Group has either transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment is recognised as an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include any cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. For trade receivables, the Group applies a simplified approach in calculating expected credit losses, and recognises a loss allowance based on lifetime expected credit losses at each reporting date irrespectively of changes in credit risk using a provision matrix, which is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Prepayments
Prepayments are measured at cost price.

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

Equity - Development projects reserve
The development projects reserve, which is recognised in the separate parent company financial statements, comprises an amount equalling the capitalised development projects excluding payments for separable assets e.g. software licenses, and adjusted for the income tax effect. The reserve is an undistributable equity reserve, and cannot be used for dividends or for covering any deficits. The reserve is reduced as the development projects are sold or amortised by way of a transfer from development projects reserve to the distributable equity reserves.

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NOTES

2 Summary of significant accounting policies - continued

Pensions
The Group has entered into defined contribution pension schemes and similar arrangements with the majority of the Group's employees. Contributions to defined contribution plans where the Group pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the statement of financial position as other payables.

For defined benefit plans an annual actuarial calculation (Projected Unit Credit method) is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation, retirement age and mortality. The actuarial present value is recognised in the statement of financial position under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

Provisions
Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation. The amount recognised as a provision is management's best estimate of the expenses required to settle the obligation. On measurement of provisions, the costs required to settle the obligation are discounted if the effect is material to the measurement of the obligation.

A provision for onerous short-term leases and leases of low value assets is recognised when the expected benefits to be obtained by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Insurance provisions include the actuarial estimated costs expected to be paid by the Group for insured events existing at the reporting date and risk margin. The estimate includes amounts expected to be incurred for the settlement of the obligations. Discounting is performed based on an estimate of the expected payment period.

Other provisions include among other things warranties, restructuring costs and jubilee benefits. Provisions for warranty-related costs are recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually. Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the parties affected no later than at the end of the reporting period.

Loans, trade payables and other financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are

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2 Summary of significant accounting policies - continued

recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequently financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as financial items in the income statement. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Group has not designated any financial liabilities as at fair value through profit or loss.

After initial recognition, interest-bearing loans, borrowings and payables are measured at amortised cost using the effective interest method. Accordingly, any difference between the proceeds and the nominal value is recognised in the income statement as financial expenses over the term of the loan or at derecognition. This category is most relevant for the Group. This category generally applies to interest-bearing loans and borrowings.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Lease liabilities
At the commencement date of leases, lease liabilities are recognised measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects that the option to terminate is exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used unless the interest rate implicit in the lease is readily determinable. After the commencement date, the amount of lease liabilities is increased

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NOTES

2 Summary of significant accounting policies - continued

to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Deferred income
Deferred income is measured at the consideration received or receivable.

Taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement or the statement of other comprehensive income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of other comprehensive income or directly in equity.

Accounting policies, cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

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2 Summary of significant accounting policies - continued

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit before tax adjusted for non-cash operating items, changes in working capital, interest payments and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment, investment property and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as the raising of loans, repayment of interest-bearing debt including lease liabilities, and payment of dividends to shareholders.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Accounting policies, other

Discontinued operations
Discontinued operations represent a separate major line of business disposed of. The results of discontinued operations are presented separately in the income statement as profit/loss for the year from discontinued operations, net of tax. The comparative figures are restated. Eliminations between the continuing and the discontinued operations are presented to reflect continuing operations as post-separation. Assets and liabilities related to the discontinued operations disposed of are not presented as separate line items in the comparative figures in the statement of financial position as the criteria for held for sale classification was not regarded as met for the discontinued operations at the end of the comparative period. Cash flows from discontinued operations are not presented serarately in the cash flow statement, but are included in net cash flows from operating activities, from investment activities and from financing activities. The effect from the discontinued operations on the cash flow statement is presented in note 10 along with other specifications related to the discontinued operations.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Salling Group A/S, and the subsidiaries in which Salling Group A/S directly or indirectly exercises control. Salling Group A/S exercises control, if Salling Group A/S is exposed to or has rights to variable returns arising from its involvement in a company and may affect these returns through its power over the company.

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2 Summary of significant accounting policies - continued

The consolidated financial statements are prepared based on the accounts for the parent company and the subsidiaries and are a pooling of accounting items of similar nature. On consolidation intra-group transactions are eliminated.

Joint arrangements are activities or enterprises in which the Group exercises joint control through cooperation agreements with one or more parties. Joint control implies that decisions on relevant activities require unanimous consent of the parties sharing control over the arrangement. Joint arrangements are classified as joint ventures or joint operations. Joint operations are activities, where the participants have direct rights over assets and are subject to direct liability, whereas joint ventures are activities, where the participants solely have rights over the net assets.

Business combinations of entities under common control are accounted for using the pooling of interests method, and the comparative figures are restated.

Business combinations are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Put options regarding non-controlling interests in subsidiaries, which are written in connection with business combinations, are treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put options are considered to be purchased at the point in time where the put options are written. Non-controlling interests comprised of call options that in reality give present access to the returns associated with that ownership interest are considered to be purchased at the point in time where the call options are written. An amount equal to the financial obligation is recognised as part of the cost price of the investments in subsidiaries. As a consequence no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests, as the non-controlling interests are regarded as purchased. The obligation regarding the put and relevant call options is recognised as part of Other non-current financial liabilities and is measured at fair value at initial recognition. Subsequently, the obligation regarding the put and relevant call options is measured at amortised cost.

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2 Summary of significant accounting policies - continued

Foreign currency translation
For each of the enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the enterprise operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the rates in the latest annual report is recognised in the income statement as financial income or financial expenses.

Foreign consolidated enterprises' statements of financial position are translated to Danish kroner using the exchange rates at the reporting date, while the enterprises' income statements and the statement of other comprehensive income are translated using the average exchange rates.

Foreign exchange differences arising on translation of the opening equity of such foreign enterprises using the exchange rates at the reporting date and on translation of the income statements and the statement of other comprehensive income from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and in a separate translation reserve under equity.

Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured 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 other comprehensive income, 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 financial assets or other financial liabilities, respectively.

Fair value measurement
The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of some financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

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2 Summary of significant accounting policies - continued

The fair value is a market-based and not an entity-specific valuation. The Group uses the assumptions that the market participants would use for the pricing of the asset or liability based on existing market conditions, including assumptions relating to risks. The Group's intention to own the asset or settle the liability is thus not taken into consideration, when the fair value is determined.

The fair value measurement is based on the primary market. If a primary market does not exist, the measurement is based on the most favourable market, which is the market that maximises the price of the asset or liability less transaction and transportation costs.

To the widest possible extent, the fair value measurement is based on market values in active markets (level 1) or alternatively on values derived from observable market information (level 2). If such observable information is not available or cannot be used without significant modifications, fair values are based on generally accepted valuation methods and reasonable estimates (level 3).

The Group determines, whether transfers have occurred between levels in the hierarchy, by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Main and key figures in the 5-year summary
Changes to the composition of the Group and the accounting principles applied have the consequence that not all of the main and key figures included in the 5-year summary in Financial highlights for the Group are comparable, as described below:

The main and key figures for the financial years 2016 - 2018 have not been adjusted to reflect the changed accounting principles resulting from the implementation of IFRS 16 regarding leases in the Group, as the changes have been implemented retrospectively but with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The comparative figures have not been restated as permitted by the specific transition provisions in the standard.

Discontinued operations are included in all the main and key figures for the financial years 2016 - 2017 presented in the 5-year summary. Thus, the main and key figures for the financial years 2016 - 2017 are not comparable to the main and key figures for the financial years 2018 - 2020.

The key figures that are included in the 5-year summary of financial highlight for the Group are calculated as follows:

Operating margin is operating profit (EBIT) divided by total revenue.

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

Net debt/EBITDA is the net interest bearing debt divided by operating profit before depreciation, amortisation and impairment losses (EBITDA).

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3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of right-of-use assets and lease liabilities
In recognising right-of-use assets and lease liabilities the lease terms of the leases have to be determined. The lease term is the non-cancellable term of the lease together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Several lease contracts include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, all relevant factors that create an economic incentive to exercise either the renewal or termination are considered. After the commencement date, the Group reassesses the lease term, if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements).

For leases of land and buildings renewal periods are included as part of the lease term for leases with shorter non-cancellable periods. The renewal periods are included for the period that the Group expects to continue the lease taking into consideration that the retail business might look different in the future compared to the present set-up. The renewal periods for leases of land and buildings with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for no longer than the non-cancellable period and, hence, is not exercising any renewal options.

DKK million

NOTES

3 Significant accounting judgements, estimates and assumptions - continued

Valuation of intangible assets, property, plant and equipment, right-of use assets and investment property
Intangible assets, property, plant and equipment, right-of-use assets and investment property are tested for impairment, if there is an indication of impairment. For goodwill and intangible asset that are not yet in use, annual impairment tests are carried out. An impairment loss is recognised if the recoverable amount of an asset is lower than the asset's carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the financial five-year plan. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the development in turnover and gross margins during the forecast period and the growth rate used for extrapolation purposes. For most intangible assets no fair value less costs of disposal exists. The key assumptions used to determine the recoverable amount are disclosed and further explained in the relevant notes.

Depreciation and amortisation
The useful lives and residual values of intangible assets, property, plant and equipment, right-of-use assets and investment property are reviewed annually based on available information. If necessary, they are adjusted prospectively. Changes to estimates of useful lives and residual values may affect the annual depreciation and amortisation and thereby the results for the year significantly.

Inventories
Inventories are valued at the lower of calculated cost (weighted averages) and net realisable value. The calculated cost comprises supplier discounts. Supplier discounts are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group. A specific assessment of the need for write-down for obsolescence of inventories is made based on the future sales potential.

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DKK million		2020	2019
NOTES			
4	**Total revenue**		
	Revenue from contracts with customers, retail and e-commerce activities	60,489	56,305
	Total revenue from contracts with customers	60,489	56,305
	Rental revenue, investment property	59	60
	Other rental revenue	188	193
	Other revenue	119	131
	Total other revenue	366	384
	Total revenue	60,855	56,689
	Geographical split		
	Denmark	45,832	42,805
	Abroad	15,023	13,884
	Total revenue	60,855	56,689

The absolut majority of sales in the Group is cash at delivery. The credit term for the remaining sales is 30 days, and the trade receivables are non-interest bearing if paid when due. No contracts with customers have an expected duration of more than one year, and in accordance with the practical expedient information about the amount of the transaction price related to unsatisfied or partially unsatisfied performances is not provided. The amount relates to the limited number of orders, where the order is received before year end and the delivery takes place after year end.

All revenue from contracts with customers is recognised at a point in time, and no revenue is recognised from performance obligations satisfied in previous years.

No material contract assets and liabilities or right of return assets and refund liabilities are recognised as at 31 December 2020 or 31 December 2019.

In a few situations related to the online activities the Group acts as an agent, thus arranging for another party to transfer the goods to the customer. In all other situations the Group is responsible for delivering the goods and services sold in the stores and online.

DKK million		2020	2019
NOTES			
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	6,917	6,474
	Post-employment benefits - defined contribution plans	369	383
	Post-employment benefits - defined benefit plans	1	1
	Social security costs	376	355
	Total staff expenses	7,663	7,213
	Average number of full-time employees in continuing operations	26,693	25,769

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 28.

		2020	2019
6	**External expenses**		
	Fees paid to the auditors appointed at the annual general meeting:		
	Fee regarding statutory audit	2.6	2.5
	Tax assistance	0.1	0.2
	Assurance engagements	0.8	0.4
	Other assistance	0.8	1.2
	Total fee paid to the auditors appointed at the annual general meeting	4.3	4.3

In 2020 fee regarding statutory audit includes DKK 0.3 million (DKK 0.2 million in 2019) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Forsikring A/S). All other fees mentioned above are paid to EY.

