salling group

Annual Report 2023

Salling Group A/S · Rosbjergvej 33 · DK-8220 Brabrand · CVR no. 35954716 · www.sallinggroup.com

Presented and adopted at the annual general meeting on 25 April 2024

Jakob Røddik Thøgersen
Chairman

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Financial and ESG Statements

READER´S GUIDE

The report has been prepared in accordance with the IFRS as adapted by the EU and additional requirements for class C large enterprises of the Danish Financial Statements Act (DFSA).

- Our reporting in compliance with section 99a of the DFSA on statement on corporate social responsibility can be found on pages 8 and 12-26 for actions, and results, and on pages 93-110 for business model, risks, policies, actions and results.
- Our reporting in compliance with section 99b of the DFSA on statement on the underrepresented gender can be found on page 21 for the top management and on page 108 for other managerial positions.
- Our reporting in compliance with section 99d of the DFSA on Data ethics can be found on page 26.

Letter from the CEO

Helping customers navigate uncertain times

ØGO

Best selling

What keeps the retail business wheels running? Well, for one, ØGO eggs which was our bestselling private label product in 2023.

Dear all,

2023 turned out to be another exciting year in Salling Group. Conditions across our markets in Denmark, Germany and Poland were heavily influenced by the high level of inflation which impacted consumer sentiment and shopping habits.

Customers were quick to navigate around the increasing prices by going for more promotions, private label and discount. In the beginning of the year, the high energy prices were still a significant concern for both customers and our business, but during 2023 we saw prices stabilise at a lower level, causing a drop in inflation and making it easier for retailers to operate at a profitable level.

Our financials recovered somewhat in 2023 on the back of a challenging 2022. We delivered a total revenue of DKK 70.3 billion (DKK 66.5 billion in 2022) equal to 5.7% growth. EBIT was reported at DKK 2.4 billion (DKK 1.9 billion in 2022) equal to an improvement of DKK 0.5 billion. Our EBIT-% improved to 3.4% from 2.9% in 2022 and while we are satisfied with this improvement it still falls short of our strategic goal of 4.0%. Cash flow from operations was DKK 3.2 billion compared to DKK -0.6 billion in 2022.

Launching a war on prices

In Salling Group we continuously aim to address the most pressing challenges for our customers. When suppliers did not reduce prices even though raw materials and energy prices dropped, we decided to act on our own and make a serious initiative to fight inflation on behalf of our customers. In September, we launched “Priskrig” in Denmark where we lowered the prices on more than 100 popular items in føtex, Netto and Bilka, while guaranteeing lowest prices in our stores. This was a completely new initiative which we have not seen introduced anywhere else in Europe. Our competitors followed our price drops on most items every week, and after 15 weeks the total value of the “Priskrig” basket dropped 17%, eliminating two years of inflation. The investment in lowering the prices was taken from our profit to benefit our customers. We are proud of this initiative and will continue to fight for lower prices.

Extending and customising

Lower prices however, cannot stand alone. In 2023, we invested heavily in extending the assortment in two Bilka test stores and introduced new items in world food, health and sport, pet food, home and small domestic appliances. We remain committed to combining the most attractive prices and most inspiring assortment across all our formats.

In Poland, our expansion continued with new stores and a move of our head office from Szczecin to Warsaw. Our new country manager in Netto Poland, Brian Nyeng Olesen, is working with his team to customise our commercial offer to best fit the needs and desires of the Polish consumers. I am pleased with the focus in our Polish organisation as more and more customers are finding their way to a Netto store. We continue to invest heavily in further expanding our Polish business and have ambitious plans for the coming years.

In Germany, we completed the move of our head office from Stavenhagen to Berlin, allowing us to better recruit talents to drive the business forward. In Germany too, inflation boosted the discount segment where Netto is trading. We are proud of our regional position in Germany and continue to invest in providing the best shopping experience for our German customers.

Continues →

On a personal level, I was proud to be appointed new CEO of Salling Group on 1 July 2023. I step into this role as only the 5th CEO in our 117 year history, highlighting the remarkable stability and legacy of our company. While our company has a great momentum and produces strong results, we decided during the autumn to launch our new corporate priorities, dubbed the 5K's from the Danish words: **K**under (customers), **K**olleger (colleagues), **K**ønsdiversitet (gender diversity), **K**ultur (culture) and **K**lima (climate). See strategy section on page 9 for further elaboration.

In parallel, we initiated a strategic review in the autumn of 2023, laying the tracks for our new corporate five year business plan. This work is still ongoing and we look forward to sharing more with our organisation during 2024. The potential of our company is immense, and we have a great responsibility to make sure we set the right direction for the years ahead. In closing, I would like to thank my colleagues across offices, stores and distribution centres for an excellent effort during 2023. I am so proud to be working with such a dedicated team fighting every day to give our customers a good and inspiring shopping trip. Our core purpose remains the same – to Improve Everyday Life – and this continues to steer our efforts across the organisation.

All the best

Anders Hagh // CEO

70.3 bn
turnover

58,903
employees

12.0 m
customers a week

1,726
stores

Letter from the chairman

We continue to improve our business

Dear stakeholder,

I am proud that once again I can write to you about a very successful year. Despite externally imposed difficult circumstances Salling Group performed very well in 2023.

We grew our revenues by 5.7% to DKK 70.3 billion and improved our EBIT with DKK 0.5 billion to DKK 2.4 billion. Even more important we generated a cashflow from operations of DKK 3.2 billion compared to DKK -0.6 billion in 2022. These are very impressive numbers and a proof that we have an excellent management team and dedicated employees. On behalf of the Board, I would like to thank all of you in the Salling Group family for your great contribution. I always sense a distinct spirit and a very high energy level when I visit our stores, warehouses and offices.

A special thank you goes to Per Bank who after 11 years left our family to become the CEO at Loblaw in Canada. Per did a great job for us and we see it as a great honour that he qualified to be picked as the new CEO of such a large company. We wish him all the best for his new adventure and I am sure we will continue to see him from time to time. Once a Salling Group family member, always a Salling Group family member.

We were very proud to have a successor in our own ranks. Anders Hagh took over the CEO role on 1 July 2023 and has since then also done an excellent job. Anders served as our CFO for 8 years and has been very instrumental in our Group´s success. Ever since Anders took over the CEO role he has been very visible and hands on in the organisation. He has worked very hard on both the short-term operational issues, but also started the work on the long-term strategy for our company.

Short-term we need to continue to improve our business in all our formats in Denmark. Here, in our home market, we are very efficient in the way we operate, but we need to make sure we can serve and attract the customers even better and create organic growth for the future. In Poland, we need to continue to be more "Polish", attract more customers and make sure we create profitable growth.

In Germany, we will continue to invest in our more regional concept and make a better shopping experience for the German customers. Our new and very modern head office in Berlin will also allow us to recruit a lot of new and talented people.

I am very proud to be the chairman of Salling Group. We have an owner, the Salling Foundations, that only think long-term and allow us to invest in the future. We have a very committed Supervisory Board consisting of competent external members and three very skilled and motivated employee representatives.

We have an excellent Group Leadership Team that informs us in a regular and structured manner and is open to discuss and brainstorm about all relevant issues. Last but not least, we have the best employees who in all functions contribute to the success and to the future of Salling Group.

Salling Group is here to serve our employees, our customers, and the communities we are part of. We will continue to invest in our formats, our people and our infrastructure and always with sustainability in mind.

On behalf of the Supervisory Board, I wish you all a healthy, successful and fun 2024.

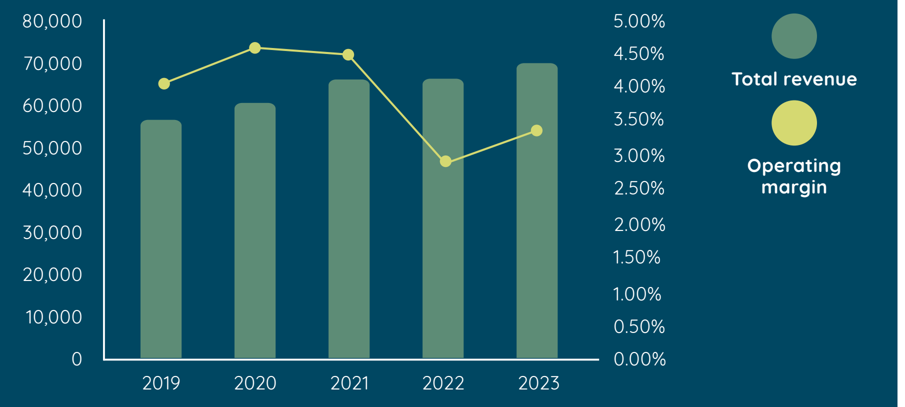
Bjørn Gulden // Chairman of the Board

Financial 5-year summary

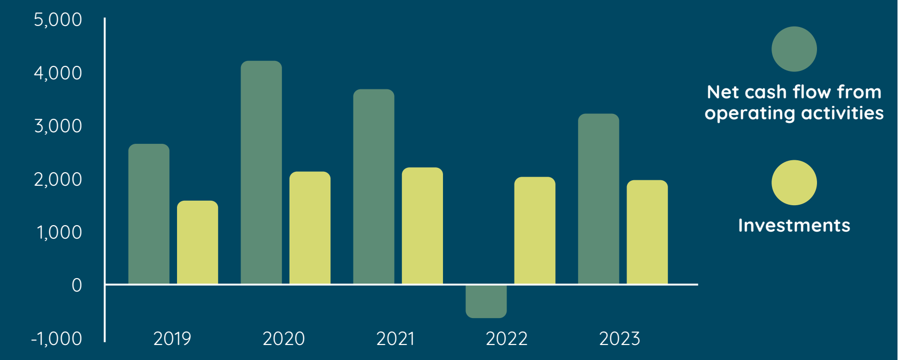
Highlights for the Group 2019 - 2023

DKK million	2023	2022	2021	2020	2019
Total revenue	70,260	66,521	66,202	60,855	56,689
Operating profit before depreciation, amortisation and impairment losses (EBITDA)*	4,951	4,324	5,193	4,702	4,105
Operating profit (EBIT)	2,421	1,940	2,952	2,818	2,272
Net financial items	-341	-580	-466	-479	-557
Profit for the year from continuing operations	1,587	972	1,942	1,852	1,322
Profit/loss for the year from discontinued operations, net of tax	-	-	-	-	969
Total profit for the year	1,587	972	1,942	1,852	2,291
Net cash flows from operating activities	3,244	-587	3,719	4,285	2,759
Investments in property, plant and equipment, right-of-use assets, and investment properties	2,351	2,063	2,357	2,084	2,226
Total assets	38,961	38,030	40,719	37,533	35,550
Total equity	12,255	10,400	9,401	7,610	6,190
Net debt/EBITDA	2.3	2.6	1.8	1.5	2.2
Operating margin	3.4%	2.9%	4.5%	4.6%	4.0%
Return on equity	14.0%	9.8%	22.8%	26.8%	45.0%

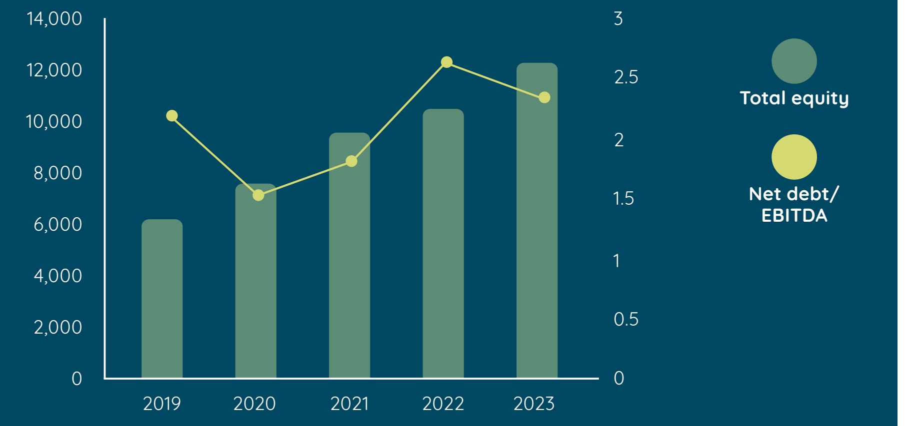
Total revenue and operating margin, 2019 - 2023



Cash flow from operations and investments, 2019 - 2023



Equity and net debt/EBITDA, 2019 - 2023



Note: For definitions of main and key figures please refer to note 2 in the notes to the consolidated financial statements.
* For the year 2021 EBITDA is positively affected by special items of DKK 201 million related to the acquisition of the UK retailer Tesco's Polish business.