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DKK million		2020	2019
NOTES			
7	**Financial income**		
	Interest income on loans and receivables	3	5
	Net gain on financial instruments held for trading	19	-
	Net foreign exchange gain	15	39
	Other financial income	1	-
	Total financial income	38	44

DKK million		2020	2019
8	**Financial expenses**		
	Interest expense on mortgage loans	62	108
	Interest expense on lease liabilities	304	314
	Interest expense paid to banks	11	7
	Interest expense on loans from entities with significant influence	-	1
	Cash flow hedges reclassified from other comprehensive income	103	105
	Net loss on derivatives not designated as hedging instruments	7	2
	Net loss on financial instruments held for trading	-	6
	Other financial expenses	30	58
	Total financial expenses	517	601

DKK million		2020	2019
NOTES			
9	**Income tax**		
	Current income tax	-476	-370
	Adjustment regarding prior years, current income tax	-11	1
	Change in deferred tax	-53	-10
	Adjustment regarding prior years, deferred tax	42	-
	Total income tax	-498	-379
	Income tax recognised in the income statement	-487	-398
	Income tax recognised in other comprehensive income	-11	19
	Total income tax	-498	-379

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DKK million	2020		2019	
NOTES				
9 Income tax - continued				
Reconciliation of income tax recognised in the income statement				
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-515	22.0 %	-592	22.0 %
Non-deductible costs	-31	1.3 %	-24	0.9 %
Non-taxable income	10	-0.4 %	229	-8.5 %
Deviating tax rates in foreign operations	18	-0.8 %	-5	0.2 %
Adjustment to prior periods	31	-1.3 %	1	-0.1 %
Not capitalised tax loss carry forwards	-	0.0 %	-7	0.3 %
Income tax recognised in the income statement	-487	20.8 %	-398	14.8 %
Income tax recognised in the income statement related to continuing operations	-487		-394	
Income tax recognised in the income statement related to discontinued operations	-		-4	
Income tax recognised in the income statement	-487		-398	

Divided on countries, where Salling Group has operating activities, the effective tax rate of 20.8 % (14.8 % in 2019) shown above can be specified as follows: Denmark 23.2 % (13.0 % in 2019), Sweden 4.8 % (-3.1 % in 2019), Germany 3.8 % (28.0 % in 2019) and Poland 19.8 % (20.1 % in 2019). The low effective tax rate in Germany for 2020 is due to adjustments to prior periods' taxes on Group level. The low effective tax rate in Sweden for 2019 and 2020 is due to the not capitalised tax losses carry forwards. The low tax rate in Denmark in 2019 was due to non-taxable income from the sale of subsidiaries.

DKK million	2020			2019		
NOTES						
9 Income tax - continued						
Tax on other comprehensive income						
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	2	-	2	-10	2	-8
Exchange differences on translating foreign operations	-271	-	-271	21	-	21
Exchange differences related to the disposal of discontinued operations	-	-	-	167	-	167
Cash flow hedges, value adjustment for the year	-55	12	-43	-184	40	-144
Cash flow hedges, reclassified to financial expenses	103	-23	80	105	-23	82
	-221	-11	-232	99	19	118

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DKK million		2020	2019
NOTES			
10	**Profit for the year from discontinued operations, net of tax**		

During June 2019 Salling Group A/S sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB, and Fastighetsbolaget den 10. Maj 2019 AB was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB) during December 2019. The 2019 results for the subsidiaries and the gain on the sales are presented below. No remeasurements to fair value less costs to sell were necessary.

	2020	2019
Revenue from contracts with customers	-	1,741
Other revenue	-	7
Total revenue	-	1,748
Cost of sales	-	-1,321
Gross profit	-	427
Staff expenses	-	-243
External expenses	-	-151
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	-	33
Depreciation and amortisation	-	-52
Net gain/loss on disposal of investment property, property, plant and equipment and intangible assets	-	-1
Operating loss (EBIT)	-	-20
Financial items	-	-9
Loss before tax	-	-29
Income tax related to loss from ordinary activities for the period	-	-1
Loss for the year from the subsidiaries sold	-	-30

DKK million		2020	2019
NOTES			
10	**Profit for the year from discontinued operations, net of tax - continued**		
	Loss for the year from the subsidiaries sold	-	-30
	Group transactions towards the subsidiaries sold	-	14
	Income tax related to the Group transactions towards the subsidiaries sold	-	-3
	Gain on disposal of the subsidiaries	-	988
	Income tax related to the gain on disposal of the subsidiaries	-	-
	Profit for the year from discontinued operations	-	969
	Average number of full-time employees in discontinued operations	-	737
	The cash flows incurred by the subsidiaries are as follows:		
	Operating activities	-	-25
	Investment activities	-	35
	Financing activities	-	-18
	Net change in cash and cash equivalents	-	-8

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DKK million

NOTES

11 Intangible assets

2019:	Good-will	Soft-ware	Software develop-ment in progress	Brands	Other intan-gible assets	Total
Cost						
Balance at 1 January 2019	309	2,031	82	158	41	2,621
Additions	-	70	55	28	32	185
Reclassifications	-	32	-36	-	-	-4
Balance at 31 December 2019	309	2,133	101	186	73	2,802
Accumulated amortisation and impairment losses						
Balance at 1 January 2019	-178	-1,066	-	-84	-18	-1,346
Amortisation	-	-219	-	-7	-6	-232
Balance at 31 December 2019	-178	-1,285	-	-91	-24	-1,578
Carrying amount at 31 December 2019	131	848	101	95	49	1,224

DKK million

NOTES

11 Intangible assets - continued

2020:	Good-will	Soft-ware	Software develop-ment in progress	Brands	Other intan-gible assets	Total
Cost						
Balance at 1 January 2020	309	2,133	101	186	73	2,802
Additions	-	134	138	-	-	272
Acquisitions through business combinations		-	-	6	-	6
Reclassifications	-	81	-84	-	-	-3
Disposals	-	-256	-	-	-	-256
Balance at 31 December 2020	309	2,092	155	192	73	2,821
Accumulated amortisation and impairment losses						
Balance at 1 January 2020	-178	-1,285	-	-91	-24	-1,578
Amortisation	-	-221	-	-8	-7	-236
Disposals	-	256	-	-	-	256
Balance at 31 December 2020	-178	-1,250	-	-99	-31	-1,558
Carrying amount at 31 December 2020	131	842	155	93	42	1,263

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DKK million

NOTES

11 Intangible assets - continued

Impairment losses during the year

For impairment testing goodwill acquired through business combinations are allocated to the cash generating units that benefit from the synergies resulting from the acquisitions.

Carrying amount of goodwill within the Group:

DKK million	Danish retail activities 2020	Danish retail activities 2019	Other 2020	Other 2019
Goodwill	91	91	40	40

The most significant goodwill amounts in the Group relate to the Danish retail activities.

DKK million

NOTES

11 Intangible assets - continued

The recoverable amount of the goodwill related to the Danish retail activities has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The pre-tax discount rate applied to cash flow projections is 6 % (6 % in 2019), and cash flows beyond the five-year period are extrapolated using a 2 % growth rate, which is the expected long-term inflation rate (2 % in 2019). As a result of the impairment test management did not identify any impairment losses regarding goodwill.

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and gross margins during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period, as well as the discount rate used. Development in turnover and gross margins is based on expectations of an average growth for 2021 - 2025.

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group, and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Management has considered and assessed reasonably possible changes for the key assumptions and has not identified any instances that would cause the carrying amount of the goodwill to exceed its recoverable amount.

During 2020 and 2019 no impairment losses have been recognised regarding intangible assets.

Impairment losses, if any, and reversal of impairment losses, if any, are recognised in the income statement as part of impairment losses.

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DKK million

NOTES

12 Property, plant and equipment

2019:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction	Total
Cost					
Balance at 1 January 2019	24,841	6,235	1,398	230	32,704
Reclassified to right-of-use assets	-	-12	-	-	-12
Adjusted balance at 1 January 2019	24,841	6,223	1,398	230	32,692
Foreign currency translation	10	-3	-5	-	2
Additions	471	713	97	204	1,485
Reclassifications	157	3	-2	-154	4
Reclassified as held for sale	-40	-	-	-	-40
Disposals	-71	-286	-24	-	-381
Disposals, sale of subsidiaries	-1,323	-330	-180	-	-1,833
Balance at 31 December 2019	24,045	6,320	1,284	280	31,929
Accumulated depreciation and impairment losses					
Balance at 1 January 2019	-8,449	-4,404	-938	-	-13,791
Reclassified to right-of-use assets	-	7	-	-	7
Adjusted balance at 1 January 2019	-8,449	-4,397	-938	-	-13,784
Foreign currency translation	1	1	4	-	6
Depreciation	-336	-564	-58	-	-958
Impairment losses recognised in the income statement	-22	-	-2	-	-24
Reversals of impairment losses recognised in the income statement	15	-	-	-	15
Reclassified as held for sale	26	-	-	-	26
Disposals	51	282	14	-	347
Disposals, sale of subsidiaries	370	231	146	-	747
Balance at 31 December 2019	-8,344	-4,447	-834	-	-13,625
Carrying amount at 31 December 2019	15,701	1,873	450	280	18,304

DKK million

NOTES

12 Property, plant and equipment - continued

2020:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction	Total
Cost					
Balance at 1 January 2020	24,045	6,320	1,284	280	31,929
Foreign currency translation	-332	-49	-2	-2	-385
Additions	621	960	115	210	1,906
Reclassifications	215	-2	4	-214	3
Reclassified as held for sale	-10	-	-	-	-10
Disposals	-42	-225	-9	-	-276
Balance at 31 December 2020	24,497	7,004	1,392	274	33,167
Accumulated depreciation and impairment losses					
Balance at 1 January 2020	-8,344	-4,447	-834	-	-13,625
Foreign currency translation	60	32	2	-	94
Depreciation	-346	-588	-60	-	-994
Impairment losses recognised in the income statement	-3	-	-11	-	-14
Reversals of impairment losses recognised in the income statement	-	-	1	-	1
Reclassified as held for sale	6	-	-	-	6
Disposals	23	223	8	-	254
Balance at 31 December 2020	-8,604	-4,780	-894	-	-14,278
Carrying amount at 31 December 2020	15,893	2,224	498	274	18,889

Impairment losses during the year

During 2020 impairment losses were recognised regarding a few buildings that had been vacated in connection with relocations of the stores to other locations, and where it was assessed that the expected sales price of the buildings were lower than the carrying amount of the buildings. Impairment losses were recognised regarding leaseholds that had been closed or vacated in connection with relocations. Also a few stores were, due to competitive pressures in the local areas of the stores, not sufficiently profitable to cover the full carrying amount of the investments. In total impairment losses were recognised regarding 10 Danish stores and 1 German store. At the same time, an impairment loss has been reversed regarding 1 Danish store, where the profitability has increased sufficiently to cover the investments. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Impairment losses.

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DKK million

NOTES

13 Leases

The Group has entered into leases with external parties and entities with significant influence over the Group regarding a number of stores, warehouses and some operational equipment. Under some of the leases the Group has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements impose no restrictions on the Group.

Right-of-use assets

2019:	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2019 (previously recognised as property, plant and equipment)	-	12	12
Effect of implementing IFRS 16 at 1 January 2019	5,622	102	5,724
Adjusted balance at 1 January 2019	5,622	114	5,736
Foreign currency translation	-4	-	-4
Additions	711	26	737
Remeasurement of lease liabilities	18	1	19
Disposals	-	-5	-5
Disposals, sale of subsidiaries	-162	-4	-166
Balance at 31 December 2019	6,185	132	6,317
Accumulated depreciation and impairment losses			
Balance at 1 January 2019 (previously recognised as property, plant and equipment and provisions)	-115	-7	-122
Depreciation	-635	-42	-677
Impairment losses recognised in the income statement	-5	-	-5
Reversals of impairment losses recognised in the income statement	21	-	21
Disposals	-	4	4
Disposals, sale of subsidiaries	27	1	28
Balance at 31 December 2019	-707	-44	-751
Carrying amount at 31 December 2019	5,478	88	5,566

DKK million

NOTES

13 Leases - continued

2020:	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2020	6,185	132	6,317
Foreign currency translation	-4	-1	-5
Additions	141	33	174
Acquisitions through business combinations	-	1	1
Remeasurement of lease liabilities	8	1	9
Disposals	-	-3	-3
Balance at 31 December 2020	6,330	163	6,493
Accumulated depreciation and impairment losses			
Balance at 1 January 2020	-707	-44	-751
Foreign currency translation	1	-	1
Depreciation	-600	-40	-640
Impairment losses recognised in the income statement	-20	-	-20
Reversals of impairment losses recognised in the income statement	19	-	19
Disposals	-	3	3
Balance at 31 December 2020	-1,307	-81	-1,388
Carrying amount at 31 December 2020	5,023	82	5,105

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DKK million		2020		2019	
NOTES					
13	**Leases - continued**				
	Lease liabilities				
		Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
	Within 1 year	835	600	822	577
	1 to 5 years	3,067	2,228	3,005	2,126
	After 5 years	3,081	2,638	3,695	3,119
	Total	6,983	5,466	7,522	5,822

	2020	2019
Amounts recognised in the consolidated income statement		
Interest expense on lease liabilities	304	320
Expenses related to short-term leases	-	2
Expenses related to leases of low value assets	32	18
Income from subleasing of right-of use assets	65	70

Variable lease payments not recognised as part of the lease liabilities are immaterial in both 2020 and 2019.