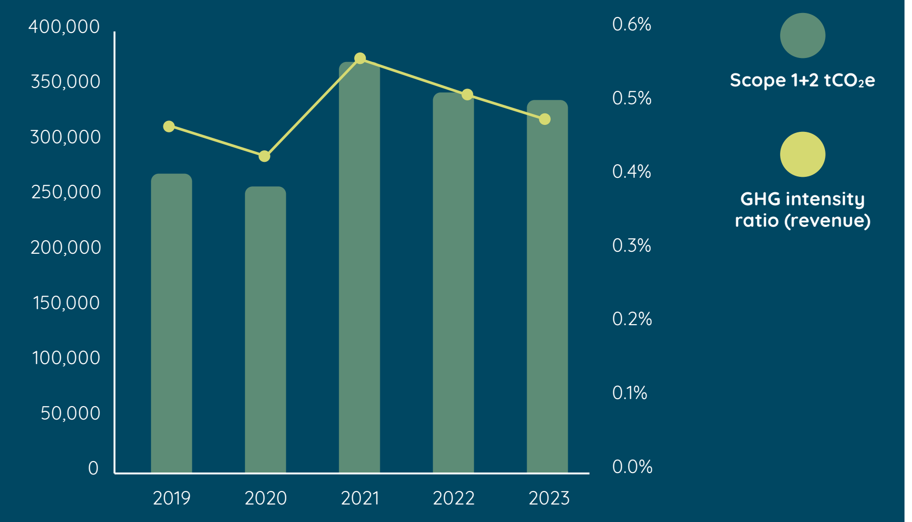
ESG 5-year summary

Non-financial highlights for the Group 2019-2023		Units	2023	2022	2021	2020	2019*
Environment							
GHG Inventory	Scope 1	tCO_2e	42,083	45,962	76,730	41,541	44,852
	Scope 2	tCO_2e	289,197	292,412	290,103	217,380	218,259
	Scope 3**	tCO_2e	6,253,719	6,330,752	6,412,374	106,596	108,364
	Total emissions	tCO_2e	6,584,999	6,669,126	6,779,207	365,517	371,475
	GHG intensity ratio (revenue) (scope 1+2)	%	0.5	0.5	0.6	0.4	0.5
	GHG intensity ratio (revenue) (scope 3)	%	8.9	9.6	9.7		
	GHG intensity ratio (m^2) (scope 1+2)	tCO_2e/m^2	0.107	0.111	0.120	0.095	0.096
Energy	Consumption	MWh	636,625	662,171	714,675	564,403	610,241
	Energy Efficiency	MWh/m^2	0.206	0.214	0.235	0.216	0.223
Waste	Recycling	%	77.0	76.8	77.2	78.6	78.6
	Food waste***	Tonnes	36,481	39,265	38,407	39,226	39,162
	Food waste percentage***	%	1.7	1.8	1.8	1.9	1.9
Water	Water Efficiency	m^3/m^2	0.172	0.166	0.175	0.174	0.183
Social							
People	Headcounts all	No.	58,903	59,696	61,874	55,471	53,531
	Diversity: Executive committee****	%	15.4	18.0	20.0	22.0	13.0
	Diversity: Vice presidents	%	16.2	13.0	13.0	17.0	16.0
	Diversity: Directors+	%	22.3	21.0	19.0	17.0	16.0
	Diversity: Managers+	%	53.9	54.0	53.0	50.0	50.0
	Diversity: All employees	%	55.1	56.0	57.0	56.0	56.0
	Safety (LTIF)	No.	99	104	104	97	120
	Sickness absence	%	4.2	4.6	4.0	3.6	3.5
	Employee turnover	%	27.1	26.4	25.3	19.2	24.0
Products	Food safety (DK only)	%	89.2	90.3	90.4	89.8	89.2
Governance							
	Diversity: Board	%	20.0	20.0	20.0	20.0	17.0
	Buyers trained in responsible procurement	%	64.0	71.0	61.0	69.0	76.0
	Employees trained in responsible products	%	54.0	88.0	94.0	96.0	77.0
	Vendor satisfaction score	Score	4.4	4.3	4.2	4.2	4.0
	Tax	DKK mio.	8,580	8,198	8,533	7,308	7,349

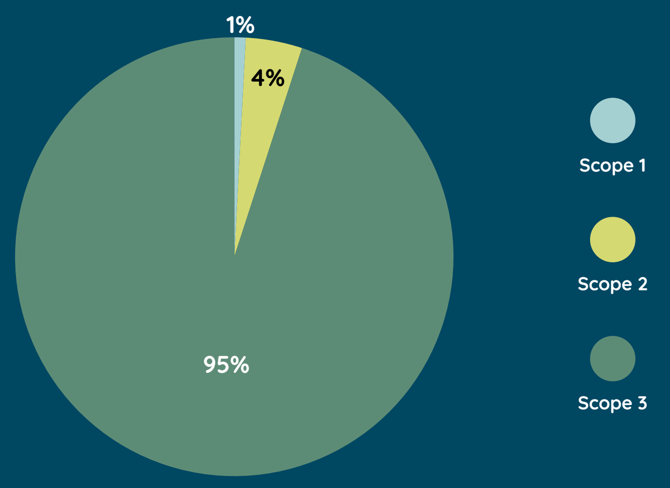
Please find the calculation methodology for all KPI's under the ESG statement section of the annual report (see pages 101-110).

* Netto Sweden operations in 2019 are not included in the GHG numbers in accordance with SBTi guiding principles.
** Full scope 3 reporting from 2021 (previous years only covered category 4, 5 and 6).
*** Food donations are deducted from the total surplus food, which also affects the food waste percentage. Please find further explanations on page 103-104.
****Defined as the Executive Board and people managers employed by Salling Group A/S reporting to the Executive Board including country directors in Germany and Poland.

Scope 1 & 2 emissions and GHG intensity ratio



GHG emissions total



Our strategy

Our purpose, strategy and values

In 2023 we kept focus on our growth drivers and sustainability priorities. Despite turbulent times these remained relevant and guiding for our strategic decisions during the year. In the autumn of 2023, we initiated a strategic review and will be ready to present a new corporate five year business plan during 2024.

Our purpose

Customers are the foundation of our business and we are here to improve their everyday lives. Not least in times of high inflation and rising prices. By offering affordable prices on a wide range of daily necessities, we played an important role in enabling our customers to handle their daily expenses, without having to compromise e.g., a healthy lifestyle.

Our corporate priorities (5K)

During autumn 2023, we launched our new corporate priorities, the 5Ks:

Customers (Kunder)
Our customers are absolutely vital to us. As a result, we always look at things from the customer's point of view to ensure the best possible shopping experience.

Colleagues (Kolleger)
We create a motivational workplace with an attentive and inclusive leadership that provides opportunities and space for everyone to grow.

Gender diversity (Kønsdiversitet)
We break down barriers and create an environment that allows talented individuals to develop and pursue a career regardless of gender – also in leadership positions.

Culture (Kultur)
We build a culture where curiosity and drive help us to learn new things and become better.

Climate (Klima)
We recognise climate challenges and accept our responsibility for reducing our climate footprint, including imposing demands on our value chain.

Our values and foundation

Our business is based on a strong foundation; i.e., the people we employ and the products we sell. Our values help create a unified spirit – across all formats and functions. They indicate what we expect from each other as colleagues at Salling Group, and what others can expect from us.

OUR PURPOSE

Improving Everyday Life

Our sustainability priorities

Climate
Ambition on reducing our footprint in short- and long term

Health
Contribute to a healthier future for both our customers and employees

OUR VALUES

Integrity | Passionate | Agile | Competitive | Efficient

OUR FOUNDATION

People and Products

Ownership

Serving a higher purpose

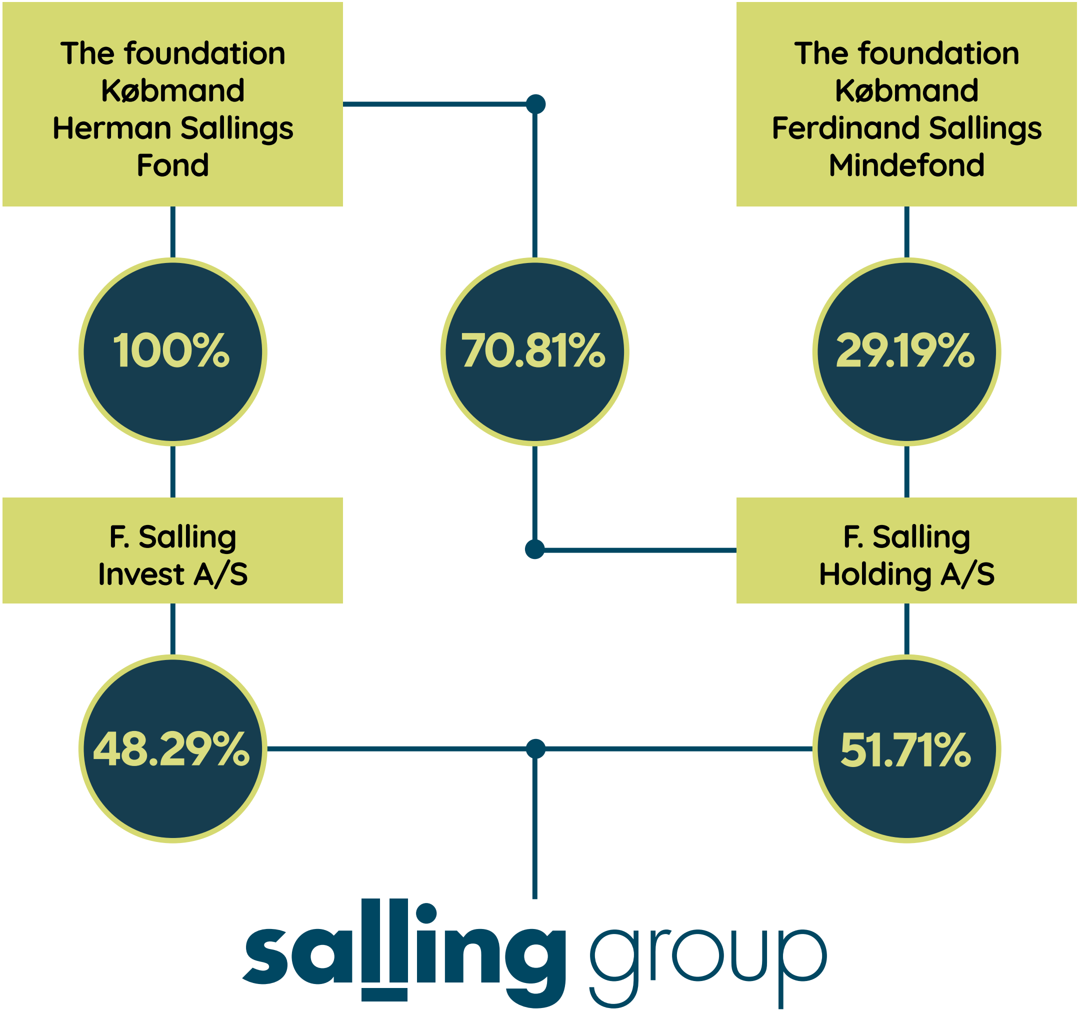
Salling Group is 100 percent owned by the Salling Foundations, which means that all profits that are not reinvested in stores, concepts and customer experiences are given back to the society we are a part of. Since 2012, the Salling Foundations have donated more than DKK two billion, including DKK 244 million in 2023, to culture, sports, charity, church, education and research.

This means that each and every Salling Group employee through their daily service and efforts in stores, cafés, restaurants, warehouses and offices are supporting local sports and leisure associations, Team Danmark Olympic athletes, cultural institutions, initiatives for young people's mental health and well-being and much, much more.

Salling Private Label assortment
Proud of our heritage, the name Salling is not only part of our company name, but also a guideline in our stores for customers looking for high quality at affordable prices.

Ownership

Salling Group and the Salling Foundations are named after our founder Ferdinand Salling, who in 1906 opened his draper's shop in Aarhus. The shop gradually grew, and in 1948 the first part of Salling department store was opened. After his death in 1953, his son Herman Salling took over the business and began to modernise and expand Salling's department stores, adding supermarket format føtex in 1960, hypermarket format Bilka in 1970 and discount format Netto in 1981. Following a buy back of the shares from Maersk, the Salling Foundations resumed full ownership in 2017 and subsequently renamed the company to its current name, Salling Group.



Salling Group owns Netto discount stores in Denmark, Poland and Germany, the føtex supermarket and Bilka hypermarket chains as well as the Salling department stores, the BR toy store chain and associated online stores in Denmark. In addition, the company operates the Starbucks and Carl's Jr. franchise chains on the Danish market, making Salling Group Denmark's largest retail group, with 12 million customers visiting our stores and restaurants every week.

Salling Group's purpose is to improve everyday life – for our customers and for the communities we are part of. We do this by offering sustainable solutions, improved shopping experiences, job opportunities for all and not least by making local donations to worthy causes through our owners, the Salling Foundations.

salling group			
Netto	Discount stores	DE: 342 DK: 531 PL: 663	Salling Group´s discounter Netto was founded in 1981 and today has over 1,500 stores across Denmark, Germany and Poland. Netto is known for its wide range of everyday products at low prices as well as great offerings in fresh produce, convenience, and organic products.
føtex	Supermarkets	108	The first føtex opened in 1960 in Aarhus and offered the Danes a whole new way to shop; combining groceries, butcher´s products, textiles and hardware in one store. Today, føtex has 108 stores across the country, including 25 føtex food stores.
Bilka	Hypermarkets	19	Bilka hypermarket opened in Aarhus in 1970 and is today the only hypermarket chain in Denmark. Bilka comprises 19 hypermarkets spread across the country, including an A-Z department store that focuses exclusively on non-food products.
Salling	Department stores	2	Founded in Aarhus in 1906, Salling department stores are the flagship of Salling Group, offering a great shopping experience in key locations of Aarhus and Aalborg. With its unique rooftop and roof garden Salling in Aarhus has become one of the top 5 most popular tourist destinations in Denmark.
BR	Toy stores	29	The BR toy brand has been a beloved icon for Danish children since 1963. In 2019, Salling Group took over the rights for the renowned brand and today, 29 BR stores allow children and their families to enter an entire world of play.
Carl's Jr.	Restaurants	16	The Carl's Jr. burger chain was founded in 1941 in California. Today, there are more than 3,900 restaurants in 40 countries, including Denmark, where Salling Group operates 16 Carl's Jr. restaurants, distributed throughout the country.
Starbucks	Coffee houses	16	Starbucks is the world's largest coffee house chain with more than 33,000 coffee houses across the world, all pursuing the same mission: To inspire and nurture the human spirit – one person, one cup, and one neighbourhood at a time. Salling Group operates 16 Starbucks coffee houses in Denmark.