In 2020 the Group paid DKK 840 million related to lease contracts (DKK 832 million in 2019), of which DKK 304 million relate to interest payments regarding recognised lease liabilities (DKK 320 million in 2019) and DKK 536 million relate to payment of recognised lease liabilities (DKK 512 million in 2019).

Regarding situations, where the Group is lessor, please refer to note 27.

DKK million		2020	2019
NOTES			
14	**Investment property**		
	Cost		
	Balance at 1 January	968	991
	Foreign currency translation	-1	-
	Additions	4	6
	Disposals	-4	-29
	Balance at 31 December	967	968
	Accumulated depreciation and impairment losses		
	Balance at 1 January	-657	-679
	Foreign currency translation	1	-
	Depreciation	-8	-6
	Impairment losses recognised in the income statement	-5	-
	Disposals	1	28
	Balance at 31 December	-668	-657
	Carrying amount at 31 December	299	311

Investment property comprises a shopping centre and flats located adjacent to Salling Group's stores.

During 2020 impairment losses were recognised regarding one Danish and a few German investment property, where the expected sales price of the investment property is lower than the carrying amount of the investment property. No impairment losses were recognised in 2019. The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of impairment losses.

The estimated fair value of investment property amounted to DKK 1,221 million at 31 December 2020 (DKK 1,036 million at 31 December 2019). The fair value is not based on a valuation by an independent valuer.

The fair value of the investment property falls within level 3 of the fair value hierarchy. The fair value is based on a rate of return compared with a price per square metre. The rate of return is based on experience with real estate deals.

	2020	2019
Rental income from investment property	59	60
Direct operating expenses from investment property that generated rental income	-28	-18
Profit arising from investment property	31	42

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DKK million		2020	2019
NOTES			
15	**Investments in joint ventures**		
	Netto UK Ltd. handed in final accounts in liquidation of the company in December 2019, and the company was dissolved in 2020.		
	Cost		
	Balance at 1 January	424	424
	Dissolution	-424	-
	Balance at 31 December	-	424
	Value adjustments		
	Balance at 1 January	-424	-424
	Dividends	-	-1
	Profit for the year	-	1
	Dissolution	424	-
	Balance at 31 December	-	-424
	Carrying amount at 31 December	-	-

Specification of investments in joint ventures until dissolution:	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Netto UK Ltd.	50 %	Wakefield, the UK

DKK million		2020	2019	2020	2019
NOTES					
16	**Financial assets and financial liabilities**				
	Financial assets comprise the following:				
		Carrying amount		Fair value	
	Prepayment	41	-	41	-
	Other non-current financial assets	41	-	41	-
	Trade receivables	72	120	72	120
	Other receivables	507	433	507	433
	Other current financial assets	-	10	-	10
	Other current financial assets	-	10	-	10
	Securities	4,452	2,804	4,452	2,804
	Cash and short-term deposits	1,528	1,687	1,528	1,687

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DKK million	2020	2019	2020	2019
NOTES				
16 Financial assets and financial liabilities - continued				
Financial assets comprise the following:				
	Carrying amount		Fair value	
Mortgage loans - non-current	7,520	7,649	7,466	7,749
Mortgage loans - current	269	79	269	79
Mortgage loans	7,789	7,728	7,735	7,828
Bank loans - current	1	1	1	1
Bank loans	1	1	1	1
Lease liabilities - non-current	4,866	5,245		
Lease liabilities - current	600	577		
Lease liabilities	5,466	5,822		
Derivatives designated as hedging instruments (cash flow hedges)	292	334	292	334
Other non-current financial liabilities	19	10	19	10
Other non-current financial liabilities	311	344	311	344
Payables to entities with controlling influence	57	66	57	66
Payables to entities with significant influence	525	449	525	449
Derivatives not designated as hedging instruments	14	3	14	3
Derivatives designated as hedging instruments (cash flow hedges)	103	109	103	109
Other current financial liabilities	699	627	699	627
Trade payables	11,558	11,259	11,558	11,259
Other payables - non-current	619	225	619	225
Other payables - current	2,423	2,399	2,423	2,399
Other payables	3,042	2,624	3,042	2,624

DKK million	2020	2019
NOTES		
16 Financial assets and financial liabilities - continued		
Financial instruments by category		
Financial assets at amortised cost:		
Trade receivables	72	120
Other receivables	507	433
Other financial assets excluding derivatives	41	10
Cash and short-term deposits	1,528	1,687
Financial assets at fair value through profit or loss:		
Securities	4,452	2,804
Financial liabilities measured at amortised cost:		
Mortgage loans	7,789	7,728
Lease liability	5,466	5,822
Bank loans	1	1
Other financial liabilities excluding derivatives	601	525
Trade payables	11,558	11,259
Other payables	3,042	2,624
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	14	3
Financial liabilities at fair value through other comprehensive income:		
Derivatives designated as hedging instruments (cash flow hedges)	395	443

Derivatives not designed as hedging instruments reflect the positive or negative change in fair value of the foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk.

Financial assets at fair value through profit or loss include investments in listed Danish mortgage bonds. Fair values of the bonds are determined by reference to published price quotations in an active market.

Derivatives designed as hedging instruments reflect the negative change in fair value of the interest rate swaps, designated as cash flow hedges to hedge interest rate risk in CIBOR-based mortgage loans.

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

Financial liabilities: Interest-bearing mortgage loans including hedges

Overview of borrowings by interest rate levels (including the effect of related interest rate swaps):

		Next interest rate fixing		
31 December 2020	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	7,675	344	5,200	2,131
2 - 4 %	114	-	-	114
Total	7,789	344	5,200	2,245
Of which:				
Bearing fixed interests	96 %			
Bearing floating interests	4 %			

		Next interest rate fixing		
31 December 2019	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	6,541	262	4,100	2,179
2 - 4 %	1,187	-	-	1,187
Total	7,728	262	4,100	3,366
Of which:				
Bearing fixed interests	97 %			
Bearing floating interests	3 %			

DKK million

NOTES

16 Financial assets and financial liabilities - continued

Hedging activities and derivatives

Salling Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Group's risk management strategy and how it is applied to manage risk is explained below.

Derivatives not designated as hedging instruments
Salling Group uses foreign currency-denominated forward contracts to manage some of its transaction exposures and intercompany balances. The foreign exchange forward contracts are not designated as cash flow hedging instruments and are typically entered into for periods of up to 3 months.

Derivatives designated as hedging instruments (cash flow hedges)
The hedged item is the highly probable interest rate payment on the Group's mortgage loan portfolio. The loan portfolio has been hedged in layers, where each layer is hedged by a single interest rate swap. The hedged item and the hedging instrument are identical in respect of the critical terms. To illustrate the robustness of the hedge relationship, a regression analysis using historical monthly swap rate, CIBOR and bond price data for a rolling 5 year period is performed. Hedge ineffectiveness can arise from:

- Unexpected changes to the size of hedged items from sale of properties with repayment of related mortgage loans,
- Counterparties not fulfilling their contractual obligations,
- Refinancing of underlying mortgage bonds, if known critical terms should be changed.

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NOTES

16 Financial assets and financial liabilities - continued

31 December 2020	Notional amount	Carrying amount	Line item in the statement of financial position
CIBOR-based mortgage loans (hedged items)	6,284	6,284	Mortgage loans
Interest rate swap contracts (active)	5,900	271	Other non-current and current financial liabilities
Interest rate swap contracts (forward-starting)	1,300	124	Other non-current and current financial liabilities

31 December 2019	Notional amount	Carrying amount	Line item in the statement of financial position
CIBOR-based mortgage loans (hedged items)	6,217	6,217	Mortgage loans
Interest rate swap contracts (active)	5,900	346	Other non-current and current financial liabilities
Interest rate swap contracts (forward-starting)	1,300	97	Other non-current and current financial liabilities

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. During the coming year DKK -103 million is expected to affect profit before tax (DKK -109 million in 2019), DKK -266 million is expected to affect profit before tax during 1 - 5 years (DKK -308 million in 2019), and after 5 years DKK -26 million is expected to affect profit before tax (DKK -26 million in 2019).

The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the income statement. The amount accumulated in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income statement. There was no ineffectiveness recognised in 2020 or 2019.

The IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. At the moment, it's unclear what will happen to CIBOR references in the future. Therefore, it has been assumed that the CIBOR interest rate, on which the Group's hedged debt is based, does not change as a result of the IBOR reform. In assessing whether the hedges are expected to be highly effective on a forward-looking basis, it has been assumed, that the CIBOR interest rate, on which the cash flows of the hedged debt and the interest rate swap that hedges it, is based is not altered by the IBOR reform.

DKK million

NOTES

16 Financial assets and financial liabilities - continued

Fair value

For cash and short-term deposits, trade receivables and payables, other receivables and payables and other short-term receivables and payables the carrying amount is a reasonable approximation of fair value, largely due to the short-term maturities of the financial instruments.

Cash flow hedges and other derivatives not defined as hedges are valued using valuation techniques, which are based on market observable inputs, and thereby fall within level 2 of the fair value hierarchy. The most frequently applied valuation technique for interest rate swaps, i.e. a fixed rate swapped for a floating rate, is determining the present value of the fixed leg and the floating leg using a relevant swap curve.

The fair value of securities is derived from quoted market prices in active markets, and falls within level 1 of the fair value hierarchy.

The fair value of mortgage loans is derived from quoted market prices in active markets, and falls within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items falls within level 2 of the fair value hierarchy, and is calculated on the basis of discounted interests and instalments.

Risks arising from financial instruments

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There has been no structural changes in the Group's risk exposure or risks compared to 2019. The policies for managing risk are explained below.

The overall framework for financial risk management is set out in Salling Group A/S' financial policy approved by the Board of Directors. The objective of the financial policy and the independent controls, that are established, is to minimise the potential adverse impact on the Group's financial performance. The financial policy is reviewed and updated on a regular basis. Salling Group A/S has a centralised management of financial risks undertaken by Group Treasury.

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NOTES

16 Financial assets and financial liabilities - continued

In accordance with policies, Group Treasury uses derivative financial instruments with the purpose of hedging exposures related to the Group's operations and its source of financing. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Group's policy to minimise the potential adverse impact on the Group's financial performance and protect the Group against negative impact from market risks. Group Treasury has primarily used forward contracts to hedge foreign exchange exposures and interest rate swaps to hedge interest rate exposures. Treasury transactions and hedging activities are recognised in a Treasury management system with a high degree of system integration, control and automation of processes on treasury transactions.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risks such as commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt, fixed income investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the positions as at 31 December 2020 and 2019. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place 31 December.

Currency risks
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rate relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries. The framework for hedging guidelines and risk mandate is covered by the FX risk management policy.

The majority of purchases of goods for resale made by the Group are denominated in the parent company's functional currency DKK. However, some trade purchases are made in other currencies, primarily EUR and USD. It is the Group's policy to hedge known purchase orders in specific material currencies. Presently, USD is assessed to be a material currency, and purchase orders in USD are hedged. Purchase orders in other currencies are considered immaterial, and are therefore not hedged.

Hedge accounting has not been used regarding the hedging of purchase orders. In other words, changes in the fair value of the hedging instruments are recognised in the income statement on a continuous basis, which can result in timing discrepancies.

DKK million

NOTES

16 Financial assets and financial liabilities - continued

Material committed and uncommitted investments in foreign currency can be hedged. Hedge accounting is not used regarding such hedges.

According to the FX risk management policy, cash positions (internal and external) are hedged. According to the policy exposures in EUR need not be hedged.

The Group's net currency exposure is the basis for determining the Group's risk. The hedging principles determine the risk neutral position (fully hedged) in regards of foreign exchange exposures. Deviations from the risk neutral position are summarised in an absolute VaR-based risk figure covering the various currency exposures. The foreign exchange exposures and the VaR-based risk figure are monitored and controlled on a daily basis, thereby securing compliance with thresholds and policies.

The following overview illustrates the effect on the consolidated income statement and the consolidated equity that would result at the balance sheet date, from changes in currency exchange rates that are reasonable possible for material currencies:

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2020	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	93	14	242	2	56
Known USD purchase orders	-	-	-	-	-698
Net exposures before derivatives	93	14	242	2	-642
Derivatives	417	-	171	-	739
Net exposures after derivatives	510	14	413	2	97
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	510	14	413	2	97
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	5	1	21	-	5

DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2019	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	83	8	422	15	14
Financial liabilities	-862	-	-	-	-
Known USD purchase orders	-	-	-	-	-561
Net exposures before derivatives	-779	8	422	15	-547
Derivatives	-448	-	-228	-	307
Net exposures after derivatives	-1,227	8	194	15	-240
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	-1,227	8	194	15	-240
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-12	-	10	1	-12

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16 Financial assets and financial liabilities - continued

The sensitivity analysis only includes currency exposures arising from financial instruments. The applied change in the exchange rates is based on historical currency fluctuations. A decrease in the foreign currencies would have the opposite effect as the impact shown in the above overview.

Interest rate risks
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to Group's mortgage loan financing and its bond holdings. It is the Group's policy to limit fluctuations in interest rate expenses, and maintain a relative high degree of certainty for future interest payments. This is obtained through a diversified loan portfolio, consisting of both fixed and floating rate mortgage loans in combination with interest rate hedges. The hedged loan portfolio is actively managed by Group Treasury reflecting ongoing risk assessment and expectations for the future development in interest rates.

Having a longer-term perspective for the mortgage loan portfolio, it is the Group policy to keep an overall duration target for the mortgage loan portfolio in the range of 4 to 8. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

As at 31 December 2020, after taking into account the effect of interest rate swaps, approximately 96 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 97 % as at 31 December 2019.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -13 million (DKK -31 million in 2019), and pre-tax equity by DKK 156 million (DKK 188 million in 2019). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

Sensitivity analysis based on a 1 %-point increase in interest rates:

31 December 2020	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	4,452	1 %	-8	-8
Mortgage loans	7,789	1 %	-38	-38
Derivatives	395	1 %	36	205
Other financial liabilities	582	1 %	-3	-3
Impact			-13	156

DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2019	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	2,804	1 %	-25	-25
Other financial assets	10	1 %	-	-
Mortgage loans	7,728	1 %	-38	-38
Derivatives	443	1 %	35	254
Other financial liabilities	515	1 %	-3	-3
Impact			-31	188

The sensitivity analysis has been prepared on the basis of the amount of net debt, the ratio of fixed to floating interest rate of the debt and the interest rate swap portfolio in place as at 31 December.

For receivables from and payables to entities with controlling or significant influence and other current financial assets interest rates are fixed based on the relevant interbank rate with a debit or credit margin. Other receivables or payables are not interest-bearing if they are paid when due.

Liquidity risks
Liquidity risk is the risk that the Group will not be able to settle its financial liabilities, when they fall due.

The Group ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the Group can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash, securities and undrawn credit facilities. The Group currently has no covenants. The Group assesses the liquidity risk to be low.

The Group uses Supply Chain Financing (SCF) to strengthen its financial position. SCF is based on a three-way relationship between Salling Group, a given supplier and the syndication banks facilitating the SCF programme. A number of Salling Group's suppliers participate in the SCF programme. When suppliers participate in the SCF programme they have the option to receive early payment from the syndication banks based on the invoices, that have been sent to Salling Group, when Salling Group has received and approved the goods or services, and accepted to pay the invoices at maturity date via the syndication banks. The arrangement of early payment is a transaction between the supplier and the syndication banks, and does not involve Salling Group. The advantage of participating in the SCF programme for suppliers is that their cash position can be improved.

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NOTES

16 Financial assets and financial liabilities - continued

Salling Group's liability in relation to the SCF programme is the invoices, which are recognised and presented as trade payables until maturity. Any extended payment terms are agreed with the individual vendors directly, and are not a consequence of the SCF programme. The payment terms of the suppliers that are participating in the SCF programme are no more than 120 days.

As at 31 December 2020 the Group has utilised the SCF facility by DKK 6.8 billion (DKK 5.9 billion in 2019).

The overview below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The undiscounted cash flows differ from both the carrying value and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

31 December 2020	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	317	707	7,565
Lease liabilities	835	3,067	3,081
Bank loans	1	-	-
Trade and other payables	14,563	638	-
Derivatives	114	253	28
Total	15,830	4,665	10,674

31 December 2019	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	139	773	7,915
Lease liabilities	822	3.005	3,695
Bank loans	1	-	-
Trade and other payables	14,173	235	-
Derivatives	110	365	47
Total	15,245	4,378	11,657

DKK million **2020** **2019**

NOTES

16 Financial assets and financial liabilities - continued

Credit risks
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group prepares credit ratings of customers and counterparties on a regular basis. Credit risks are managed on the basis of internal credit ratings and credit lines for customers and financial counterparties. The credit lines are determined on the basis of the customers' and counterparties' creditworthiness and local market risks. Counterparty credit lines are reviewed on an ongoing basis and may be updated throughtout the year subject to approval of management. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group is exposed to credit risks from trade and other receivables, balances with banks in the form of deposits and other financial instruments. The majority of the Group's sales are made in cash, and therefore, the credit risks are very low. The Group reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of Salling Group's bond portfolio will typically be low, currently 1.0.

The table below summarises the ageing analysis of trade receivables:

DKK million	2020	2019
Not due	63	91
< 30 days past due	4	23
30 to 90 days past due	-	3
90 to 180 days past due	-	1
> 180 days past due	5	2
Total	72	120

The Group recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2020 the provision amounts to DKK 7 million (31 December 2019: DKK 6 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral or other forms of credit insurance as security. The Group assesses the concentration of credit risk with respect to receivables as low.

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

Changes in assets and liabilities arising from financing activities

2020:	1 January 2020	Cash flows	Other	31 December 2020
Other financial assets excluding derivatives	-10	-	-31	-41
Mortgage loans	7,728	61	-	7,789
Lease liabilities	5,822	-536	180	5,466
Other financial liabilities excluding derivatives	525	67	9	601
Total assets and liabilities from financing activities	14,065	-408	158	13,815

2019:	1 January 2019	Cash flows	Other	31 December 2019
Other financial assets excluding derivatives	-	-	-10	-10
Mortgage loans	10,386	-2,658	-	7,728
Lease liabilities	6	-512	6,328	5,822
Other financial liabilities excluding derivatives	430	101	-6	525
Total assets and liabilities from financing activities	10,822	-3,069	6,312	14,065

DKK million

NOTES

17 Deferred tax

Specification of deferred tax

DKK million	Consolidated income statement 2020	Consolidated income statement 2019	Consolidated statement of financial position 2020	Consolidated statement of financial position 2019
Intangible assets	-11	9	-212	-200
Property, plant and equipment	-33	-17	-439	-405
Investment property	2	-2	9	7
Financial assets	5	-3	5	-
Other assets	1	-	-2	-3
Provisions	-2	1	87	90
Other liabilities	-22	-5	38	60
Leases	27	36	63	36
Other	22	-31	2	-20
Deferred tax expense / Net deferred tax	-11	-12	-449	-435

Deferred tax is recognised in the consolidated statement of financial position as follows:

	2020	2019
Deferred tax assets	75	25
Deferred tax liabilities	-524	-460
Net deferred tax	-449	-435

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DKK million		2020	2019
NOTES			
17	**Deferred tax - continued**		
	Reconciliation of net deferred tax		
	Opening balance at 1 January	-435	-382
	Foreign currency translation adjustments	-2	-
	Adjustment of deferred tax recognised in the income statement	-11	-12
	Adjustment of deferred tax recognised in other comprehensive income	-	2
	Deferred tax acquired in business combinations	-1	-
	Deferred tax related to discontinued operations	-	-43
	Closing balance at 31 December	-449	-435

In the Group an unrecognised deferred tax asset of DKK 6 million exists both as at 31 December 2020 and 31 December 2019 related to the Swedish subsidiary. The deferred tax asset is unrecognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised. The Swedish subsidiary has suffered a loss in both 2020 and 2019.

		2020	2019
18	**Inventories**		
	Goods held for resale	4,988	4,852
	Consumables	96	59
	Total inventories	5,084	4,911

In the income statement as part of cost of sales an income of DKK 3 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 1 million in 2019).

		2020	2019
19	**Assets classified as held for sale**		
	The major classes of assets classified as held for sale as at 31 December are as follows:		
	Land and buildings	4	14
	Assets classified as held for sale	4	14

The property classified as held for sale is recognised at carrying amount because the fair value less costs to sell of the property is higher than the carrying amount.

DKK million		2020	2019
NOTES			
20	**Pensions**		

The Group has entered into pension schemes and similar arrangements with most of the Group's employees. The majority of the Group's pension schemes are defined contribution plans. For a few former employees and some members of the founder's family defined benefit plans exist. The defined benefit plans are lifelong. The defined benefit plans guarantee fixed amounts per year adjusted for price inflation, and the plans are fully unfunded.

Changes in the present value of the defined benefit obligation:

	2020	2019
Defined benefit obligation at 1 January	271	275
Interest expenses recognised as part of staff expenses	1	1
Actuarial gains / losses, demographic assumptions	-	-3
Actuarial gains / losses, financial assumptions	-3	11
Actuarial gains / losses, experience adjustments	-	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	254	271
The following significant actuarial assumptions are applied:		
Discount rate	-0.5 %	-0.2 %
Price inflation	1.0 %	1.3 %

Life expectations are based on the Danish FSA's longevity benchmarks for the individual financial years.

A quantitative sensitivity analysis for the significant actuarial assumptions is shown below:

	2020	2019
Discount rate:		
Increase of 0.5 % point	-12	-13
Decrease of 0.5 % point	13	15
Price inflation:		
Increase of 0.5 % point	13	14
Decrease of 0.5 % point	-12	-13

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2020 is 30 years (31 years in 2019). DKK 15 million is expexted to be paid from the plans in 2021.

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DKK million

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21 Provisions

2019:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2019	115	121	49	285
Reclassified to right-of-use assets	-115	-	-	-115
Provisions made during the year	-	44	6	50
Provisions utilised during the year	-	-25	-8	-33
Reversals during the year	-	-12	-3	-15
Balance at 31 December 2019	-	128	44	172
Current	-	21	11	32
Non-current	-	107	33	140
Balance at 31 December 2019	-	128	44	172

2020:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2020	-	128	44	172
Provisions made during the year	-	51	13	64
Provisions utilised during the year	-	-19	-9	-28
Reversals during the year	-	-12	-6	-18
Balance at 31 December 2020	-	148	42	190
Current	-	30	7	37
Non-current	-	118	35	153
Balance at 31 December 2020	-	148	42	190

DKK million — **2020** — **2019**

NOTES

21 Provisions - continued

The provision for onerous contacts, if any, comprises provision for lease contracts for short-term leases and leases of low value assets and other contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them.

The insurance provision comprises the estimated expenditure based on actuarial calculations that the Group expects to incur. The insurance provision is based on insured events that have taken place before year end. The estimate includes the direct and indirect amounts that the Group expects to pay to settle the outstanding claims. The provision is discounted based on estimates of the payment period, and DKK 59 million is expected to fall due after more than 5 years (DKK 56 million in 2019).

Other provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concerns the Danish employees, and is estimated based on the expected jubilees for current employees. Of the provision DKK 17 million is expected to fall due after more than 5 years (DKK 16 million in 2019). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

22 Adjustments

DKK million	2020	2019
Financial income	-38	-44
Financial expenses	517	610
Amortisation and impairment of intangible assets	236	232
Depreciation and impairment of property, plant and equipment	1,007	967
Depreciation and impairment of right-of-use assets	641	661
Depreciation and impairment of investment property	13	6
Net gain/loss on sale of non-current assets etc.	-13	19
Share of profit from joint ventures, net of tax	-	-1
Other adjustments	8	-8
Adjustments	2,371	2,442

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DKK million		2020	2019
NOTES			
23	**Change in working capital**		
	Change in trade and other receivables and prepayments	22	-102
	Change in inventories	-208	-417
	Change in trade and other payables	787	15
	Change in working capital	601	-504

DKK million		2020	2019
NOTES			
24	**Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries**		

For a description of the acquisition of subsidiaries please refer to note 29.

During 2020 a prepayment of DKK 41 million has been made related to the intended acquisition of UK retailer Tesco's Polish business, and Skagenfood A/S acquired 51 % of the issued share capital and voting rights in Bodebjerg ApS. During 2019 an additional 10 % of Skagenfood A/S was acquired, as the first of the put options related to the non-controlling interests in the company was exercised.