Sustainability

Salling Group's Sustainability Strategy

Key priorities

Climate | Health

People | Products

Foundation

Salling Group's sustainability strategy is based on a two-pillar foundation and two key priorities. Our foundation is the people we employ and the products we sell, as they combine to form the core of our business and are areas where we raise the bar and constantly seek to push our efforts further.

Our priorities are Climate and Health where we have the opportunity to make the most significant difference as a company. Climate change is one of the biggest challenges of our time and we are fully committed to this shared agenda. As a diverse retailer active across borders we also have an obligation to make healthy choices accessible and available to all.

Salling Group has been committed to the sustainability agenda for years working on important agendas like inclusion, social responsibility and climate change. That is why we were particularly proud of receiving the EY and Danish Chamber of Commerce's special prize for Long Term Value Creation in 2023. The prize is given to companies that have consistently demonstrated a strong commitment to sustainability and have achieved significant positive impacts over time. However, we are not working on our own on these agendas – and our continued efforts to delivering on our strategy requires partnerships and engagement with customers, communities, suppliers, and more.

We are continually defining a number of focus areas that support our strategic priorities and the three aspects of sustainability: Environment (E), Social (S) and Governance (G) issues. Some of the key focus areas that we consider are: Climate, Deforestation, Food waste, Packaging, Health, Diversity and Inclusion, Product safety and sustainability, Responsible tax, and Human rights. In this report we briefly cover the key focus areas that has been our main points of attention in 2023, while you can read more on our website.

https://www.sallinggroup.com/en/esg

Plantbased and much more
Safe, nutritious and in compliance with regulation; preferably healthy and climate friendly too – our products have a lot to live up to! Our private label range offers it all, enabling our customers to make healthy, climate friendly everyday choices.

Environment

As a large retail group, Salling Group has a responsibility to limit our footprint on the environment and help to avoid the most severe consequences of climate change. Therefore, we have set a goal to have net-zero emissions in the full value chain in 2050.

In 2023, we were proud to announce that our greenhouse gas (GHG) emissions targets were approved by the Science Based Targets initiative (SBTi), a leading, globally renowned body that defines best practice for science based climate targets (see box to the right). By setting science based targets we are dedicated to the Paris Agreement's ambition to keep human caused climate changes below 1.5° C. The net-zero ambition means that we are reducing emissions from our value chain to the greatest extent possible while at the same time ensuring that remaining greenhouse gases are absorbed and stored naturally.

For our own business we have committed to reduce our scope 1 and 2 carbon emissions by 50% by 2030. However, most of our total emissions are generated in our supply chain. These are known as scope 3 emissions. It is our goal that 75% of our suppliers measured by emissions have set science based targets before end 2027, and our 2030 target is to reduce our scope 3 emissions from the use of sold products by 42%. Our long-term target for scope 1 and 2 is to reduce carbon emissions by 95% towards 2050, while the target for scope 3 is a 90% reduction towards 2050 compared to 2021. To reach our net-zero ambition, we must achieve our long-term targets and neutralise our residual emissions by using permanent carbon removal and storage to counterbalance the final 5% and 10%, respectively.

We are working closely with suppliers, partners and stakeholders to make the needed changes to meet our climate goals. In 2024, Salling Group will prepare to set additional net-zero targets; the so-called Forest, Land and Agriculture (FLAG) targets which we also aim to have validated by the SBTi.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Our Science Based Climate Targets

Near-term Targets 2030	
Scope 1 and 2 emissions	Scope 3 emissions
-50%	-42%*

Long-term Target 2050
Scope 1, 2 and 3 emissions
Net-zero

* from cat. 11 (the use of sold products). In addition, 75% of our suppliers (measured by emissions from category 1 and 4) have set science-based targets before end 2027.

Science Based Targets initiative

The Science Based Targets initiative (SBTi) is considered to be best practice in relation to companies' climate reduction targets.

SBTi has two standards that a company can adhere to. One is the 1.5 degree goal, where a company commits to reducing its emissions so that it aligns with the Paris Agreement goal. Since 2021, it has also been possible for companies to join SBTi's ambitious Net-Zero standard, where a company must be climate neutral across its entire supply chain by 2050, and where climate credits may only be used to a very limited extent. It is the latter standard that Salling Group has committed to.

Our plan

To reach our targets for carbon emissions reductions we have adopted an ambitious but concrete climate plan that aims to reduce our direct and indirect climate footprint. The climate ambition contains four tracks for own operations and value chain (see figure below):

Scope 1 and 2: Removing carbon emissions from own operations

In 2022, we initiated a 5-year investment plan of DKK 2.4 billion in green transition, which will significantly reduce the Group's energy consumption in Denmark, Germany and Poland and pave the way for more renewable energy in the coming years.

Our ambition is to invest a total of DKK 1.4 billion in scope 1 in decarbonisation, replacing gas boilers with electric heat pumps in 750 stores across the three countries and to replace cooling systems in 1,300 stores with new energy-efficient systems. Close to DKK 1 billion will be invested in scope 2 in installing solar panels on the roof of 570 buildings in Denmark, Germany, and Poland, as well as in installing doors on refrigerated display cases in 725 stores to reduce electricity consumption. Towards 2028, the investments aim to reduce emissions by around 30-35% of emissions from own operations across scopes 1 and 2.

The next step in our green transition plan is to ensure access to green energy across Denmark, Germany and Poland. It is important for us to ensure real impact, and we have therefore mapped our yearly, monthly and daily energy consumption profile to design the most optimal portfolio of renewable energy sources. As Salling Group has a fairly constant, high consumption of energy, a combination of solar, wind and other renewable sources will be optimal. Moreover, we also have to take into account that we operate in three countries with very different maturities when it comes to green energy.

Climate ambition

IMPROVING FUTURE CLIMATE. TODAY
salling group

We remove our carbon footprint	...by reducing and compensating carbon emissions from own operations	Scope 1+2
We commit our suppliers	...by engaging them to set targets to reduce their carbon emissions	Scope 3
We help our customers	...by making greener living easier through innovation and still greener products and services	
We engage our employees	...by rewarding and promoting green action, and by educating and making employees climate ambassadors	

Scope 3: Removing carbon emissions from value chain

In scope 3 we follow three tracks to reduce emissions:

- **Committing suppliers** to set science based reductions targets
- **Helping customers** by providing solutions and products that make it easier to make more climate friendly choices
- **Engaging employees** so that they can help customers and be able to contribute themselves

Put another way, we have two ways to reduce emissions from scope 3: Lowering emissions from the production of goods by ensuring that our suppliers reduce their emissions from the production and transport of goods, and changing the mix of goods in the customer´s basket to more carbon friendly alternatives by continuously improving our assortment and guidance to customers.

The employees have a separate track in Salling Group's climate ambition, as we see a great need to prepare employees for the green transition. In 2024, we launch training material for different employee groups to increase the understanding of sustainability in the organisation.

Our performance

Climate and energy investment plan

As part of the strategy of investing DKK 2.4 billion in renewable energy sources during the period 2022 to 2028 we continued, in 2023, to launch initiatives to reduce our energy consumption across the Group. We are on track with our plan converting natural gas heating to electric heating pumps, replacing cooling systems, installing solar panels on the roof, and putting doors on chillers in our stores. During 2023, we have invested DKK 372 million in energy reducing initiatives which brings our total investments to DKK 555 million since 2022.

Energy

To mitigate climate change and achieving our carbon reduction targets it is key to improve our energy efficiency and reducing emissions from energy consumption. In 2023, our energy consumption was reduced by 3.9% from 2022 and in the same period there was an increase in both our consumption of electricity produced by own solar panels as well as in the excess production from our solar panels sold back to the grid. The electricity production and consumption from own solar panels are expected to increase further going forward as we are investing in installation of solar panels on our stores, distribution centres and head offices where possible.

Carbon emissions

Like other retail companies, Salling Group has the largest part of emissions in our value chain (scope 3). 95.0% of Salling Group's emissions are in scope 3 of which the vast majority are emissions related to the goods we buy and sell. In our own operations, leakage of refrigerants (scope 1) and electricity (scope 2) are the largest sources of emissions.

Scope 1 and 2 emissions (own operations)

In 2023, Salling Groups direct (scope 1) and indirect (scope 2) GHG emissions were 331,280 tCO_2e in total, which is a reduction of 2.1% compared to 2022 and a total reduction of 9.7% compared to the baseline in 2021.

Both scope 1 and scope 2 emissions decreased from 2022 to 2023 with emissions reduced by 8.4% and 1.1%, respectively. The decline in scope 1 emissions was primarily attributed to decreased consumption of heating oil, gas, and fuel. Notably, our Danish part of the business became free of heating oil by transitioning to district heating and electrical heat pumps. Furthermore, natural gas usage decreased due to milder winters in Poland and Germany, along the widespread adoption of district heating and electrical heat pumps across all countries. Fuel consumption also decreased, primarily due to lower activity in the home-delivery service following a transition from føtex to Bilka, resulting in a temporary shutdown of home-delivery services for approximately six months. This reduction is driven by lower consumption and consumption of electricity generated by own solar panels.

Scope 3 emissions

In 2023, our other indirect GHG emissions (scope 3) were total 6,253,719 tCO2e, which is 1.2% less than the previous year and 2.4% lower than baseline in 2021. About 87.2% of our scope 3 emissions was caused by purchased goods and services in 2023. The reduction of scope 3 emissions was primarily driven by lower emissions from "purchased goods and services"* resulting from a change in the mix of purchased goods and services from 2022 to 2023.

Total carbon emissions

	Unit	2023	2022	2021
Scope 1	tCO_2e	42,083	45,962	76,730
Scope 2	tCO_2e	289,197	292,412	290,103
Scope 3	tCO_2e	6,253,719	6,330,752	6,412,374
Total emissions	tCO_2e	6,584,999	6,669,126	6,779,207

*Category 1 in the GHG protocol

Onboarding of suppliers

We commit our suppliers to set science based targets and to disclose emissions that are related to doing business with Salling Group. As a first step we ask our suppliers to onboard the platform of Carbon Disclosure Project (CDP), which is among the initiators of the Science Based Targets initiative. We use the platform to collect and consolidate supplier data. Reporting is completed on an annual basis.

We started supplier onboarding in 2022, and by end 2023, 419 suppliers, covering around 79% of our spend, were aboard. Of the 419 suppliers invited to share emission data 232 suppliers (55%) responded to the questionnaire in 2023 compared to 46% in 2022. 40% of the responding suppliers have approved science based targets while 9% are officially committed to set a science based target.

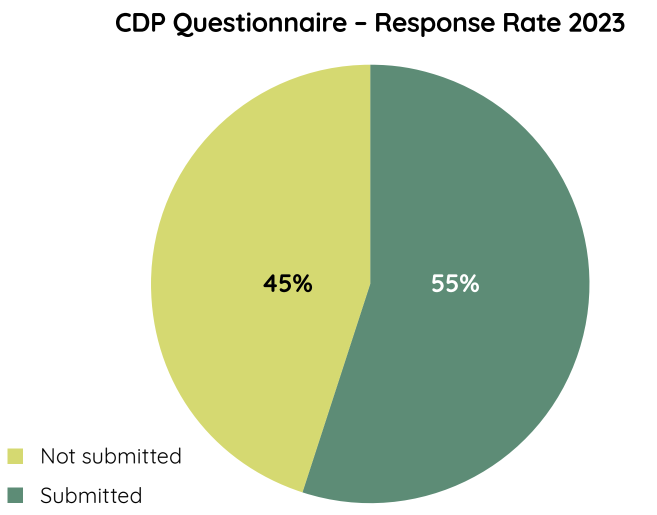
In 2024, we will invite around 300 more suppliers thus covering almost 90% of our spend. Our target is to have 75% of our suppliers (measured by emissions from category 1 and 4) to set science-based targets before end 2027.

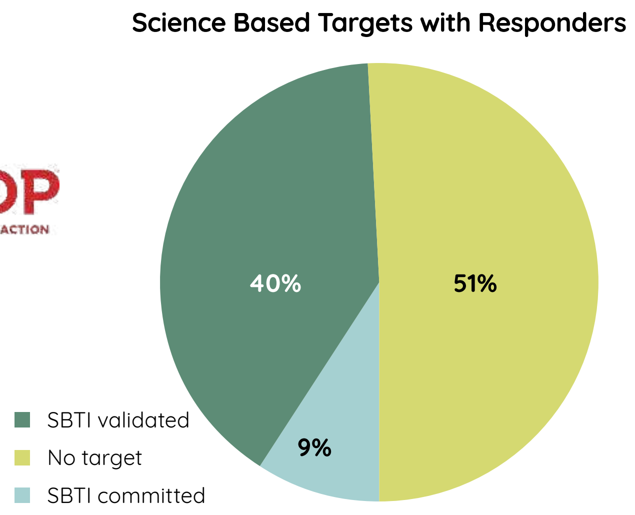
Engaging customers

At Salling Group, we have advocated for a national climate label to make it easier for consumers to navigate according to the products' climate footprint. We are happy to be part of the taskforce preparing a concrete model for what the climate label should look like, assigned by the Minister of Food, Agriculture and Fisheries.

In 2023, we ran a test in our Netto store in Allinge to show our customers what Denmark's future climate label could look like. The label displays a clear colour scale that makes it easy to decode whether the product has a high or low CO_2e footprint. At the same time, the label indicates the calculated CO_2e footprint of the individual product. As soon as the database with the environmental footprint of the products is ready, Salling Group will implement the climate label in order to help customers and make it easier to buy products with low CO_2e impact.