	2020	2019
Brands	6	-
Right-of-use assets: Fixtures and fittings, tools and equipment	1	-
Inventory	1	-
Total assets	8	-
Deferred tax liability	1	-
Lease liabilities	1	-
Other payables	2	-
Total liabilities	4	-
Total identifiable net assets at fair value	4	-
Prepayment related to the intended acquisition of UK retailer Tesco's Polish business	41	-
Total	45	-
Cash	42	-
Contingent consideration arrangement	3	-
Total	45	-
Cash paid	-42	-
Cash paid relating to the purchase of an additional 10 % of the shares in Skagenfood A/S (previously recognised as put option liability)	-	-9
Net cash flow on acquisition	-42	-9

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DKK million		2020	2019
NOTES			
25	**Sale of subsidiaries, net of cash sold**		
	Land and buildings	-	953
	Fixtures and fittings, tools and equipment	-	99
	Leasehold improvements	-	34
	Right-of-use assets: Land and buildings	-	135
	Right-of-use assets: Fixtures and fittings, tools and equipment	-	3
	Deferred tax assets	-	43
	Inventory	-	262
	Income tax receivables	-	12
	Other receivables	-	14
	Prepayments	-	12
	Cash and bank balances	-	60
	Total assets	-	1,627
	Lease liabilities	-	149
	Other current financial liabilities	-	128
	Trade payables	-	563
	Income tax payable	-	1
	Other payables	-	152
	Total liabilities	-	993
	Total net assets in the subsidiaries	-	634
	Cash	-	1,761
	Total consideration received	-	1,761
	Net cash sold with the subsidiaries	-	-60
	Cash received	-	1,761
	Cost incurred related to the sale of the subsidiaries	-	-18
	Net cash flow on sale	-	1,683

DKK million		2020	2019
NOTES			
26	**Cash and cash equivalents**		
	Cash and bank balances	1,528	1,687
	Current liabilities - bank loans	-1	-1
	Cash and cash equivalents available to the Group	1,527	1,686

27 Contingent assets, liabilities and other financial commitments

Operating leases, the Group is lessor

The Group leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 1 month and 21 years. Under some of the leases the external parties have the option to continue the lease of the assets beyond the agreed upon lease terms.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
Within 1 year	179	184
1 to 5 years	272	285
After 5 years	104	116
Total	555	585

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CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million

NOTES

27 Contingent assets, liabilities and other financial commitments - continued

Contingent liabilities and financial commitments

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 904 million (DKK 1,102 million in 2019).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 25 million (DKK 12 million in 2019).

As security for mortgage loans, land and buildings with a carrying amount of DKK 5,625 million have been provided as collateral (DKK 6,024 million in 2019).

As security for interest rate swap contracts securities with a carrying amount of DKK 262 million have been provided as collateral (DKK 0 million in 2019).

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 494 million at 31 December 2020 (DKK 564 million in 2019).

The Danish companies in Købmand Herman Sallings Fond Group are jointly taxed. As jointly taxed companies, which are not wholly owned, the companies in the Salling Group A/S subgroup have limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. However, Salling Group A/S' subsidiaries have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Salling Group 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 companies' liability will increase.

Guarantees of DKK 248 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 248 million in 2019).

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 109 million (DKK 111 million in 2019).

DKK million	2020	2019
NOTES		
28 Related party disclosures		

Transactions between Salling Group A/S and its subsidiaries have been eliminated in the consolidated financial statements and are not disclosed in this note.

All related party transactions take place at an arm's length basis. The following related party transactions were carried out with related parties:

	2020	2019
Entities with controlling or significant influence over the Group:		
Sales of services	2	2
Lease payments	-28	-28
Interests paid	-	-1
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	13	10
Joint ventures:		
Dividends received	-	1

All outstanding balances with related parties as at 31 December are presented in note 16. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 16.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2019). No expense has been recognised in 2020 or 2019 for bad or doubtful debts.

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CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million | **2020** | **2019**

NOTES

28 Related party disclosures - continued

Key management personnel

Key management personnel includes the Board of Directors, the Executive Board and other executive employees. For 2020 other executive employees comprise 8 persons throughout the year. During 2019 other executive employees have comprised a total of 10 persons. At year end 2019 8 of these were still employed. The key management personnel remuneration is shown below:

DKK million	2020	2019
Short-term employee benefits	77	70
Post-employment benefits - defined contribution plans	3	3
Other long-term benefits	22	14
Termination benefits	-	4
Total remuneration	102	91

Short term bonus plan
The Executive Board and other executive employees participate in short term bonus plans, in which the bonus is dependent on profit for the year and other conditions.

Long term incentive plan
For the periods 2018 - 2020, 2019 - 2021 and 2020 - 2022 long term incentive plans have been granted to the Executive Board and other executive employees. The estimated provision expensed in 2020 amounts to DKK 22 million (DKK 14 million in 2019).

The total remuneration of the Board of Directors and the Executive Board amounts to DKK 35 million (DKK 31 million in 2019).

DKK million

NOTES

29 Business combinations

During 2019 no business combinations took place.

During June 2020 the acquisition of UK retailer Tesco's Polish business was announced, and a prepayment took place related to the acquisition during 2020. The deal was completed on 16 March 2021.

During 2020 Skagenfood A/S acquired controlling interests in Bodebjerg ApS. Skagenfood A/S acquired 51 % of the issued share capital and voting rights in the company.

Bodebjerg ApS is one of Skagenfood A/S' suppliers, and it is the intention to continue running Bodebjerg ApS as a separate company supplying both Skagenfood A/S and other Group companies with high quality meat products. The purchase consideration transferred consisted of cash. Skagenfood A/S holds call options to purchase the remaining 49 % of the shares in Bodebjerg ApS at a favourable price. The call options can be exercised in 2023 and 2025.

As the call options in reality give Skagenfood A/S present access to the returns associated with that ownership interest, the non-controlling interests that are comprised by the call options are considered to be purchased at the point in time, where the call options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. The call options are recognised in the Group at DKK 3 million as at 31 December 2020.

During 2017 Salling Group A/S acquired controlling interests in Skagenfood A/S. Salling Group A/S acquired 80 % of the issued share capital and voting rights in the company. Skagenfood A/S was acquired 21 June 2017.

Skagenfood A/S is one of the main players in Denmark regarding sale of meal boxes, and Salling Group intents to continue running Skagenfood A/S along side the Group's other online-activities. The purchase consideration transferred consisted of cash. Salling Group A/S entered into a contractual commitment to purchase the remaining 20 % of the shares in Skagenfood A/S. The founders of the company held put options that allowed them to sell the remaining shares at prices dependent on the development of the company. The put options could be exercised in 2019 and 2023. During 2019 the first put option was exercised and an additional 10 % of Skagenfood A/S was acquired.

The remaining put option is treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put options are considered to be purchased at the point in time where the put options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. The remaining put option is recognised at DKK 16 million as at 31 December 2020 (DKK 10 million in 2019).

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK million

NOTES

30 Capital management

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while maximising the return to the shareholders through the optimisation of the debt and equity balance. For the purpose of the Group's capital management, capital includes total equity.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group has no covenants in relation to bank facilities or other financing activities, hence as at 31 December 2020 or 2019 no covenants exist.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

31 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2020. The current COVID-19 crisis has had a positive effect on both revenue and profit for the year 2020, whereas the crisis had no effect on the annual report for 2019. The COVID-19 crisis has also had a positive effect on revenue and profits for the first months of 2021, but this effect is expected to be reduced, as the Group's markets gradually reopen.

In June 2020, Salling Group announced the acquisition of the UK retailer Tesco's Polish business. The deal was completed on 16 March 2021. The purchase price is DKK 281 million (PLN 171 million). Of the total purchase price, DKK 41 million (PLN 25 million) was paid upfront in May 2020.

As per the date of publication of the Annual Report for Salling Group A/S for 2020 it has not been possible to obtain sufficient financial data to fulfill the reporting requirements according to IFRS 3 regarding business combinations. Therefore information about the opening balance, the acquired net assets at the time of the acquisition and goodwill is not included in these financial statements.

DKK million

NOTES

32 Standards issued but not yet effective

The new and amended standards IFRS 17 Insurance Contracts, Amendments to IAS 1: Classification of Liabilities as Current or Non-current, Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use, Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract, Amendments to IFRS 3: Reference to the Conceptual Framework, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 16: Covid-19-related Rent Concessions, Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, Annual Improvements to IFRS Standards 2018 - 2020 and Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture have been issued, but are not yet effective as at 1 January 2020. The Group plans to adopt the new standards on the required effective dates. Overall the Group expects no significant impact on its statement of financial position and equity of the standards.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

DKK million		2020	2019
NOTES			
	Revenue from contracts with customers	45,478	42,447
	Other revenue	206	254
4	Total revenue	45,684	42,701
	Cost of sales	-32,099	-29,722
	Gross profit	13,585	12,979
5	Staff expenses	-6,342	-6,023
	External expenses	-3,342	-3,492
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	3,901	3,464
	Depreciation and amortisation	-1,969	-1,958
	Impairment losses, net	2	32
	Net loss on disposal of investment property, property, plant and equipment and intangible assets	-2	-8
	Operating profit (EBIT)	1,932	1,530
14	Share of profit from subsidiaries, net of tax	960	787
15	Share of profit from joint ventures, net of tax	-	1
6	Financial income	52	62
7	Financial expenses	-804	-886
	Profit before tax	2,140	1,494
8	Income tax	-288	-172
	Profit for the year from continuing operations	1,852	1,322
9	Profit for the year from discontinued operations, net of tax	-	969
	Total profit for the year	1,852	2,291
	Proposal for distribution of profit for the year:		
	Proposed dividends	200	200
	Equity reserves	1,652	2,091
	Total profit for the year	1,852	2,291

PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK million		2020	2019
NOTES			
	Profit for the year	1,852	2,291
	Other comprehensive income, net of tax:		
	Items that will not be reclassified to the income statement:		
8	Remeasurement of defined benefit plans	2	-8
		2	-8
	Items that subsequently are or may be reclassified to the income statement:		
14, 15	Exchange differences on translating foreign operations	-271	21
	Exchange differences related to the disposal of discontinued operations	-	167
14, 15	Other comprehensive income to be reclassified in subsidiaries and joint ventures	37	-62
		-234	126
	Other comprehensive income for the year, net of tax	-232	118
	Total comprehensive income for the year	1,620	2,409

PARENT COMPANY FINANCIAL STATEMENTS
PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Assets

DKK million		2020	2019
NOTES			
	Non-current assets		
10	**Intangible assets**		
	Goodwill	92	92
	Software	832	841
	Software development in progress	148	99
	Brands	23	25
	Other intangible assets	1	1
	Total intangible assets	1,096	1,058
11	**Property, plant and equipment**		
	Land and buildings	438	448
	Fixtures and fittings, tools and equipment	1,656	1,430
	Leasehold improvements	148	131
	Assets under construction and prepayments	53	21
	Total property, plant and equipment	2,295	2,030
12	**Right-of-use assets**		
	Land and buildings	11,810	12,611
	Fixtures and fittings, tools and equipment	70	75
	Total right-of use assets	11,880	12,686
13	**Investment property**	127	132
	Financial assets		
14	Investments in subsidiaries	9,867	10,568
15	Investments in joint ventures	-	-
16	Other non-current financial assets	333	334
	Total financial assets	10,200	10,902
	Total non-current assets	**25,598**	**26,808**

DKK million		2020	2019
NOTES			
	Amount transferred	25,598	26,808
	Current assets		
17	**Inventories**	4,151	3,961
	Receivables		
16	Trade receivables	48	85
	Income tax receivables	100	26
16	Other receivables	298	294
	Prepayments	35	45
16	Other current financial assets	280	829
	Total receivables	761	1,279
16	**Securities**	4,159	2,517
16	**Cash and short-term deposits**	1,284	1,399
	Total current assets	**10,355**	**9,156**
	Total assets	**35,953**	**35,964**

PARENT COMPANY FINANCIAL STATEMENTS
PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Equity and liabilities

NOTES	DKK million	2020	2019
18	**Equity**		
	Share capital	524	524
	Reserve for net revaluation under the equity method	1,360	1,366
	Foreign currency translation reserve	-332	-61
	Development projects reserve	465	387
	Retained earnings	5,393	3,774
	Proposed dividends	200	200
	Total equity	**7,610**	**6,190**

NOTES	DKK million	2020	2019
	Amount transferred	7,610	6,190
	Liabilities		
	Non-current liabilities		
19	Pensions	254	271
20	Deferred tax liabilities	41	77
21	Provisions	34	32
16	Mortgage loans	198	455
12, 16	Lease liabilities	11,625	12,203
16	Other non-current financial liabilities	308	344
16	Other non-current payables	618	225
	Total non-current liabilities	13,078	13,607
	Current liabilities		
21	Provisions	6	10
16	Mortgage loans	5	4
12, 16	Lease liabilities	1,061	1,025
16	Other current financial liabilities	2,414	3,492
16	Trade payables	9,667	9,432
16	Other payables	2,049	2,107
	Deferred income	63	97
	Total current liabilities	15,265	16,167
	Total liabilities	**28,343**	**29,774**
	Total equity and liabilities	**35,953**	**35,964**