CDP result for Salling Group in 2023





Carbon Disclosure Project

CDP is an organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 20 years CDP has created a system that has resulted in unparalleled engagement on environmental issues worldwide.

Food Waste

Food waste is a high priority at Salling Group for both climate, economic and social reasons. To understand our food waste footprint better, Salling Group began to measure food waste by weight in addition to monetary value back in 2016 in order to calculate the impact across food categories. In line with the Sustainable Development Goal 12.3 we have a target to halve food waste by 50% by 2030 with 2015 as baseline.

Salling Group´s food waste numbers have been reported and made publicly available every year since then. At first we only measured our food waste in Denmark, but decided in 2019 to also measure and present the development in food waste outside Denmark, i.e., our stores and warehouses in Germany and Poland. Minimising food waste is a key priority in all parts of the business over which we have control. And if we can minimise food waste, we can help cut overproduction and thus carbon emissions.

The total annual food waste in the EU amounts to over 58 million tonnes, equalling 131 kg per inhabitant per year, and accounting for 16% of the total Green House Gas emissions from the EU food system.

Eurostat roughly estimates that around 10% of food made available to EU consumers (at retail, food services and households) may be wasted. At the same time, over 37 million people cannot afford a quality meal every second day

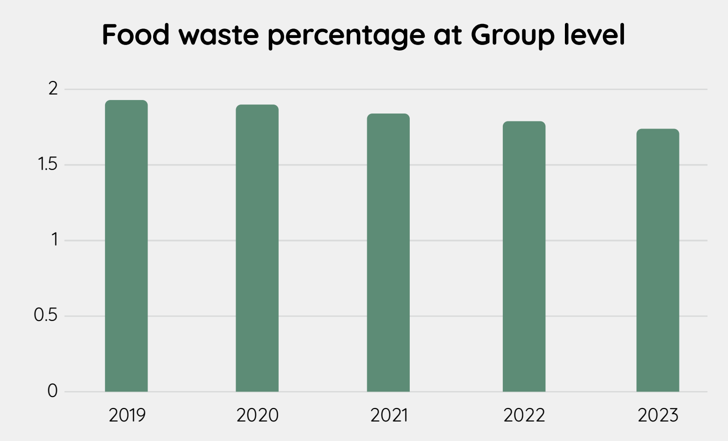
Source: Eurostat, 2023

In 2019, Salling Group joined One\Third, a national think tank with the overall purpose of strengthening the efforts on preventing food loss and waste and ensuring improved data collection and verification. In 2023, Executive Vice President for People, Culture & Sustainability, Louise Gade, was appointed as chair of the board in One\Third.

Surplus food for good use

A part of the food waste or more correctly surplus food is unavoidable. Therefore, we have partners such as the Food Bank (FødevareBanken), Wefood (DanChurchAid), and Too Good To Go (TGTG) among others to help us make good use of the products that cannot be sold but can still be used. Together we are assuming responsibility for addressing the climate changes and for donating and distributing edible food to those in need. Surplus food that cannot be upcycled, donated or sold is made into biogas.

Following even stronger focus and intensification of the number of surplus food actions taken, and legislation in for instance Poland that makes donation of edible surplus food to charities statutory, the amount of surplus food not wasted has grown. Furthermore system enhancements have contributed to better registration, visualisation and reporting mechanisms. As of 2023 Salling Group will therefore report on surplus food, deductions and net food waste. See figure below showing food waste percentages less surplus food sold or donated. .



Main tracks for Salling Group's food waste effort

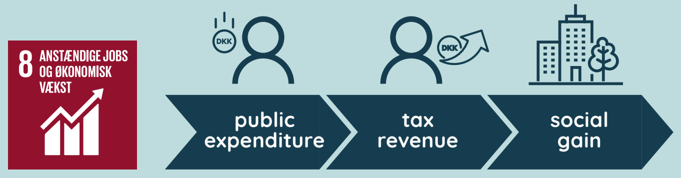
- Continuous improvement of replenishment system in stores
- Frequent deliveries to stores to ensure best shelf-lives for goods
- Proper handling of goods to avoid damage and discarded goods
- Automatic local price reduction recommendations in stores to ensure price mark down and sale before expiry date
- Inspiration for customers via the media, apps and websites on how to avoid food waste
- Collaboration with NGOs and organisations on redistribution of surplus food

Social

Diversity and inclusion

At Salling Group, we believe that every one can make a difference, and we strive to make a job match regardless of whether physical or mental disability leaves a potential employee unfit for a traditional job. We have specially designed jobs across business units and we work closely with municipalities, the state and civil society to be able to tailor employment on special terms. A very tangible result of this effort can be seen in the annual calculations carried out by the Non-Profit organisation Cabi who has developed a tool (Den Sociale Beregner) to measure how much society gains from a given company's special employment efforts.

Cabi´s calculations show that in 2023 Salling Group´s efforts saved the Danish authorities an expenditure to social services of more than DKK 72 million. Much of this is due to the permanent employment of 437 new colleagues who all started their career with us in an internship on special conditions. This is a result we take great pride in.



Total social gain 2023

1 Total public expenditure saved per year	
Total per year	**DKK 54,482,000**
2 Total tax revenue per year	
Total per year	**DKK 18,192,000**
Total social gain per year	
Overall calculation	**DKK 72,674,000**

Companies themselves enter the information on which the social gain is calculated. Read the notes to the Social Calculator to see what assumptions underlie the bills.
(Cabi)

Gender diversity
55% of our employees are female, but only 22% of our managers at director level or above are female*. Creating an environment to develop and pursue a career regardless of gender is one of our corporate priorities, The Five K's. In 2023 we focused our efforts and are in a process of systematically analysing the barriers for the underrepresented gender, scrutinising job postings and search processes for bias.
In 2023, we also entered a partnership with the Above and Beyond Group, where CEO Anders Hagh has taken a seat in the organisation's Diversity Council. Our gender equality targets remain 40/60 in favour of the underrepresented gender.

Partnerships
We engage in strategic partnerships benefitting our various target groups, one particular successful collaboration being Glad Fonden which has initiated Flexuddannelsen; an educational programme for young people with cognitive and physical disabilities or special needs. 90% of the students who complete the education subsequently go into work (primarily flex-jobs) or further education.

Sunflower lanyard and dyslexia
Since we began our collaboration with the Hidden Disabilities Sunflower programme in October 2022 we have bought a total of 150,000 sunflower lanyards which we are handing out for free in all our stores. Similarly, we continue our efforts to break down prejudice and barriers about dyslexia, instead focusing on the strengths that often accompany the diagnosis i.e., communication, solving complex problems, thinking innovatively, creatively, visually and creating relationships.

Passion for People

LEADERSHIP	THE YOUNG
Take leadership to the next level	Win the young people

Strengthen Leadership Skills and Culture
Anchor Customer Centric Culture
Unfold Everyone's Potential
Secure Belonging and Well-being
Drive Remarkable Attraction

Improving Everyday Life

for our customers, our colleagues, and in the societies we are part of

* See table on pages 21 and 108

A healthy choice
Upscaling our range of products carrying the wholegrain and keyhole-labels is a strategic priority, making the healthier choice an easier one.

Culture

Building a culture where curiosity and drive help us learn new things and become better is one of our corporate priorities, The Five K's. Curiosity is also important to succeed in translating our strong purpose "Improving Everyday Life" to concrete actions. We need to be curious about the needs and experiences of our customers, our colleagues, our business partners, and competitors as well as having an appetite to learn from other ways of doing things. In 2023, we had a particular focus on how to support an innovative mindset across the organisation, on psychological safety, and on feedback. We work with these topics through training and management attention, and we continuously monitor developments in these areas.

Health

In 2023, we revisited our health strategy and plans. Our ambition is to inspire and make it easier for everyone to make healthier choices. To break down the health ambition into more concrete initiatives, we work with three focus areas that have a reference to our climate ambition:

- Engage with local communities and collaborate with partners to prevent and address different health challenges.
- Engage employees and create a workplace that inspires to a balanced and healthy working life.
- Help customers make healthier choices by inspiring to a health-balanced mix in their shopping baskets.

We work with these focus areas by having a large range of Keyhole-labelled and wholegrain products, a store setup with a focus on fruit and vegetables, and health-promoting partnerships. However, ongoing dialogue with customers has shown both an increasing demand for healthier products but also the complexity in knowing what is healthy.

Health is also not only what we eat and drink. This is why we support several initiatives that support the physical and mental health of children and adults.

Health is also a top priority for our colleagues and with recurring initiatives like 'Drink Water', DHL, 'Salling Group Cykler' and not least inspirational physical and mental health webinars with Team Danmark featuring athletes and specialists, we care for our colleagues across the business.

Customers have an increasing demand for healthier products, inspiration and guidance, and as Denmark's largest retailer, we have a responsibility to deliver. We do this through our range of products (Bilka for instance is the only Danish retailer with a plant-based convenience assortment) and the way we display them in our stores and not least through our catalogues and social media content, where organic, plant-based, Keyhole- and wholegrain labels as well as fruit and vegetables now occupy more and more space. In 2023, we also continued our strategic focus on making it easier for our customers to make healthier everyday choices by increasing our range of Keyhole and wholegrain labelled private label products. Both of which continue to be popular with customers.

Bilka awarded "Plant-based supermarket of the year"

In 2023, the Danish Vegetarian Association awarded Bilka "Plant-based supermarket of the year" and "Best in price" for the fifth and third time respectively.

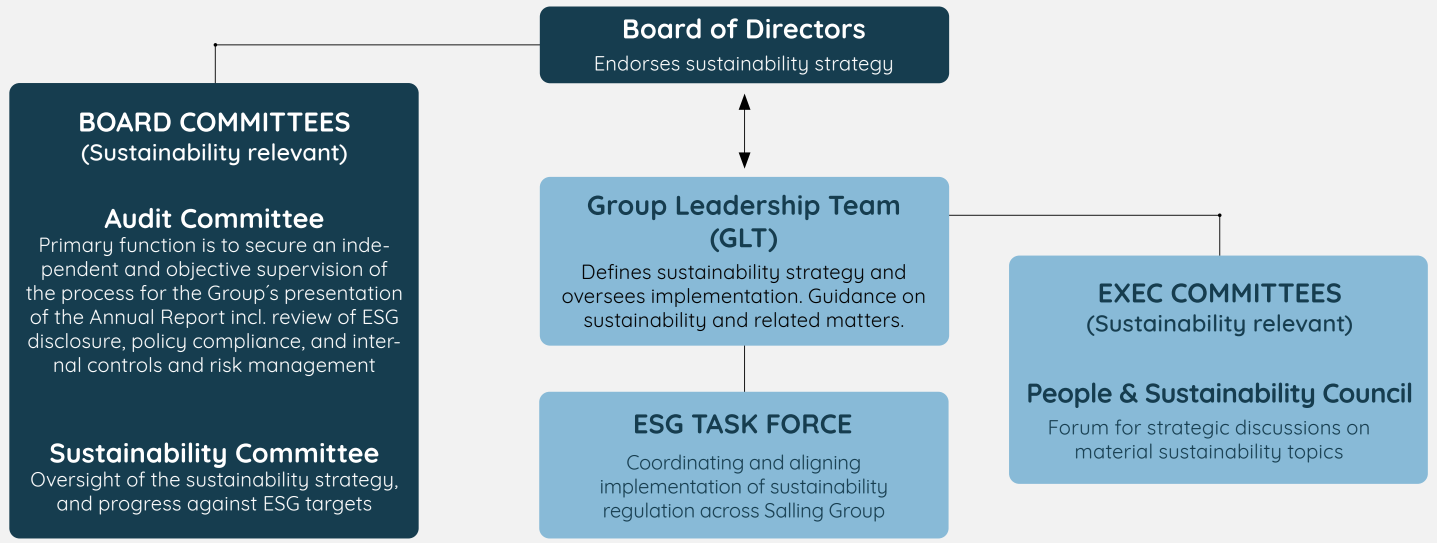
Governance

Our governance structure reflects that sustainability is a key part of our strategic direction. The overarching responsibility is anchored with Salling Group's Board of Directors with two board committees taking active roles in the sustainability oversight. The Audit Committee ensures supervision of the integrated reporting process, and risk management framework, and oversees Salling Group´s climate investments. It also monitors compliance with local, national and international laws. The Sustainability Committee functions as an overall advisory body that supports strategy development. It also seeks to continually challenge the level of ambition and push for development.

In 2023, a new council was formed at leadership level; the People & Sustainability Council. The council serves as a forum for strategic discussions on material topics and focuses on developments within the ESG agenda that are linked to sustainability, health, diversity and other agendas targeting employee well-being and opportunities for personal development. Topics also include equality and equal opportunities for the underrepresented gender, which is an important agenda in order to fulfill our long-term goal of equality in management positions.

To address the upcoming sustainability requirements from the EU, we established an ESG Task Force in 2023. This task force was established with the primary objective of coordinating and aligning the implementation of the many new requirements that necessitate a coordinated effort across the entire organisation in the coming years. The members of the task force is management from key departments and areas across the organisation with following sponsors in the Group Leadership Team (GLT): Louise Gade, Executive Vice President, People, Culture & Sustainability, Peter Bang, Executive Vice President, CFO, and Viktor Jegesi, Executive Vice President, Commercial. In 2024, a major focus will be to ensure a strong governance across and within each ESG topic to align and drive progress on strategic initiatives.

Sustainability governance structure



The Sustainability Committee

- Bjørn Gulden, Chairman of the Board (Committee Chair)
- Thomas Carsten Alexander Tochtermann, Board member
- Anders Hagh, President, CEO (Sponsor)
- Henrik Vinther Olesen, Group Vice President, Sustainability, Communication & Public Affairs

The Audit Committee

- Jens Bjerg Sørensen, Deputy chairman (Committee Chair)
- Marianne Kirkegaard, Board member*
- Freddy Mikael Sobin, Board member
- Peter Bang, Executive Vice President, CFO
- Randi Toftlund, Group Senior Vice President, Corporate Finance

* Resigned from the Board and the Audit Committee on 2nd February 2024

Overview regarding gender diversity pursuant to Section 99b of the Danish Financial Statements Act

The Board of Directors	**2023**
Total number of elected members, excluding employee elected board members	5
Number of male members	4
Number of female members	1
Share of underrepresented gender	20%
Target for gender diversity (percentage)	40%
Year of fulfilment of target	2026

Pursuant to section 99b of the Danish Financial Statements Act, the table above reports the number of individuals and gender diversity of the Board of Directors in Salling Group A/S as of 31st of December.

Salling Group has a target to increase the share of female members of the Board of Directors to 40%. There has not been any open positions during 2023. Salling Group is working towards achieving the target figure and recognises the benefits of a diverse board, but we also believe that the members should always be chosen based on their overall competencies.

Other managerial levels — the Executive Board and people managers employed by Salling Group A/S reporting to the Executive Board	**2023**
Total number at other managerial levels	10
Number of male members	8
Number of female members	2
Share of underrepresented gender	20%
Target for gender diversity (percentage)	40%
Year of fulfilment of target	2030

Pursuant to section 99b of the Danish Financial Statement Act, the table above reports the number of individuals and gender diversity of other managerial levels in Salling Group A/S as of 31st of December.

Salling Group has a target to increase the share of female members of other managerial levels to 40%. Members for open positions in 2023 have been chosen based on their overall competencies, and the appointments have not resulted in changes to the gender diversity of other managerial levels. Salling Group is working towards achieving the target figure and recognises the benefits of diverse management teams, but we also believe that the members should always be chosen based on their overall competencies.

The Board

Bjørn Gulden
Chairman

CEO Adidas

Born 1965. Appointed 2020

Member of the Board of Directors at Essity AB and the Supervisory Board at Tchibo GmbH.

Jens Bjerg Sørensen
Deputy chairman

CEO Schouw & Co. A/S

Born 1957. Appointed 2015

Holds a number of board positions in leading international companies and foundations. Chair of Købmand Herman Sallings Fond, Chair of F. Salling Invest A/S and F. Salling Holding A/S, Chair of Fibertex Nonwovens A/S and Chair of Danfoss A/S.

Marianne Kirkegaard*

Managing Director at Rhône Capital and Board Professional

Born 1968. Appointed 2014

Executive Chair at Baker & Baker, member of the Board of Directors at Pandora, Faerch, AAK, Biomar and Wahoo Fitness, and the Advisory Board of ATP LDK.

*Resigned from the Board on 2nd February 2024

Freddy Mikael Sobin

CEO XXL

Born 1981. Appointed 2014

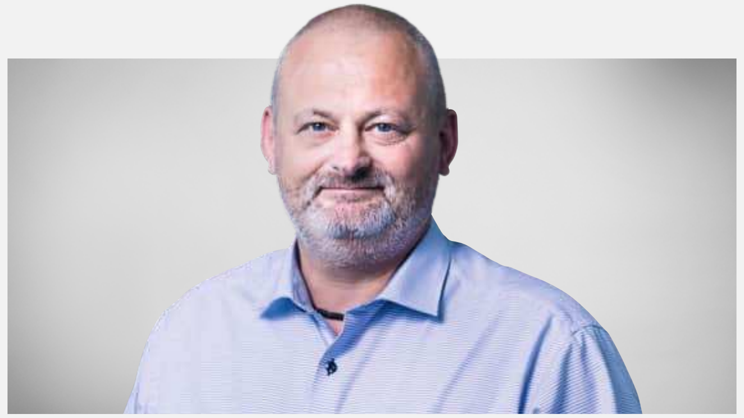
Chair of the Board at New Bubbleroom Sweden.

Thomas Carsten Alexander Tochtermann

Director Emeritus McKinsey & Industrial Advisor of Verdane

Born 1960. Appointed 2016

Chair of the Board of Momox Holding SE, Member of the Advisory Committee of Jahr Holding GmbH & Co. KG. Chair of the Board of Global Fashion Agenda.



Lars Lippert Laursen

Chair of Landsklubben, Salling Group

Born 1961. Appointed 2018

Employee representative with 23 years of experience in Salling Group.

Jonas-Tobias Andersen

Head of Service Unit, Bilka Kolding

Born 1978. Appointed 2022

Employee representative with 3 years of experience in Salling Group.

Samuel Dam Rützou

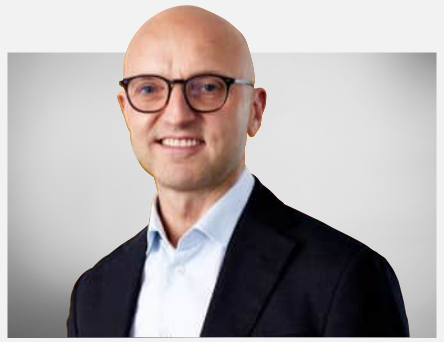
Store Manager, føtex Rødovre Centrum

Born 1982. Appointed 2022

Employee representative with 20 years of experience in Salling Group.

The Group Leadership Team

Anders Hagh
President & CEO



Peter Bang
Executive Vice President & CFO

Louise Gade
Executive Vice President
People, Culture & Sustainability

Nicolai Gradman
Executive Vice President
Supply Chain & Logistics

Alan Jensen
Executive Vice President
IT & Digital

Viktor Jegesi
Executive Vice President
Commercial

Morten Møberg
Executive Vice President
føtex

Mark Henrik Nielsen
Executive Vice President
Bilka

Braw Bakir
Executive Vice President
Netto Denmark

Brian Nyeng Olesen
Executive Vice President
Netto Poland

Daniel Grabka
Senior Vice President, Co-head of
Netto Germany

Torben Godskesen
Senior Vice President, Co-head of
Netto Germany

Marianne Bedsted
Senior Vice President
Salling and Starbucks & Carl's Jr.

Sustainability Legislation

In 2019, the EU adopted the European Green Deal with the strategic aim to become climate-neutral by 2050. The EU Green Deal consists of a package of policies and laws on key sustainability areas like climate action, circular economy, sustainable buildings and renovations, sustainable transportation, protection of ecosystems and many more. Although the EU Green Deal will leave no sector unaffected, many of these topics are expected to have a significant impact on Salling Group due to the complexity and nature of our business. The directives and regulations which we currently expect will have the biggest impact on our business are described below:

Corporate Sustainability Reporting Directive (CSRD)

The aim of the CSRD is to improve and broaden sustainability reporting among companies operating in the EU. The CSRD replaces EU's previous sustainability reporting directive, the Non-Financial Reporting Directive (NFRD) with a much more comprehensive framework. Under this framework companies need to disclose their environmental, social and governance impacts by following the EU's sustainability standards. The CSRD was formally adopted in 2023, and Salling Group is required to submit its first report based on the CSRD in 2026 for the full year 2025.

Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD aims to ensure that businesses take responsibility for the negative impacts of their activities. This directive establishes a uniform EU-wide standard, compelling both EU and non-EU companies to establish due diligence strategies regarding human rights and environmental issues. It requires companies to identify and address adverse impacts on human rights and the environment within their operations, subsidiaries, and supply chains. The CSDDD is yet a proposal but is expected to be adopted in 2024.

EU Taxonomy for Sustainable Activities

The EU taxonomy is a classification system that defines criteria for a company's economic activities that are aligned with a net-zero trajectory by 2050 and the broader environmental goals other than climate. As with the CSRD, Salling Group is required to report on the taxonomy in 2026 for the full year 2025.

Deforestation Regulation

The Deforestation Regulation prohibits the placing of certain products on the EU markets if these products are not produced according to the local law in producing countries, or if production have led to deforestation or forest degradation. Traders and operators placing products on the EU market, including soy, palm oil, cocoa, beef, coffee rubber or timber, have to assure traceability on geographic locations, and must have proof of compliance to these new requirements. The regulation was adopted and came into effect on the 29th of June 2023. Salling Group has until 30th of December 2024 to become compliant, and we are currently working on the design of a proper due diligence setup.

Ecodesign for Sustainable Products Regulation (ESPR)

The ESPR establishes a framework to set new design requirements for a broad range of products placed on the EU including textiles, furniture and electronic products. The design requirements comprise performance requirements and information requirements. A key aspect of the ESPR is the EU Digital Product Passport (DPP) which is a tool to electronically register, process and share product-related information.

Sustainability legislation from the EU

The mapping provides an overview of expected sustainability legislation from the EU.

The mapping is not a full overview of all coming sustainability legislation.

Packaging and Packaging Waste Regulation (PPWR)

The PPWR is introducing harmonised rules for the producer responsibility on packaging across the EU. The purpose of the highly detailed regulation can be briefly expressed as: Less packaging waste, more recycling and refilling and only reusable packaging by 2030 at the latest.

Tax Payment

Contributing to society

As an integral part of acting with integrity, we conduct our business based on the principle that taxes and duties are crucial to our welfare society. In addition to embracing the obligation to contribute in the widest possible extent, we believe in the importance of creating real and significant opportunities through our payments. At Salling Group, we view taxes and levies as a lever to improving public services and conditions for our employees, customers and business partners. Locally as well as globally, payment of taxes and duties by companies contributes to accelerating the green transition and to edging us closer to fulfilling the UN Sustainable Development Goals.

Salling Group's tax policy[1] is based on five cornerstones:

- Tax compliance
- Tax transparency
- Tax risk management
- Tax structure and planning
- Tax governance

Underlining the importance we attach to an open and fair tax practice, overarching responsibility for Salling Group's tax policy is placed within the company's Board of Directors appointing Jens Bjerg Sørensen responsible for the tax policy. Responsibility for the tax risk management lies with the CFO. Salling Group does not operate businesses in any low tax jurisdictions[2], nor do we apply special tax optimisation models designed for tax avoidance.

Effective tax rate

The effective tax rate for the Group is 23.7% in 2023, in line with prior years having an average rate of 23.6% for the past 5 years. Our effective tax rate demonstrates that we pay taxes at a rate that contributes to the societies where we operate and we don't engage in aggressive tax planning or tax evasion. In Denmark we are among the largest corporate tax payers according to the published corporate tax records for 2022[3].

Total tax payment

In 2023, the total tax contribution[4] from the Group amounted to DKK 8,580 million, compared to DKK 8,198 million in 2022. This includes both taxes paid indirectly by our company (taxes collected), such as VAT and employee income tax, and taxes paid directly (taxes borne), such as corporate income tax and property taxes.

Taxes and duties collected

Taxes and duties levied consist of VAT, withheld taxes and excise duties. The amount for VAT is calculated as net VAT payment to the state, which means VAT on sales minus VAT on purchases. Excise duties charged in Denmark (e.g., on chocolate and alcohol) are only for imported goods, as excise duties on locally produced goods are paid to the authorities by the manufacturing companies.

Taxes and duties borne

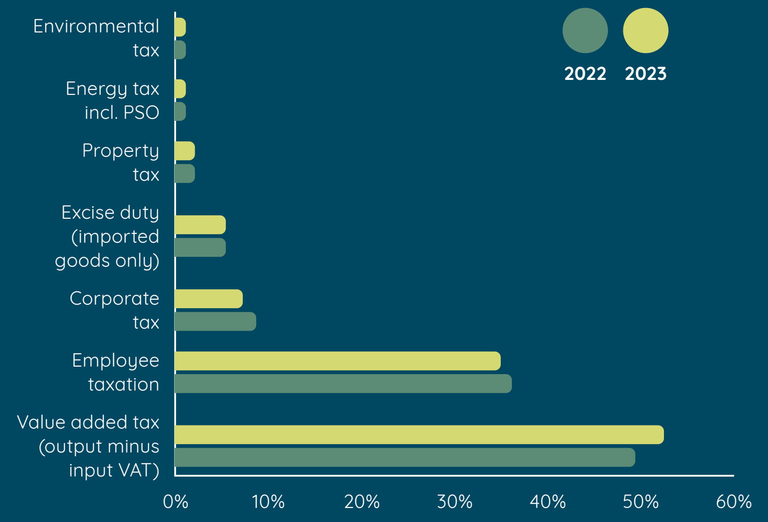
The company's own taxes and fees consist of corporate tax, energy tax, environmental tax and property tax. The largest share of own taxes and levies being corporate tax (71.5%). The Danish entities in the Group delivered a total corporate tax of DKK 446 million. In addition, company taxes totalling DKK 191 million were paid abroad.

1) https://www.sallinggroup.com/en/policies
2) Salling Group have business activities in the following countries, Denmark, Poland and Germany.
3) Press release February 5th, 2024 on 2022 corporate tax payments from The Danish Ministry of Taxation. F. Salling Holding A/S is responsible for paying all corporate tax to the authorities on behalf of the Danish companies in the Group, placed as the 31st largest corporate tax payer in DK.
4) The presentation is made in accordance with the standardised Total Tax Contribution methodology.