PARENT COMPANY FINANCIAL STATEMENTS
PARENT COMPANY CASH FLOW STATEMENT

NOTES	DKK million	2020	2019
	Profit before tax	2,140	1,494
	Loss before tax from discontinued operations	-	-16
22	Adjustments	1,746	1,992
23	Change in working capital	389	-424
	Net cash flows from operating activities before financial items and tax	4,275	3,046
	Financial income received	63	59
	Financial expenses paid	-800	-847
	Income tax paid	-398	-227
	Net cash flows from operating activities	**3,140**	**2,031**
10	Purchase of intangible assets	-261	-145
11	Purchase of property, plant and equipment	-761	-564
13	Purchase of investment property	-	-3
	Proceeds from sale of investment property, property, plant and equipment and intangible assets	-	1
24	Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-41	-9
14	Capital contribution on the establishment of subsidiaries	-	-115
14	Dividends received from subsidiaries	1,427	695
	Purchase of securities	-5,046	-2,446
	Sale of securities	3,404	2,972
	Sale of subsidiaries	-	1,743
	Repayment, receivables	10	119
15	Dividends received from joint ventures	-	1
	Net cash flows from investment activities	**-1,268**	**2,249**

NOTES	DKK million	2020	2019
	Amount transferred	1,872	4,280
	Net repayments from related parties	732	218
	Net repayments to related parties	-1,282	-2,363
	Repayment of borrowings	-256	-725
12	Net payment of lease liabilities	-981	-915
	Dividends paid	-200	-200
	Net cash flows from financing activities	**-1,987**	**-3,985**
	Net change in cash and cash equivalents	-115	295
	Cash and cash equivalents at 1 January	1,399	1,104
25	**Cash and cash equivalents at 31 December**	**1,284**	**1,399**

PARENT COMPANY FINANCIAL STATEMENTS
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

DKK million

2019:	Share capital	Reserve for net re-valuation under the equity method	Foreign currency trans-lation reserve	Devel-opment projects reserve	Retained earnings	Pro-posed divi-dends	Total equity, parent company
Equity at 1 January 2019	524	937	-249	314	2,255	200	3,981
Profit for the year	-	758	-	73	1,260	200	2,291
Remeasurement of defined benefit plans	-	-	-	-	-8	-	-8
Exchange differences on translating foreign operations	-	-	21	-	-	-	21
Reclassification to the income statement on disposal of discontinued operations	-	-	167	-	-	-	167
Other comprehensive income to be reclassified in subsidiaries	-	-62	-	-	-	-	-62
Other comprehensive income	-	-62	188	-	-8	-	118
Total comprehensive income for the year	**-**	**696**	**188**	**73**	**1,252**	**200**	**2,409**
Dividends received from subsidiaries	-	-695	-	-	695	-	-
Dividends received from joint venture	-	-1	-	-	1	-	-
Reclassification related to discontinued operations	-	429	-	-	-429	-	-
Payment of dividends	-	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-267**	**-**	**-**	**267**	**-200**	**-200**
Equity at 31 December 2019	**524**	**1,366**	**-61**	**387**	**3,774**	**200**	**6,190**

DKK million

2020:	Share capital	Reserve for net re-valuation under the equity method	Foreign currency trans-lation reserve	Devel-opment projects reserve	Retained earnings	Pro-posed divi-dends	Total equity, parent company
Equity at 1 January 2020	524	1,366	-61	387	3,774	200	6,190
Profit for the year	-	960	-	78	614	200	1,852
Remeasurement of defined benefit plans	-	-	-	-	2	-	2
Exchange differences on translating foreign operations	-	-	-271	-	-	-	-271
Reclassification to the income statement on disposal of discontinued operations	-	-	-	-	-	-	-
Other comprehensive income to be reclassified in subsidiaries	-	37	-	-	-	-	37
Other comprehensive income	-	37	-271	-	2	-	-232
Total comprehensive income for the year	**-**	**997**	**-271**	**78**	**616**	**200**	**1,620**
Dividends received from subsidiaries	-	-1,427	-	-	1,427	-	-
Dividends received from joint venture	-	-	-	-	-	-	-
Reclassification related to dissolution of joint venture	-	424	-	-	-424	-	-
Payment of dividends	-	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-1,003**	**-**	**-**	**1,003**	**-200**	**-200**
Equity at 31 December 2020	**524**	**1,360**	**-332**	**465**	**5,393**	**200**	**7,610**

PARENT COMPANY FINANCIAL STATEMENTS
SUMMARY OF NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTES

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million

NOTES

1 General information

The primary business area of Salling Group A/S is the running of five different formats of retail stores. In Denmark, Bilka, føtex, Netto, Salling and BR. In e-commerce we operate with Bilka.dk, Salling.dk, føtex.dk, BR.dk, wupti.com and flowr.dk. Furthermore Salling Group A/S operates Starbucks and Carl's Jr as franchises in Denmark.

Salling Group A/S also owns a number of subsidiaries in Denmark and abroad, and in June 2020, Salling Group A/S announced the largest acquisition in the history of the company, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021.

During June 2019 Salling Group A/S sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB. In 2019 Salling Group A/S founded the subsidiaries Fastighetsbolaget den 10. Maj 2019 AB and Salling Group Sverige AB. Fastighetsbolaget den 10. Maj 2019 AB was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB) during December 2019

Salling Group A/S is a public limited company with its registered office located at Rosbjergvej 33, 8220 Brabrand in Denmark.

2 Summary of significant accounting policies

For a summary of significant accounting policies please refer to note 2 in the notes to the consolidated financial statements.

A reclassification of DKK 132 million has been made in the comparison figures between Land and buildings and Investment property, as a few buildings had incorrectly been presented as Land and buildings instead of Investment property (DKK 133 million at 1 January 2019). The accounting principles applied for investment property are similar to the accounting principles applied for land and buildings.

3 Significant accounting judgements, estimates and assumptions

For a summary of significant accounting judgements, estimates and assumptions please refer to note 3 in the notes to the consolidated financial statements.

PARENT COMPANY FINANCIAL STATEMENTS
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million		2020	2019
NOTES			
4	**Total revenue**		
	Revenue from contracts with customers, retail and e-commerce activities	45,478	42,447
	Total revenue from contracts with customers	45,478	42,447
	Rental revenue, investment property	34	32
	Other revenue	172	222
	Total other revenue	206	254
	Total revenue	45,684	42,701

For descriptions related to revenue please refer to note 4 in the notes to the consolidated financial statements.

DKK million		2020	2019
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	5,689	5,358
	Post-employment benefits - defined contribution plans	369	382
	Post-employment benefits - defined benefit plans	1	1
	Social security costs	144	140
	Other staff expenses	139	142
	Total staff expenses	6,342	6,023
	Average number of full-time employees	17,991	17,231

DKK million		2020	2019
NOTES			
6	**Financial income**		
	Interest income on loans to related parties	12	17
	Interest income on other loans and receivables	3	5
	Net gain on financial instruments held for trading	18	-
	Net foreign exchange gain	17	39
	Other financial income	2	1
	Total financial income	52	62
7	**Financial expenses**		
	Interest expense on mortgage loans	7	26
	Interest expense on lease liabilities	747	770
	Interest expense on bank loans	6	7
	Interest expense on loans from related parties	20	24
	Net loss on derivatives not designated as hedging instruments	7	2
	Net loss on financial instruments held for trading	-	8
	Other financial expenses	17	49
	Total financial expenses	804	886

PARENT COMPANY FINANCIAL STATEMENTS
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million		2020	2019
NOTES			
8	**Income tax**		
	Current income tax	-313	-252
	Adjustment regarding prior years, current income tax	-11	-3
	Change in deferred tax	36	82
	Total income tax	-288	-173
	Income tax recognised in the income statement	-288	-175
	Income tax recognised in other comprehensive income	-	2
	Total income tax	-288	-173

Reconciliation of income tax recognised in the income statement

	2020		2019	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-471	22.0 %	-543	22.0 %
Non-deductible costs	-18	0.8 %	-18	0.7 %
Non-taxable income	212	-9.9 %	389	-15.8 %
Adjustment to prior periods	-11	0.5 %	-3	0.2 %
Income tax recognised in the income statement	-288	13.4 %	-175	7.1 %
Income tax recognised in the income statement related to continuing operations	-288		-172	
Income tax recognised in the income statement related to discontinued operations	-		-3	
Income tax recognised in the income statement	-288		-175	

DKK million		2020			2019		
NOTES							
8	**Income tax - continued**						
	Tax on other comprehensive income						
		Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	Remeasurement of defined benefit plans	2	-	2	-10	2	-8
		2	-	2	-10	2	-8

		2020	2019
9	**Profit for the year from discontinued operations, net of tax**		

During June 2019 Salling Group A/S sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB, and Fastighetsbolaget den 10. Maj 2019 AB was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB) during December 2019. The 2019 results for the subsidiaries and the gain on the sales are presented below. No remeasurements to fair value less costs to sell were necessary.

	2020	2019
Share of loss from the subsidiaries sold, net of tax	-	-30
Parent company transactions towards the subsidiaries sold	-	14
Income tax related to the parent company transactions towards the subsidiaries sold	-	-3
Gain on disposal of the subsidiaries	-	988
Income tax related to the gain on disposal of the subsidiaries	-	-
Profit for the year from discontinued operations	-	969

PARENT COMPANY FINANCIAL STATEMENTS
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million

NOTES

10 Intangible assets

2019:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2019	270	2,026	82	76	13	2,467
Additions	-	66	53	26	-	145
Reclassifications	-	32	-36	-	-	-4
Balance at 31 December 2019	270	2,124	99	102	13	2,608
Accumulated amortisation and impairment losses						
Balance at 1 January 2019	-178	-1,065	-	-76	-11	-1,330
Amortisation	-	-218	-	-1	-1	-220
Balance at 31 December 2019	-178	-1,283	-	-77	-12	-1,550
Carrying amount at 31 December 2019	92	841	99	25	1	1,058

DKK million

NOTES

10 Intangible assets - continued

2020:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2020	270	2,124	99	102	13	2,608
Additions	-	128	132	-	1	261
Reclassifications	-	81	-83	-	-	-2
Disposals	-	-257	-	-	-	-257
Balance at 31 December 2020	270	2,076	148	102	14	2,610
Accumulated amortisation and impairment losses						
Balance at 1 January 2020	-178	-1,283	-	-77	-12	-1,550
Amortisation	-	-218	-	-2	-1	-221
Disposals	-	257	-	-	-	257
Balance at 31 December 2020	-178	-1,244	-	-79	-13	-1,514
Carrying amount at 31 December 2020	92	832	148	23	1	1,096

For a description of the performed impairment tests please refer to note 11 in the notes to the consolidated financial statements.

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DKK million

NOTES

11 Property, plant and equipment

2019:	Land and build-ings	Fixtures and fittings, tools and equip-ment	Lease-hold improve-ments	Assets under con-struc-tion	Total
Cost					
Balance at 1 January 2019	909	4,587	722	12	6,230
Additions	14	512	27	11	564
Reclassifications	-	6	-	-2	4
Disposals	-	-239	-13	-	-252
Balance at 31 December 2019	923	4,866	736	21	6,546
Accumulated depreciation and impairment losses					
Balance at 1 January 2019	-465	-3,215	-590	-	-4,270
Depreciation	-10	-457	-21	-	-488
Impairment losses recognised in the income statement	-	-	-1	-	-1
Disposals	-	236	7	-	243
Balance at 31 December 2019	-475	-3,436	-605	-	-4,516
Carrying amount at 31 December 2019	448	1,430	131	21	2,030

DKK million

NOTES

11 Property, plant and equipment - continued

2020:	Land and build-ings	Fixtures and fittings, tools and equip-ment	Lease-hold improve-ments	Assets under con-struc-tion	Total
Cost					
Balance at 1 January 2020	923	4,866	736	21	6,546
Additions	1	688	38	34	761
Reclassifications	-	4	-	-2	2
Disposals	-	-193	-4	-	-197
Balance at 31 December 2020	924	5,365	770	53	7,112
Accumulated depreciation and impairment losses					
Balance at 1 January 2020	-475	-3,436	-605	-	-4,516
Depreciation	-11	-464	-21	-	-496
Disposals	-	191	4	-	195
Balance at 31 December 2020	-486	-3,709	-622	-	-4,817
Carrying amount at 31 December 2020	438	1,656	148	53	2,295

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DKK million

NOTES

12 Leases

The parent company has entered into a number of leases with external parties regarding a number of stores, warehouses and some operational equipment. Under some of the leases the parent company has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements impose no restrictions on the parent company.

The parent company has also entered into a number of leases with terms of up to 20 years with companies within Købmand Herman Sallings Fond Group.