Tax 2022–2023

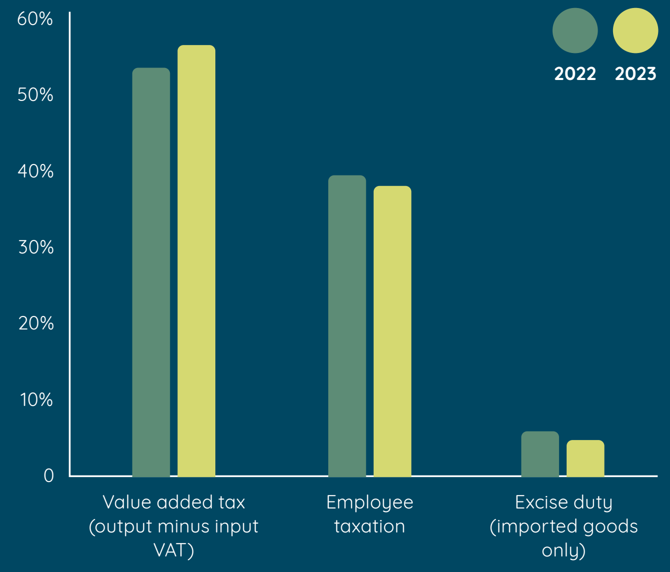
Total tax contribution – divided into categories

2022 total DKK 8,198 million and 2023 total DKK 8,580 million



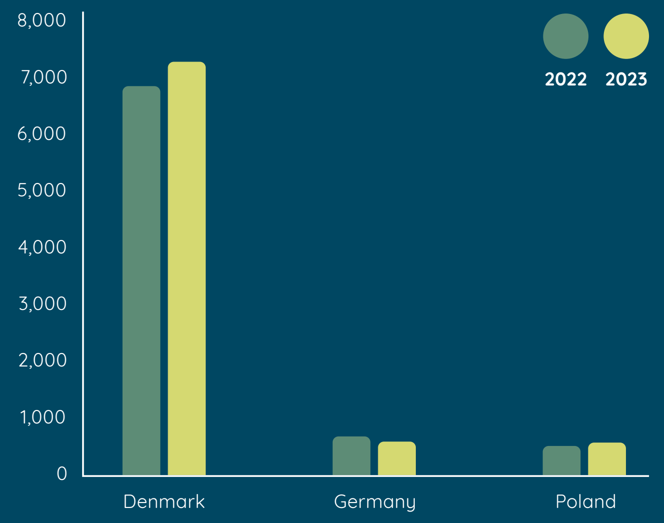
Taxes and duties collected

2022 total DKK 7,141 million and 2023 total DKK 7,689 million



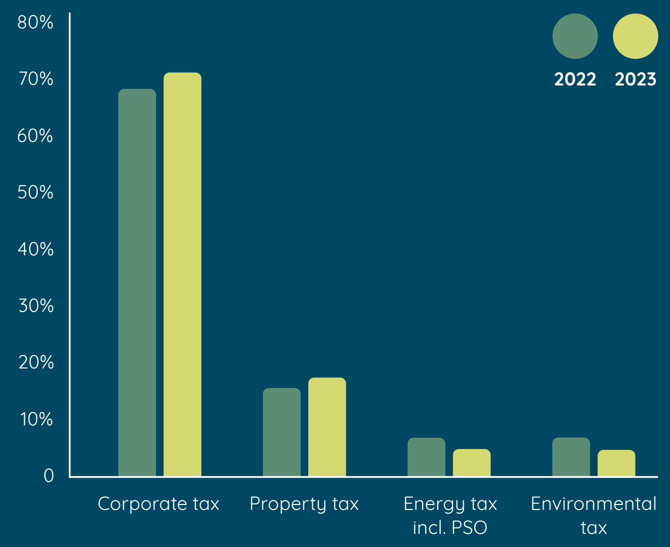
Total tax contribution - divided by countries

2022 total DKK 8,198 million and 2023 total DKK 8,580 million



Taxes and duties collected

2022 total DKK 994 million and 2023 total DKK 891 million



Data Ethics Policy

Improving everyday life

In Salling Group, we collect data from our customers when they interact with our stores and our digital platforms. We utilise information on customer behaviour to improve customer propositions in our stores and on our digital platforms, in terms of providing even better services and offers and thus improving customer experience and everyday life.

Besides being a large retailer, Salling Group is also a large employer. Salling Group's employees are very valuable to Salling Group and fundamental for the future success of the Group and we put great efforts into safeguarding their data.

Responsibility

As Denmark´s largest retailer we are conscious of the great responsibility we have with regards to data protection. It is important to us and a foundation for our business that our customers and employees have trust in our collection and use of data. We nurture an open and positive culture among our people to ensure openness and understanding of a diligent and prudent utilisation of data throughout our organisation.

Transparent and safe processing of personal data

It is important to us that our customers are interacting with us on an informed basis and that they feel safe in doing so when we collect and process personal data. Our privacy policies inform about the basis for, and extent of, our processing of personal data, and here we explain how we process personal data. Our collection and processing of personal data will always be based on specifically stated purposes.

Data security

Salling Group maintains a high level of data security throughout our applications and solutions. All digital activities are governed by Salling Group's company-wide security policies, and all systems and processes are continuously monitored to protect data against unauthorised disclosure, destruction or manipulation.

To read more about the statutory statement on data ethics, in accordance with section 99d of the Danish Financial Statements Act, follow the link below*.

* https://www.sallinggroup.com/en/policies

Group Performance

Group performance

Salling Group operates five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling department stores and BR are operated as physical stores. The ultra discount format BASALT that was opened as a test in 2022 did not reach its full potential and was closed in the beginning of 2023. In Germany and Poland Salling Group is present with Netto stores. Online Salling Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, 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, except for the sale of meal boxes that takes place through Skagenfood A/S.

In January 2023, føtex home delivery through a dedicated distribution center in Ishøj was closed down. Instead home delivery was expanded to a wider geographical area in Denmark anchored in selected Bilka stores with shorter transport between fulfilment and customers and providing a larger assortment and even stronger promotions.

In the second half of 2023, Salling Group took the lead of ensuring lower prices for the Danish grocery consumers. Salling Group initiated a "Price War" guaranteeing lowest prices on 100 selected items used in customers everyday life. During the second half of 2023 the prices on the selected items was lowered with more than 17%.

Market development

The significant rise in inflation starting in 2022 continued in 2023 to cause a shift in customer behaviour in all our markets towards the discount segments and a further increase in the use of promotions by customers.

During 2023, Netto rolled out more of the new Netto 3.0 store concept through refurbishment of existing stores and expansion with new locations in all three markets. In total during 2023, 176 Netto stores were refurbished, and the customer response to the new concept continues to be promising. In Denmark 146 stores were converted, in Germany 21 stores and in Poland, 9 stores were converted.

In 2023, Salling Group strengthened its market position of being the largest retailer in Denmark and having the highest market share in the Danish grocery market.

The expansion continued in all countries in 2023 with the opening of 19 new stores in Denmark, Poland and Germany. During the year Salling Group closed 18 stores of which 11 were related to the closing of Basalt in Denmark.

Financial result

Revenue

The total revenue for 2023 amounts to DKK 70,260 million, an increase of DKK 3,739 million compared to 2022.

Operating profit before depreciation, amortisation and impairment losses (EBITDA)

EBITDA is DKK 4,951 million, which is an increase of DKK 627 million compared to 2022. The result for 2023 is impacted by lower energy prices in all markets compared to 2022, and a recovery in profit in all segments compared to a challenging 2022.

Impairment

Impairment amount to DKK 63 million which mainly relates to impairment of stores in Denmark, Poland and Germany.

Operating profit (EBIT)

Operating profit (EBIT) is DKK 2,421 million, which is an increase of DKK 481 million compared to 2022. The increase is due to a higher EBITDA but with lower gain on disposal of properties.

Profit for the year

Profit for the year is DKK 1,587 million, which is an improvement by DKK 615 compared to 2022. The increase is positively impacted by the improved EBIT result and lower financing cost.

Follow up on outlook announced for 2023

As expected the total revenue for 2023 came in at a higher level compared to 2022. Profit for the year also improved partly because of the lower than expected energy prices.

Cash flow

Net cash flows from operating activities amount to DKK 3,244 million compared to DKK -587 million in 2022. In 2022 the implementation of the new EU rules regarding Unfair Trading Practice impacted the Groups cashflow negatively by more than DKK 3 billion.

Investments

Investments in property, plant and equipment, right-of-use assets, and investment properties amount to DKK 2,351 million in 2023 compared to DKK 2,063 million in 2022.
In March 2022, Salling Group announced an ambitious plan to invest 2.4 billion over five years in energy reducing initiatives benefiting also our CO_2e emissions. By year-end 2023 DKK 555 million has already been invested.

Dividend

Net cash flows from financing activities include dividend paid out of DKK 200 million which is at the same level as in 2022.

Employees

As at 31 December 2023 Salling Group employed 58,903 employees (59,696 as at 31 December 2022). The average number of full-time employees in Salling Group equals 29,591 in 2023 (30,334 in 2022).

Particular risks

Salling 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

Salling Group expects to continue expanding its markets position and increasing turnover as well as profit compared to 2023, despite challenging market conditions with a slow down in inflation but increased cost pressure due to new collective agreements. Salling Group expects to realise a revenue in the level of DKK 70 - 73 billion and a result before tax in the level of DKK 2.1 - 2.4 billion.

Subsequent events

No subsequent events have occurred that affect the annual report for 2023.

Financial Statements

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PARENT COMPANY FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated income statement

DKK million

Notes		2023	2022
	Revenue from contracts with customers	69,794	66,026
	Other revenue	466	495
4	Total revenue	70,260	66,521
	Cost of sales	-50,524	-47,579
	Gross profit	19,736	18,942
5	Staff expenses	-9,089	-8,619
6	External expenses	-5,696	-5,999
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	4,951	4,324
7	Depreciation, amortisation and impairment losses, net	-2,555	-2,483
	Net gain on disposal of investment properties, property, plant and equipment and intangible assets	25	99
	Operating profit (EBIT)	2,421	1,940
8	Financial income	227	65
9	Financial expenses	-568	-645
	Profit before tax	2,080	1,360
10	Income tax	-493	-388
	Profit for the year	1,587	972

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

Consolidated statement of other comprehensive income

DKK million

Notes		2023	2022
	Profit for the year	1,587	972
	Other comprehensive income, net of tax		
	Items that will not be reclassified to the consolidated income statement		
10	Remeasurement of defined benefit plans	-13	8
		-13	8
	Items that subsequently are or may be reclassified to the consolidated income statement		
10	Exchange rate differences on translating foreign operations	611	-122
10	Cash flow hedges, value adjustment for the year	-55	281
10	Cash flow hedges, reclassified to financial expenses	-75	60
		481	219
	Other comprehensive income for the year, net of tax	468	227
	Comprehensive income for the year	2,055	1,199

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

Consolidated financial statements

Consolidated balance sheet at 31 December

DKK million

Notes	Assets	2023	2022
	Non-current assets		
11	**Intangible assets**		
	Goodwill	57	57
	Software	503	697
	Software development in progress	74	51
	Brands	67	75
	Other intangible assets	35	31
	Total intangible assets	736	911
12	**Property, plant and equipment**		
	Land and buildings	19,021	18,434
	Fixtures and fittings, tools and equipment	3,107	2,908
	Leasehold improvements	710	695
	Assets under construction and prepayments	155	68
	Total property, plant and equipment	22,993	22,105
13	**Right-of-use assets**		
	Land and buildings	5,338	5,206
	Fixtures and fittings, tools and equipment	102	86
	Total right-of-use assets	5,440	5,292
14	**Investment properties**	552	568
	Financial assets		
15	Other non-current financial assets	-	103
	Total financial assets	-	103
16	**Deferred tax assets**	94	84
	Total non-current assets	**29,815**	**29,063**

Consolidated balance sheet at 31 December

DKK million

Notes	Assets - continued	2023	2022
	Amount transferred	29,815	29,063
	Current assets		
17	**Inventories**	6,077	5,892
	Receivables		
15	Trade receivables	120	81
	Income tax receivables	86	51
15	Other receivables	525	686
	Prepayments	151	143
15	Other current financial assets	70	97
	Total receivables	952	1,058
15	**Securities**	1,285	1,114
15	**Cash and short-term deposits**	832	847
18	**Assets classified as held for sale**	-	56
	Total current assets	**9,146**	**8,967**
	Total assets	**38,961**	**38,030**

Consolidated financial statements

Consolidated balance sheet at 31 December

DKK million

Equity and liabilities

Notes		2023	2022
	Equity		
	Share capital	524	524
	Retained earnings	11,415	10,041
	Cash flow hedge reserve	27	157
	Foreign currency translation reserve	89	-522
	Proposed dividends	200	200
	Total equity	**12,255**	**10,400**

Consolidated balance sheet at 31 December

DKK million

Equity and liabilities - continued

Notes		2023	2022
	Amount transferred	12,255	10,400
	Liabilities		
	Non-current liabilities		
19	Pensions	205	210
16	Deferred tax liabilities	607	556
20	Provisions	134	132
15	Mortgage loans	6,987	7,283
13, 15	Lease liabilities	5,288	5,102
15	Other non-current financial liabilities	77	16
	Total non-current liabilities	13,298	13,299
	Current liabilities		
20	Provisions	43	68
15	Mortgage loans	314	150
13, 15	Lease liabilities	826	821
15	Bank loans	156	534
15	Other current financial liabilities	420	367
15	Trade payables	8,904	9,733
	Income tax payable	-	56
15	Other payables	2,706	2,598
	Deferred income	39	4
	Total current liabilities	13,408	14,331
	Total liabilities	**26,706**	**27,630**
	Total equity and liabilities	**38,961**	**38,030**

Consolidated financial statements

Consolidated cash flow statement

DKK million

Notes		2023	2022
	Profit before tax	2,080	1,360
21	Adjustments	2,843	2,923
22	Change in working capital	-757	-3,746
	Net cash flows from operating activities before financial items and tax	4,166	537
	Financial income received	201	81
	Financial expenses paid	-569	-642
	Income tax paid	-554	-563
	Net cash flows from operating activities	**3,244**	**-587**
11	Purchase of intangible assets	-100	-109
	Purchase of property, plant and equipment	-1,897	-1,884
14	Purchase of investment properties	-1	-
	Proceeds from sale of investment properties, property, plant and equipment and intangible assets	250	312
	Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-	-1
	Purchase of securities	-381	-254
	Sale of securities	210	1,906
	Net cash flows from investment activities	**-1,919**	**-30**

Consolidated cash flow statement

DKK million

Notes		2023	2022
	Amount transferred	1,325	-617
	Other financial liabilities	41	-
	Net repayments to related parties	-	-183
	Net repayments from related parties	52	2
13	Payment of lease liabilities	-730	-637
	Net payments bank loans	-501	501
	Repayment of borrowings	-132	-179
	Dividends paid to the shareholders of the parent	-200	-200
	Net cash flows from financing activities	**-1,470**	**-696**
	Net change in cash and cash equivalents	-145	-1,313
	Cash and cash equivalents at 1 January	814	2,137
	Net foreign exchange difference	7	-10
23	**Cash and cash equivalents at 31 December**	**676**	**814**

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

2023:

	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2023	524	10,041	157	-522	200	10,400
Profit for the year	-	1,387	-	-	200	1,587
Remeasurement of defined benefit plans net of tax	-	-13	-	-	-	-13
Exchange rate differences on translating foreign operations	-	-	-	611	-	611
Cash flow hedges, value adjustment for the year	-	-	-55	-	-	-55
Cash flow hedges, reclassified to financial expenses	-	-	-75	-	-	-75
Other comprehensive income	-	-13	-130	611	-	468
Total comprehensive income for the year	**-**	**1,374**	**-130**	**611**	**200**	**2,055**
Payment of dividends	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-**	**-**	**-**	**-200**	**-200**
Equity at 31 December 2023	**524**	**11,415**	**27**	**89**	**200**	**12,255**

Consolidated statement of changes in equity

DKK million

2022:

	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2022	524	9,261	-184	-400	200	9,401
Profit for the year	-	772	-	-	200	972
Remeasurement of defined benefit plans net of tax	-	8	-	-	-	8
Exchange rate differences on translating foreign operations	-	-	-	-122	-	-122
Cash flow hedges, value adjustment for the year	-	-	281	-	-	281
Cash flow hedges, reclassified to financial expenses	-	-	60	-	-	60
Other comprehensive income	-	8	341	-122	-	227
Total comprehensive income for the year	**-**	**780**	**341**	**-122**	**200**	**1,199**
Payment of dividends	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-**	**-**	**-**	**-200**	**-200**
Equity at 31 December 2022	**524**	**10,041**	**157**	**-522**	**200**	**10,400**

Consolidated financial statements

Summary of notes to the consolidated financial statements

Notes to the consolidated financial statements

DKK million

1 General information

The primary business area of Salling Group is operating 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 operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, 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, except for the sale of meal boxes that takes place through Skagenfood A/S.

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

2 Summary of material accounting policy information

The financial statements section of the annual report for the period 1 January – 31 December 2023 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.

Effects of new or amended IFRS standards

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 2023. The Group has assessed the changes, and it has been concluded 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 2023, 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Basis of preparation

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

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.

The summary of material accounting policy information have been prepared using a consideration of materiality. The accounting policy information is considered material if the related amounts are material, if the nature of the related transactions are material, or if the information is needed to understand other material information in the financial statement.

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 Ejendomme II ApS	100%	Brabrand, Denmark
Salling Group Captiveforsikringsselskab A/S	100%	Brabrand, Denmark
Dansk Netto Deutschland ApS	100%	Brabrand, Denmark
Skagenfood A/S	90%	Strandby, Denmark
Bodebjerg ApS*	90%	Marslev, Denmark
Netto Supermarkt GmbH	100%	Stavenhagen, Germany
NETTO ApS & Co. KG**	100%	Stavenhagen, Germany
Netto Sp. Z o.o.	100%	Szczecin, Poland
Netto Indygo Sp. Z o.o.	100%	Szczecin, Poland

As at 29 December 2023 Salling Group A/S acquired the real-estate company ODK1 Ejendomme ApS. On 28 February 2024 the company's name was changed from ODK1 Ejendomme ApS to Salling Group Ejendomme II ApS.

** Subsidiary to Skagenfood A/S*
*** Subsidiary to Netto Supermarkt GmbH*

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

A call option exists, according to which Salling Group A/S can purchase the 10% of Skagenfood A/S, which is owned by the co-owner Kuba Holding ApS. The call option can be exercised in 2024.

In 2022 Skagenfood A/S have acquired additional 39% of Bodebjerg ApS. A call option exists, according to which Skagenfood A/S can purchase the 10% of Bodebjerg ApS. The call option can be exercised in 2025.

Non-controlling interests, where the Group has a call-option, give the holder present access to the returns associated with the ownership interest, are considered to be purchased at the point in time, when the call options are written. No non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the non-controlling interests, that are comprised by call options. Liabilities related to call options are 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. The Group uses historical return data to estimate the expected return percentages.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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. Rental revenue arising from operating leases of buildings and investment properties and operating leases regarding in-store rental is recognised on a straight-line basis over the lease terms, and is recognised as part of Other revenue in the 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 a part of cost of sales.

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

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits etc. are recognised in the year in which the associated services are rendered by employees. Where the company provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

Average numbers of full-time employees is calculated based on the total number of compensable hours in a work year compared to the number of hours in a 'norm' work year.

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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Depreciation, amortisation, and impairment losses
Depreciation and amortisation comprise depreciation of property, plant and equipment, right-of-use assets and investment properties and amortisation of intangible assets.

Impairment losses compromises impairment losses and reversal of impairment regarding property, plant and equipment, right-of-use assets, investment properties and intangible assets.

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.

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 rate 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 scheme.

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Accounting policies, balance sheet

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. Subsequent to initial recognition goodwill is measured at cost net of accumulated impairment losses, if any.

Goodwill is tested for impairment annually. 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 measured 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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	5 - 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 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 properties:	
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 - 25 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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.

Investment properties
Investment properties are properties 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 properties are measured initially at cost comprising purchase price and any directly attributable expenditure including transaction costs. Subsequent to initial recognition investment properties are 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 properties. 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Trade receivables, securities and other financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, 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 balance sheet 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.

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 balance sheet, 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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 balance sheet comprise cash at banks and on hand and short-term deposits.

Equity - Cash flow hedge reserve
The cash flow hedge reserve covers interest rates associated with loans.

Equity - Foreign currency translation reserve
The foreign currency translation reserve comprises exchange rate adjustments arising from translation of the financial statements of foreign entities with a currency that is not the Group's presentation currency.

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Notes to the consolidated financial statements

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2 Summary of material accounting policy information - 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 balance sheet 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 balance sheet 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 contracts 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Loans, trade payables and other financial liabilities

All financial liabilities are 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 balance sheet at fair value with net changes in fair value presented as financial items in the income statement. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are 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 expired. 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.

Salling Group facilitates a supply chain financing programme (SCF). SCF is a three-way relationship between Salling Group, a given supplier and the syndication banks facilitating the SCF programme. When participating in this programme, the supplier has the option to receive early payment from the syndication banks based on the invoices approved by Salling Group. The agreement of early payment is a transaction between the supplier and the syndication banks, and does not involve Salling Group.

The amounts payable to the suppliers included in the SCF programme are classified as trade payables in the balance sheet and in the cash flow statement (change in working capital). The trade payables covered by the SCF programme arise in the ordinary course of business from supply of goods and services. The payment terms of the suppliers are not significantly extended compared to trade payables that are not part of the programme.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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 in substance 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 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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.

Cash and cash equivalents comprise cash and short-term deposits as well as bank overdrafts.

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 properties 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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

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.

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.

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

Other 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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Non-controlling interests comprised of call options that gives 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 call options are recognised as part of Other non-current financial liabilities and is measured at fair value at initial recognition. Subsequently, the obligation regarding call options are measured at amortised cost.

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 rate 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 rate 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

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").

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.

Notes to the consolidated financial statements

DKK million

2 Summary of material accounting policy information - continued

Main and key figures in the 5-year summary
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). Net interest bearing debt comprises mortgage loans, lease liabilities, bank loans, securities and cash and short-term deposits.

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Notes to the consolidated financial statements

DKK million

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. Management perform its estimates and judgements based on historical experience, independent advice, external data sources and in-house specialists.

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.

The Group has entered into evergreen contracts where the leases have no contractual end date. The Group applies judgement in evaluating the expected termination date for the contracts. All relevant factors that create an economic incentive to continue or terminate the lease are considered. The Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its expected termination date.

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

Valuation of intangible assets, property, plant and equipment, right-of use assets and investment properties

Intangible assets, property, plant and equipment, right-of-use assets and investment properties are tested for indications of impairment. For goodwill and intangible assets 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 cost of disposal and value in use. The fair value less cost 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 cost 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 cost of disposal exists. The key assumptions used to determine the recoverable amount are disclosed and further explained in the relevant notes.

The useful lives and residual values of intangible assets, property, plant and equipment, right-of-use assets and investment properties 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 and expected shrinkage.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

Macroeconomic impact

Geopolitical turbulence

The war in Ukraine continued in 2023, furthermore the conflict in Israel and Palestine escalated. Salling Group is not impacted directly by the war in Ukraine or the conflict in Israel and Palestine as Salling Group is not operating stores or other activities in the impacted areas.

Inflation

The high inflation in Europe in 2022 continued into the initial months of 2023. The increasing inflation rate caused a shift in costumer behaviours in all our markets with a growth in promotion share, and a boost to the discount segment. The inflation rate gradually decreased in Europe in the second half of 2023 and stabilised by the end of 2023.

Interests

Salling Groups funding is based on mortgage loans with fixed and variable rates secured by Danish properties. A part of the mortgage loans with variable interest rates are hedged using interest rate swaps with up to 10-years maturity. The continued rise in short-term interest rates had a minor impact on the financial results in 2023.

During 2024 interest swaps for a total amount of DKK 2.5 billion will mature, why Salling Groups overall interest rate sensitivity will increase all other things being equal.

Notes to the consolidated financial statements

DKK million

	2023	2022
4 Total revenue		
Revenue from contracts with customers, retail and e-commerce activities	69,794	66,026
Total revenue from contracts with customers	69,794	66,026
Rental revenue, investment properties	76	73
Other rental revenue	268	247
Other revenue	122	175
Total other revenue	466	495
Total revenue	70,260	66,521
Geographical split		
Denmark	49,747	47,202
Abroad	20,513	19,319
Total revenue	70,260	66,521

The absolute 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.

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 2023 or 31 December 2022.

In a few situations primarily 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

		2023	2022
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	7,908	7,537
	Post-employment benefits – defined contribution plans	428	381
	Post-employment benefits – defined benefit plans	-4	-7
	Social security costs	474	449
	Other staff expenses	283	259
	Total staff expenses	9,089	8,619
	Average number of full-time employees	29,591	30,334

For a description of the key management personnel and an overview of their remuneration please refer to note 25.

		2023	2022
6	**External expenses**		
	Fees paid to the auditors appointed at the annual general meeting:		
	Fee regarding statutory audit	3.4	3.2
	Tax assistance	0.1	0.1
	Assurance engagements	0.6	0.6
	Other assistance	0.6	1.3
	Total fee paid to the auditors appointed at the annual general meeting	4.7	5.2

In 2023 fee regarding statutory audit includes DKK 0.3 million (DKK 0.3 million in 2022) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Captiveforsikringsselskab A/S). All other fees mentioned above are paid to EY.

Notes to the consolidated financial statements

DKK million

		2023	2022
7	**Depreciation, amortisation and impairment losses, net**		
	Depreciation, Property, plant and equipment	1,427	1,318
	Depreciation, Right-of-use assets	809	745
	Depreciation, Investment properties	17	18
	Amortisation, Intangible assets	239	262
	Depreciation and amortisation	2,492	2,343
	Property, plant and equipment	21	55
	Right-of-use assets	18	23
	Investment properties	17	32
	Intangible assets	7	30
	Impairment losses, net	63	140
	Depreciation, amortisation and impairment losses, net	2,555	2,483

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

		2023	2022
8	**Financial income**		
	Interest income on loans and receivables	13	5
	Net gain on derivatives not designated as hedging instruments	81	3
	Net gain on financial instruments held for trading	53	-
	Net foreign exchange gain	80	34
	Other financial income	-	23
	Total financial income	227	65
9	**Financial expenses**		
	Interest expense on mortgage loans	270	69
	Cash flow hedges reclassified from other comprehensive income	-96	77
	Interest expense on lease liabilities	328	352
	Interest expense paid to banks	53	10
	Interest expense on loans from entities with significant influence	6	1
	Net loss on financial instruments held for trading	-	122
	Other financial expenses	7	14
	Total financial expenses	568	645

Notes to the consolidated financial statements

DKK million

		2023	2022
10	**Income tax**		
	Current income tax	-487	-494
	Adjustment regarding prior years, current income tax	24	-21
	Change in deferred tax	5	29
	Total income tax	-458	-486
	Income tax recognised in the income statement	-493	-388
	Income tax recognised in other comprehensive income	35	-98
	Total income tax	-458	-486

Reconciliation of income tax recognised in the income statement

	2023		2022	
Tax on result for the year at the Danish income tax rate	-457	22.0%	-299	22.0%
Non-deductible costs	-81	3.9%	-45	3.3%
Non-taxable income	71	-3.4%	74	-5.4%
Deviating tax rates in foreign operations	-3	0.1%	-15	1.1%
Adjustment to prior periods	24	-1.1%	-21	1.5%
Not capitalised tax loss carry forwards	-47	2.2%	-82	6.0%
Income tax recognised in the income statement	-493	23.7%	-388	28.5%

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

10 Income tax - continued

Divided on countries, where Salling Group has operating activities, the effective tax rate of 23.7% (28.5% in 2022) shown above can be specified as follows:

	2023	2022
Denmark	21.0%	20.4%
Germany	19.9%	45.4%
Poland:		
Netto Sp. Z o.o.	21.3%	21.8%
Netto Indygo Sp. Z.o.o	0.6%	1.0%

In 2022 the effective tax in Germany was significantly impacted by adjustment from tax audits related to prior years contributing with 21.3% in addition to the effective tax for 2022 of 24.1% in total an effective tax rate of 45.4%.