Right-of-use assets

2019:	Land and build-ings	Fixtures and fittings, tools and equip-ment	Total
Cost			
Balance at 1 January 2019	-	-	-
Effect of implementing IFRS 16 at 1 January 2019	13,701	91	13,792
Adjusted balance at 1 January 2019	13,701	91	13,792
Additions	321	18	339
Remeasurement of lease liabilities	11	1	12
Balance at 31 December 2019	14,033	110	14,143
Accumulated depreciation and impairment losses			
Balance at 1 January 2019 (previously recognised as provisions)	-244	-	-244
Depreciation	-1,211	-35	-1,246
Impairment losses recognised in the income statement	-23	-	-23
Reversals of impairment losses recognised in the income statement	56	-	56
Balance at 31 December 2019	-1,422	-35	-1,457
Carrying amount at 31 December 2019	12,611	75	12,686

DKK million

NOTES

12 Leases - continued

2020:	Land and build-ings	Fixtures and fittings, tools and equip-ment	Total
Cost			
Balance at 1 January 2020	14,033	110	14,143
Additions	349	28	377
Remeasurement of lease liabilities	61	1	62
Balance at 31 December 2020	14,443	139	14,582
Accumulated depreciation and impairment losses			
Balance at 1 January 2020	-1,422	-35	-1,457
Depreciation	-1,214	-34	-1,248
Impairment losses recognised in the income statement	-17	-	-17
Reversals of impairment losses recognised in the income statement	20	-	20
Balance at 31 December 2020	-2,633	-69	-2,702
Carrying amount at 31 December 2020	11,810	70	11,880

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DKK million	2020		2019	
NOTES				
12 Leases - continued				
Lease liabilities				
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	1,689	1,061	1,655	1,025
1 to 5 years	6,540	4,325	6,305	3,826
After 5 years	8,673	7,300	9,795	8,377
Total	16,902	12,686	17,755	13,228

	2020	2019
Amounts recognised in the parent company income statement		
Interest expense on lease liabilities	747	770
Expenses related to leases of low value assets	19	13
Income from subleasing of right-of use assets	3	4

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2020 and 2019.

In 2020 the parent company paid DKK 1,728 million related to lease contracts (DKK 1,685 million in 2019), of which DKK 747 million relate to interest payments regarding recognised lease liabilities (DKK 770 million in 2019) and DKK 981 million relate to payment of recognised lease liabilities (DKK 915 million in 2019).

Regarding situations, where the parent company is lessor, please refer to note 26.

DKK million	2020	2019
NOTES		
13 Investment property		
Cost		
Balance at 1 January	474	471
Additions	-	3
Balance at 31 December	474	474
Accumulated depreciation and impairment losses		
Balance at 1 January	-342	-338
Depreciation	-4	-4
Impairment losses recognised in the income statement	-1	-
Balance at 31 December	-347	-342
Carrying amount at 31 December	127	132

Investment property comprises a shopping centre and flats located adjacent to Salling Group's stores.

During 2020 an impairment loss was recognised regarding one investment property, where the expected sales price of the investment property is lower than the carrying amount of the investment property. No impairment losses were recognised in 2019. The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of Impairment losses.

The estimated fair value of investment property amounted to DKK 931 million at 31 December 2020 (DKK 712 million at 31 December 2019). The fair value is not based on a valuation by an independent valuer.

The fair value of the investment property falls within level 3 of the fair value hierarchy. The fair value is based on a rate of return compared with a price per square metre. The rate of return is based on experience with real estate deals.

	2020	2019
Rental income from investment property	34	32
Direct operating expenses from investment property that generated rental income	-11	-8
Profit arising from investment property	23	24

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DKK million		2020	2019
NOTES			
14	**Investments in subsidiaries**		
	Cost		
	Balance at 1 January	8,839	9,954
	Additions	-	115
	Disposals	-	-1,230
	Balance at 31 December	8,839	8,839
	Value adjustments		
	Balance at 1 January	1,729	1,112
	Dividends	-1,427	-695
	Foreign currency translation	-271	21
	Other comprehensive income for the year	37	-62
	Profit for the year	960	757
	Disposals	-	596
	Balance at 31 December	1,028	1,729
	Carrying amount at 31 December	9,867	10,568

For information about business combinations please refer to note 28.

For a list of subsidiaries please refer to note 2 in the notes to the consolidated financial statements.

DKK million		2020	2019
NOTES			
15	**Investments in joint ventures**		

Netto UK Ltd. handed in final accounts in liquidation of the company in December 2019, and the company was dissolved in 2020.

	2020	2019
Cost		
Balance at 1 January	424	424
Dissolution	-424	-
Balance at 31 December	-	424
Value adjustments		
Balance at 1 January	-424	-424
Dividends	-	-1
Profit for the year	-	1
Dissolution	424	-
Balance at 31 December	-	-424
Carrying amount at 31 December	-	-

Specification of investments in joint ventures until dissolution:	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Netto UK Ltd.	50 %	Wakefield, the UK

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DKK million	2020	2019	2020	2019
NOTES				
16 Financial assets and financial liabilities				
Financial assets comprise the following:				
	Carrying amount		Fair value	
Prepayments	41	-	41	-
Derivatives not designated as hedging instruments	292	334	292	334
Other non-current financial assets	333	334	333	334
Trade receivables	48	85	48	85
Other receivables	298	294	298	294
Receivables from subsidiaries	177	710	177	710
Derivatives not designated as hedging instruments	103	109	103	109
Other current financial assets	-	10	-	10
Other current financial assets	280	829	280	829
Securities	4,159	2,517	4,159	2,517
Cash and short-term deposits	1,284	1,399	1,284	1,399

DKK million	2020	2019	2020	2019
NOTES				
16 Financial assets and financial liabilities - continued				
Financial liabilities comprise the following:				
	Carrying amount		Fair value	
Mortgage loans - non-current	198	455	201	461
Mortgage loans - current	5	4	5	4
Mortgage loans	203	459	206	465
Lease liabilities - non-current	11,625	12,203		
Lease liabilities - current	1,061	1,025		
Lease liabilities	12,686	13,228		
Derivatives not designated as hedging instruments	292	334	292	334
Other non-current financial liabilities	16	10	16	10
Other non-current financial liabilities	308	344	308	344
Payables to entities with controlling influence	57	66	57	66
Payables to entities with significant influence	525	449	525	449
Payables to subsidiaries	1,715	2,866	1,715	2,866
Derivatives not designated as hedging instruments	117	111	117	111
Other current financial liabilities	2,414	3,492	2,414	3,492
Trade payables	9,667	9,432	9,667	9,432
Other payables - non-current	618	225	618	225
Other payables - current	2,049	2,107	2,049	2,107
Other payables	2,667	2,332	2,667	2,332

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DKK million	2020	2019
NOTES		
16 Financial assets and financial liabilities - continued		
Financial instruments by category		
Financial assets at amortised cost:		
Trade receivables	48	85
Other receivables	298	294
Other financial assets excluding derivatives	218	720
Cash and short-term deposits	1,284	1,399
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments	395	443
Securities	4,159	2,517
Financial liabilities measured at amortised cost:		
Mortgage loans	203	459
Lease liability	12,686	13,228
Other financial liabilities excluding derivatives	2,313	3,391
Trade payables	9,667	9,432
Other payables	2,667	2,332
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	409	445

Derivatives not designed as hedging instruments reflect partly the positive or negative change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk and partly the changes in fair value of those interest rate swap contracts used by the Group to hedge CIBOR-based mortgage loans.

Financial assets at fair value through profit or loss include investments in listed Danish mortgage bonds. Fair values of these bonds are determined by reference to published price quotations in an active market.

DKK million

NOTES

16 Financial assets and financial liabilities - continued

Financial liabilities: Interest-bearing mortgage

Overview of borrowings by interest rate levels:

		Next interest rate fixing		
31 December 2020	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	203	30	-	173
Total	203	30	-	173
Of which:				
Bearing fixed interests	85 %			
Bearing floating interests	15 %			

		Next interest rate fixing		
31 December 2019	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	289	289	-	-
2 - 4 %	170	-	-	170
Total	459	289	-	170
Of which:				
Bearing fixed interests	63 %			
Bearing floating interests	37 %			

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

Hedge accounting and derivatives

Cash flow hedging is used on Group level to ensure that part of Group's interest rate risk exposure is at a fixed rate. In the parent company hedge accounting is not used. For further information about the use of hedge accounting please refer to note 16 in the notes to the consolidated financial statements.

Fair value

For cash and short-term deposits, trade receivables and payables, other receivables and payables and other short-term receivables and payables the carrying amount is a reasonable approximation of fair value, largely due to the short-term maturities of the financial instruments.

Derivatives not defined as hedges are valued using valuation techniques, which are based on market observable inputs, and thereby fall within level 2 of the fair value hierarchy. The most frequently applied valuation technique for interest rate swaps, i.e. a fixed rate swapped for a floating rate, is determining the present value of the fixed leg and the floating leg using a relevant swap curve.

The fair value of securities is derived from quoted market prices in active markets, and falls within level 1 of the fair value hierarchy.

Fair value of the remaining borrowing items falls within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

DKK million

NOTES

16 Financial assets and financial liabilities - continued

Risks arising from financial instruments

The parent company's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the parent company's financial counterparties. There has been no structural changes in the risk exposure or risks compared to 2019.

For an in-depth description of the policies for managing risks please refer to note 16 in the notes to the consolidated financial statements.

Currency risks
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The parent company's exposure to the risk of changes in foreign exchange rate relates primarily to the operating activities and the net investments in foreign subsidiaries. The framework for hedging guidelines and risk mandate is covered by the FX risk management policy.

For a description of the FX risk management please refer to note 16 in the notes to the consolidated financial statements.

The following overview illustrates the effect on the parent company income statement and the parent company's equity that would result at the balance sheet date, from changes in currency exchange rates that are reasonable possible for material currencies:

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2020	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	93	14	242	2	56
Known USD purchase orders	-	-	-	-	-600
Net exposures before derivatives	93	14	242	2	-544
Derivatives	417	-	171	-	739
Net exposures after derivatives	510	14	413	2	195
The net exposure relates to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	510	14	413	2	195
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	5	1	21	-	10

DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2019	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	83	8	422	15	14
Financial liabilities	-862	-	-	-	-
Known USD purchase orders	-	-	-	-	-437
Net exposures before derivatives	-779	8	422	15	-423
Derivatives	-448	-	-228	-	307
Net exposures after derivatives	-1,227	8	194	15	-116
The net exposure relates to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	-1,227	8	194	15	-116
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-12	-	10	1	-6

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

The sensitivity analysis only includes currency exposures arising from financial instruments. The applied change in the exchange rates is based on historical currency fluctuations. A decrease in the foreign currencies would have the opposite effect as the impact shown in the above overview.

Interest rate risks
The parent company's exposure to risk of changes in market interest rates relates to mortgage loans, internal loans and intercompany balances and its bond holdings. For further descriptions regarding the overall interest rate risk management please refer to note 16 in the notes to the consolidated financial statements.

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by DKK -21 million (DKK -43 million in 2019).

Sensitivity analysis based on a 1 %-point increase in interest rates:

31 December 2020	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	4,159	1 %	-5	-5
Other financial assets	177	1 %	2	2
Mortgage loans	203	1 %	-1	-1
Derivatives, net	14	1 %	-	-
Other financial liabilities	2,297	1 %	-17	-17
Impact			-21	-21

31 December 2019	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	2,517	1 %	-25	-25
Other financial assets	720	1 %	10	10
Mortgage loans	459	1 %	-2	-2
Derivatives, net	2	1 %	-	-
Other financial liabilities	3,381	1 %	-26	-26
Impact			-43	-43

DKK million

NOTES

16 Financial assets and financial liabilities - continued

The sensitivity analysis has been prepared on the basis of the amount of net debt, the ratio of fixed to floating interest rate of the debt and the interest rate swap portfolio in place as at 31 December.

For receivables from and payables to entities with controlling or significant influence, subsidiaries and other current financial assets interest rates are fixed based on the relevant interbank rate with a debit or credit margin. Other receivables or payables are not interest-bearing if they are paid when due.

Liquidity risks
Liquidity risk is the risk that the parent company will not be able to settle its financial liabilities when they fall due.

The parent company ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the parent company can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash, securities and undrawn credit facilities. The parent company currently has no covenants. The parent company assesses the liquidity risk to be low.

The parent company uses Supply Chain Financing (SCF) to strengthen its financial position. SCF is based on a three-way relationship between the parent company, a given supplier and the syndication banks facilitating the SCF programme. A number of the parent company's suppliers participate in the SCF programme. When suppliers participate in the SCF programme they have the option to receive early payment from the syndication banks based on the invoices, that have been sent to the parent company, when the parent company has received and approved the goods or services, and accepted to pay the invoices at maturity date via the syndication banks. The arrangement of early payment is a transaction between the supplier and the syndication banks, and does not involve the parent company. The advantage of participating in the SCF programme for suppliers is that their cash position can be improved.

The parent company's liability in relation to the SCF programme is the invoices, which are recognised and presented as trade payables until maturity. Any extended payment terms are agreed with the individual vendors directly, and are not a consequence of the SCF programme. The payment terms of the suppliers that are participting in the SCF programme are no more than 120 days.

As at 31 December 2020 the parent company has utilised the SCF facility by DKK 6.4 billion (DKK 5.5 billion in 2019).

The overview below summarises the maturity profile of the parent company's financial liabilities based on contractual undiscounted payments. The undiscounted cash flows differ from both the carrying value and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

31 December 2020	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	8	33	215
Lease liabilities	1,689	6,540	8,673
Trade and other payables	14,013	634	-
Derivatives	114	253	28
Total	15,824	7,460	8,916

31 December 2019	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	10	51	495
Lease liabilities	1,655	6,305	9,795
Trade and other payables	14,920	235	-
Derivatives	110	365	47
Total	16,695	6,956	10,337

Credit risks
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss or a counterparty not being able to meet any other obligations leading to a financial loss. The parent company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The parent company prepares credit ratings of customers and counterparties on a regular basis. Credit risks are managed on the basis of internal credit ratings and credit lines for customers and financial counterparties. The credit lines are determined on the basis of the customers' and counterparties' creditworthiness and local market risks. Counterparty credit lines are reviewed on an ongoing basis and may be updated throughout the year subject to approval of management. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

DKK million | **2020** | **2019**

NOTES

16 Financial assets and financial liabilities - continued

The parent company is exposed to credit risks from trade and other receivables, balances with banks in the form of deposits and other financial instruments. The majority of the parent company's sales are made in cash, and therefore, the credit risks are very low.
The parent company reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of the bond portfolio will typically be low, currently 1.0.

The table below summarises the ageing analysis of trade receivables:

DKK million	2020	2019
Not due	41	70
< 30 days past due	3	10
30 to 90 days past due	-	3
90 to 180 days past due	-	1
> 180 days past due	4	1
Total	48	85

The parent company recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2020 the provision amounts to DKK 6 million (31 December 2019: DKK 6 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The parent company does not hold collateral or other forms of credit insurance as security. The parent company assesses the concentration of credit risk with respect to receivables as low.

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DKK million

NOTES

16 Financial assets and financial liabilities - continued

Changes in assets and liabilities arising from financing activities

2020:	1 January 2020	Cash flows	Other	31 December 2020
Other financial assets excluding derivatives	-720	533	-31	-218
Mortgage loans	459	-256	-	203
Lease liabilities	13,228	-981	439	12,686
Other financial liabilities excluding derivatives	3,391	-1,083	5	2,313
Total assets and liabilities from financing activities	16,358	-1,787	413	14,984

2019:	1 January 2019	Cash flows	Other	31 December 2019
Other financial assets excluding derivatives	-410	-310	-	-720
Mortgage loans	1,184	-725	-	459
Lease liabilities	-	-915	14,143	13,228
Other financial liabilities excluding derivatives	5,121	-1,835	105	3,391
Total assets and liabilities from financing activities	5,895	-3,785	14,248	16,358

DKK million	2020	2019
NOTES		
17 Inventories		
Goods held for resale	4,067	3,912
Consumables	84	49
Total inventories	4,151	3,961

In the income statement as part of cost of sales an income of DKK 1 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 1 million in 2019).

18 Equity

Share capital

As at 31 December, the share capital, which consists of one share class, comprises:

	2020	2019
1,048,223 shares of DKK 500	524	524
Total share capital	524	524

There has been no changes to the share capital during 2016 - 2020. All shares have been fully paid.

Retained earnings
During the 2020 financial year an ordinary dividend of DKK 200 million has been paid (DKK 200 million in 2019). A dividend for the 2020 financial year of DKK 200 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

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DKK million	2020	2019
NOTES		
19 Pensions		

The parent company has entered into pension schemes and similar arrangements with most of the parent company's employees. The majority of the parent company's pension schemes are defined contribution plans. For a few former employees and some members of the founder's family defined benefit plans exist. The defined benefit plans are lifelong. The defined benefit plans guarantee fixed amounts per year adjusted for price inflation, and the plans are fully unfunded.

Changes in the present value of the defined benefit obligation:

	2020	2019
Defined benefit obligation at 1 January	271	275
Interest expenses recognised as part of staff expenses	1	1
Actuarial gains / losses, demographic assumptions	-	-3
Actuarial gains / losses, financial assumptions	-3	11
Actuarial gains / losses, experience adjustments	-	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	254	271

The following significant actuarial assumptions are applied:

	2020	2019
Discount rate	-0.5 %	-0.2 %
Price inflation	1.0 %	1.3 %

Life expectations are based on the Danish FSA's longevity benchmarks for the individual financial years.

DKK million	2020	2019
NOTES		
19 Pensions - continued		

A quantitative sensitivity analysis for the significant actuarial assumptions is shown below.

	2020	2019
Discount rate:		
Increase of 0.5 % point	-12	-13
Decrease of 0.5 % point	13	15
Price inflation:		
Increase of 0.5 % point	13	14
Decrease of 0.5 % point	-12	-13

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2020 is 30 years (31 years in 2019). DKK 15 million is expexted to be paid from the plans in 2021.

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DKK million	2020	2019	2020	2019
NOTES				
20 Deferred tax				
Specification of deferred tax				
	Parent company income statement		Parent company statement of financial position	
Intangible assets	8	-22	220	212
Property, plant and equipment	8	3	50	42
Investment property	-	1	12	12
Provisions	4	3	-56	-60
Leases	-64	-73	-137	-73
Other	8	8	-48	-56
Deferred tax expense / Net deferred tax	-36	-80	41	77
Deferred tax is recognised in the parent company statement of financial position as follows:				
Deferred tax liabilities			41	77
Net deferred tax			41	77
Reconciliation of net deferred tax				
Opening balance at 1 January			77	159
Adjustment of deferred tax recognised in the income statement			-36	-80
Adjustment of deferred tax recognised in other comprehensive income			-	-2
Closing balance at 31 December			41	77

DKK million			
NOTES			
21 Provisions			
2019:	Onerous contracts	Other	Total
Balance at 1 January 2019	244	44	288
Reclassified to right-of-use assets	-244	-	-244
Provisions made during the year	-	5	5
Provisions utilised during the year	-	-5	-5
Reversals during the year	-	-2	-2
Balance at 31 December 2019	-	42	42
Current	-	10	10
Non-current	-	32	32
Balance at 31 December 2019	-	42	42
2020:	Onerous contracts	Other	Total
Balance at 1 January 2020	-	42	42
Provisions made during the year	-	10	10
Provisions utilised during the year	-	-8	-8
Reversals during the year	-	-4	-4
Balance at 31 December 2020	-	40	40
Current	-	6	6
Non-current	-	34	34
Balance at 31 December 2020	-	40	40

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PARENT COMPANY FINANCIAL STATEMENTS
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DKK million		2020	2019
NOTES			
21	**Provisions - continued**		

The provision for onerous contacts, if any, comprises provision for lease contracts for short-term leases and leases of low value assets and other contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them.

Other provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the parent company is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concern the Danish employees, and are estimated based on the expected jubilees for current employees. Of the provision DKK 17 million is expected to fall due after more than 5 years (DKK 16 million in 2019). No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.

		2020	2019
22	**Adjustments**		
	Financial income	-52	-62
	Financial expenses	804	886
	Amortisation and impairment of intangible assets	221	220
	Depreciation and impairment of property, plant and equipment	496	489
	Depreciation and impairment of right-of-use assets	1,245	1,213
	Depreciation and impairment of investment property	5	4
	Net loss on sale of non-current assets etc.	2	8
	Share of profit from subsidiaries, net of tax	-960	-757
	Share of profit from joint ventures, net of tax	-	-1
	Other adjustments	-15	-8
	Adjustments	1,746	1,992

DKK million		2020	2019
NOTES			
23	**Change in working capital**		
	Change in trade and other receivables and prepayments	43	-68
	Change in inventories	-190	-395
	Change in trade and other payables	536	39
	Change in working capital	389	-424

24 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries

During 2020 a prepayment of DKK 41 million has been made related to the intended acquisition of UK retailer Tesco's Polish business. During 2019 an additional 10 % of Skagenfood A/S was acquired, as the first of the put options related to the non-controlling interests in the company was exercised.

		2020	2019
25	**Cash and cash equivalents**		
	Cash and bank balances	1,284	1,399
	Cash and cash equivalents available to the parent company	1,284	1,399

PARENT COMPANY FINANCIAL STATEMENTS
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million	2020	2019
NOTES		

26 Contingent assets, liabilities and other financial commitments

Operating leases, the parent company is lessor

The parent company leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 2 months and 21 years. Under some of the leases the external parties have the option to continue the lease of the assets beyond the agreed upon lease terms.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
Within 1 year	20	22
1 to 5 years	26	21
After 5 years	49	52
Total	95	95

Contingent liabilities and financial commitments

The parent company has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 26 million (DKK 119 million in 2019).

As security for mortgage loans land and buildings with a carrying amount of DKK 270 million have been provided as collateral (DKK 276 million in 2019).

As security for interest rate swap contracts securities with a carrying amount of DKK 262 million have been provided as collateral (DKK 0 million in 2019).

The company is jointly taxed with the Danish companies in 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. 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.

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 494 million at 31 December 2020 (DKK 564 million in 2019).

DKK million	2020	2019
NOTES		

26 Contingent assets, liabilities and other financial commitments - continued

Guarantees of DKK 7,873 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 7,568 million in 2019).

Guarantees of DKK 230 million have been provided to external parties regarding subsidiaries' lease obligations (DKK 211 million in 2019).

The parent company has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 109 million (DKK 111 million in 2019).

27 Related party disclosures

All related party transactions take place at an arm's length basis. The following related party transactions were carried out with related parties:

Entities with controlling or significant influence over the parent company:

	2020	2019
Sales of services	2	2
Lease payments	-28	-28
Interests paid	-	-1
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	13	10
Subsidiaries:		
Sales of goods and services	101	107
Purchase of goods and services	-47	-47
Lease payments	-1,496	-1,435
Interests paid	-8	-6
Dividends received	1,427	695
Joint ventures:		
Dividends received	-	1

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PARENT COMPANY FINANCIAL STATEMENTS
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

DKK million

NOTES

27 Related party disclosures - continued

All outstanding balances with related parties as at 31 December are presented in note 16. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 16.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2019). No expense has been recognised in 2020 or 2019 for bad or doubtful debts.

Any guarantees Salling Group A/S has provided for related parties are listed in note 26.

Key management personnel

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 28 in the notes to the consolidated financial statements.

28 Business combinations

For a description of business combinations please refer to note 29 in the notes to the consolidated financial statements.

29 Capital management

For a description of the capital management please refer to note 30 in the notes to the consolidated financial statements.

DKK million

NOTES

30 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2020. The current COVID-19 crisis has had a positive effect on both revenue and profit for the year 2020, whereas the crisis had no effect on the annual report for 2019. The COVID-19 crisis has also had a positive effect on revenue and profits for the first months of 2021, but this effect is expected to be reduced, as society gradually reopens.

Regarding the acquisition of the UK retailer Tesco's Polish business, which Salling Group announced in June 2020, please refer to note 31 in the notes to the consolidated financial statements.

31 Standards issued but not yet effective

For a description of standards issued but not yet effective please refer to note 32 in the notes to the consolidated financial statements.

FINANCIAL STATEMENTS
MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of Salling Group A/S for the financial year 1 January – 31 December 2020.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the company's assets, liabilities and financial position at 31 December 2020 and of the results of the Group's and the company's operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the company's operations and financial conditions, the results of the Group's and the company's operations, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the company faces.

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

Brabrand, 19 April 2021

Executive Board

Per Bank
CEO

Board of Directors

Bjørn Gulden Chairman	Jens Bjerg Sørensen	Marianne Kirkegaard Knudsen
Freddy Mikael Sobin	Thomas Carsten Alexander Tochtermann	
Helle Bech Employee representative	Morten Agerholm Employee representative	Lars Lippert Laursen Employee representative

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Salling Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Salling Group A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the 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 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.

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FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT

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

Based on our procedures, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of 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 Group's and the parent 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 Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent 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 Group's and the parent 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus C, 19 April 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen State Authorised Public Accountant MNE no. mne10121	Jonas Busk State Authorised Public Accountant MNE no. mne42771

salling group

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