In 2023 and 2022 Netto Indygo Sp. Z o.o. has been unprofitable, and the deferred tax asset related to the tax loss carryforward for 2023 and 2022 has not been recognised.

Global minimum taxation (OECD Pillar Two)

In March 2022, the Organisation for Economic Co-operation and Development (OECD) issued technical guidance and overview of the potential impact of the OECD Pillar Two expansion on the financial statements in accordance with IAS 12 Income Taxes.

The main purpose of Pillar Two aims to address Base Erosion and Profit Shifting (BEPS) by introducing a global minimum tax rate of 15% and implementing tax legislation for the allocation of taxation rights.

Denmark has enacted new tax legislation to implement the global minimum top-up tax effective from 1 January 2024 in line with Council Directive (EU) 2022/2523 of 14 December 2022 ensuring a global minimum level of taxation for multinational enterprise groups in EU. As the newly enacted tax legislation in Denmark is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

Salling Group has applied a mandatory exception to IAS 12, and has not recognised and disclosed information about deferred tax assets and liabilities arising from Pillar Two Income taxes.

Notes to the consolidated financial statements

DKK million

10 Income tax - continued

The Group has assessed the potential exposure to Pillar Two income taxes based on the most recent tax fillings, country-by-country reporting and financial statements for the Group.

The effective tax rate is above 15% in Denmark and Germany. In Poland the effective tax rate is below 15% due to tax losses in Netto Indygo Sp. Z o.o. Poland passes the routine profit test and is not subject to Pillar Two “top-up” taxes.

The Group does not expect the amendments of Pillar Two Income taxes to have a material impact on the Group’s consolidated financial statement.

Tax on other comprehensive income

	2023			2022		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-17	4	-13	10	-2	8
Exchange rate differences on translating foreign operations	611	-	611	-122	-	-122
Cash flow hedges, value adjustment for the year	-65	10	-55	360	-79	281
Cash flow hedges, reclassified to financial expenses	-96	21	-75	77	-17	60
	433	35	468	325	-98	227

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DKK million

11 Intangible assets

2023:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2023	57	2,318	51	116	76	2,618
Additions	-	38	55	-	7	100
Reclassifications	-	27	-32	-	-	-5
Disposals	-	-148	-	-	-7	-155
Balance at 31 December 2023	57	2,235	74	116	76	2,558
Accumulated amortisation and impairment losses						
Balance at 1 January 2023	-	-1,621	-	-41	-45	-1,707
Amortisation	-	-228	-	-8	-3	-239
Impairment losses recognised in the income statement	-	-7	-	-	-	-7
Disposals	-	124	-	-	7	131
Balance at 31 December 2023	-	-1,732	-	-49	-41	-1,822
Carrying amount at 31 December 2023	57	503	74	67	35	736

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

2022:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2022	309	2,330	84	192	76	2,991
Additions	-	73	36	-	-	109
Reclassifications	-	61	-69	-	-	-8
Disposals	-252	-146	-	-76	-	-474
Balance at 31 December 2022	57	2,318	51	116	76	2,618
Accumulated amortisation and impairment losses						
Balance at 1 January 2022	-252	-1,486	-	-108	-38	-1,884
Amortisation	-	-247	-	-8	-7	-262
Impairment losses recognised in the income statement	-	-30	-	-	-	-30
Disposals	252	142	-	75	-	469
Balance at 31 December 2022	-	-1,621	-	-41	-45	-1,707
Carrying amount at 31 December 2022	57	697	51	75	31	911

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11 Intangible assets - continued

Impairment losses during the year

Goodwill

For impairment testing goodwill acquired through business combinations is allocated to the cash generating units that benefit from the synergies resulting from the acquisitions. The goodwill amounts in the Group relate to the Danish and the German retail activities.

Carrying amount of goodwill within the Group:

	2023	2022
Danish retail activities	18	18
German retail activities	39	39
	57	57

The recoverable amount of the remaining goodwill has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The discount rate before tax applied to the cash flow projections is 6.5% (7% in 2022), and cash flows beyond the five-year period are extrapolated using a 2% growth rate before tax, which is the expected long-term inflation rate (2% in 2022). As a result of the impairment test management did not identify any impairment losses regarding goodwill in 2023.

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 2023 - 2027.

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

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 cash flows in order to reflect a discount rate.

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

Software

In 2023 an impairment loss of DKK 7 million was recognised regarding software.

In 2022 an impairment loss of DKK 30 million was recognised regarding the remaining carrying amount of software related to føtex Home Delivery.

Other intangible assets

No other impairment losses have been recognised regarding intangible assets in 2023 or 2022.

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DKK million

12 Property, plant and equipment

2023:

	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2023	27,832	8,645	1,762	68	38,307
Foreign currency translation	578	124	24	-	726
Additions*	761	959	109	119	1,948
Reclassifications	-160	27	6	-32	-159
Disposals	-81	-274	-27	-	-382
Balance at 31 December 2023	28,930	9,481	1,874	155	40,440
Accumulated depreciation and impairment losses					
Balance at 1 January 2023	-9,398	-5,737	-1,067	-	-16,202
Foreign currency translation	-98	-63	-9	-	-170
Depreciation	-491	-831	-105	-	-1,427
Impairment losses recognised in the income statement	-19	-3	-19	-	-41
Reversals of impairment losses recognised in the income statement	8	-	12	-	20
Reclassifications	72	-	1	-	73
Disposals	17	260	23	-	300
Balance at 31 December 2023	-9,909	-6,374	-1,164	-	-17,447
Carrying amount at 31 December 2023	19,021	3,107	710	155	22,993

*Additions of land and buildings for 2023 includes the acquisition of Salling Group Ejendomme II ApS (DKK 320 million) which is recognised as an asset deal.

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

2022:

	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2022	27,563	7,894	1,689	285	37,431
Foreign currency translation	-139	-24	-5	-1	-169
Additions	721	1,035	98	30	1,884
Reclassifications	-97	3	11	-246	-329
Reclassified as held for sale	-9	-	-	-	-9
Disposals	-207	-263	-31	-	-501
Balance at 31 December 2022	27,832	8,645	1,762	68	38,307
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	-8,957	-5,226	-984	-	-15,167
Foreign currency translation	18	10	1	-	29
Depreciation	-471	-757	-90	-	-1,318
Impairment losses recognised in the income statement	-14	-19	-23	-	-56
Reversals of impairment losses recognised in the income statement	-	-	1	-	1
Reclassifications	-35	-	-	-	-35
Reclassified as held for sale	6	-	-		6
Disposals	55	255	28	-	338
Balance at 31 December 2022	-9,398	-5,737	-1,067	-	-16,202
Carrying amount at 31 December 2022	18,434	2,908	695	68	22,105

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12 Property, plant and equipment - continued

Impairment losses during the year

Land and buildings incl. right-of-use and leasehold improvements

The recoverable amount of land and buildings incl. right-of-use and leasehold improvements has been determined based on a value in use calculation using cash flow projections from financial plan for the next three to five years approved by management. The discount rate before tax applied to the cash flow projections for land and buildings incl. right-of-use and leasehold improvements in Denmark and Germany is 6.5% (7% in 2022) and 9.1% in Poland (10.4% in 2022), and cash flows beyond the financial budget periods are extrapolated using a 2% growth rate before tax, which is the expected long-term inflation rate (2% in 2022).

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.

During 2023 impairment losses has been recognised regarding a number of stores where, due to competitive pressure in the local areas, the stores have not been sufficiently profitable to cover the full carrying amount of the investments. The impairment losses are recognised for both land and buildings incl. right-of-use and leasehold improvements. In total impairment losses was recognised regarding 14 Danish stores, 5 German stores and 23 Polish stores in 2023. At the same time, impairment losses have been reversed regarding 9 Danish stores, 4 German stores and 3 Polish stores, where the profitability has increased sufficiently to cover the investments.

Fixtures and fittings, tools and equipment incl. right-of-use

In 2023 an impairment loss of DKK 3 million related to fixtures and fittings, tools and equipment have been recognised (2022 DKK 19 million).

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DKK million

13 Leases

Right-of-use assets

2023:	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2023	7,914	251	8,165
Foreign currency translation	93	2	95
Additions	329	73	402
Remeasurement of lease liabilities*	709	1	710
Disposals	-391	-113	-504
Balance at 31 December 2023	8,654	214	8,868
Accumulated depreciation and impairment losses			
Balance at 1 January 2023	-2,708	-165	-2,873
Foreign currency translation	-21	-1	-22
Depreciation	-766	-43	-809
Impairment losses recognised in the income statement	-18	-	-18
Disposals	197	97	294
Balance at 31 December 2023	-3,316	-112	-3,428
Carrying amount at 31 December 2023	5,338	102	5,440

*Remeasurement of lease liabilities comprises changes in the lease term (extension or shortening of lease period) and changes of lease payments. The majority of the Group's property leases are remeasured on a yearly basis through indexation of lease payments. Remeasurement of lease liabilities in 2023 is impacted by high inflation in 2022 which has caused higher lease payments in 2023.

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Notes to the consolidated financial statements

DKK million

13 Leases - continued

Right-of-use assets

2022:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2022	7,781	200	7,981
Foreign currency translation	-22	-	-22
Additions	132	47	179
Remeasurement of lease liabilities	25	6	31
Disposals	-2	-2	-4
Balance at 31 December 2022	7,914	251	8,165
Accumulated depreciation and impairment losses			
Balance at 1 January 2022	-1,978	-131	-2,109
Foreign currency translation	2	-	2
Depreciation	-710	-35	-745
Impairment losses recognised in the income statement	-24	-	-24
Reversals of impairment losses recognised in the income statement	1	-	1
Disposals	1	1	2
Balance at 31 December 2022	-2,708	-165	-2,873
Carrying amount at 31 December 2022	5,206	86	5,292

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.

Impairment losses during the year

For further information please refer to note 12.

Notes to the consolidated financial statements

DKK million

13 Leases - continued

Lease liabilities

	2023		2022	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	1,059	826	1,028	821
1 to 5 years	3,888	3,243	3,739	2,432
After 5 years	2,539	2,045	3,309	2,670
Total	7,486	6,114	8,076	5,923

	2023	2022
Amounts recognised in the consolidated income statement		
Interest expenses on lease liabilities	328	352
Expenses related to leases of low value assets	47	39
Income from subleasing of right-of-use assets	75	76

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2023 and 2022.

In 2023 the Group has paid DKK 1.058 million related to lease contracts (DKK 989 million in 2022), of which DKK 328 million relate to interest payments regarding recognised lease liabilities (DKK 352 million in 2022) and DKK 730 million relate to payment of recognised lease liabilities (DKK 637 million in 2022).

Regarding situations, where the Group is lessor, please refer to note 24.

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	2023	2022
14 Investment properties		
Cost		
Balance at 1 January	1,223	975
Foreign currency translation	19	-
Additions	1	-
Reclassifications	162	336
Reclassified as held for sale	-	-56
Disposals	-111	-32
Balance at 31 December	1,294	1,223
Accumulated depreciation and impairment losses		
Balance at 1 January	-655	-671
Foreign currency translation	-3	-
Depreciation	-17	-18
Impairment losses recognised in the income statement	-17	-32
Reclassifications	-73	35
Reclassified as held for sale	-	3
Disposals	23	28
Balance at 31 December	-742	-655
Carrying amount at 31 December	552	568

Investment properties comprise a shopping centre and flats located adjacent to Salling Group's stores.

During 2023 impairment losses has been recognised regarding 4 Polish investment properties where the expected sales price of the investment property was lower than the carrying amount of the investment property. During 2022 impairment losses was recognised regarding 1 Danish and 7 Polish investment properties.

The estimated fair value of investment properties amounted to DKK 1,332 million at 31 December 2023 (DKK 1,482 million at 31 December 2022). The fair value of the investment properties 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.

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	2023	2022
14 Investment properties - continued		
Rental income from investment properties	76	73
Direct operating expenses from investment properties that generated rental income	-47	-34
Direct operating expenses from investment properties that did not generate rental income	-4	-3
Profit arising from investment properties	25	36

15 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2023	2022	2023	2022
Derivatives designated as hedging instruments (cash flow hedges)	-	103	-	103
Other non-current financial assets	-	103	-	103
Trade receivables	120	81	120	81
Other receivables	525	686	525	686
Derivatives designated as hedging instruments (cash flow hedges)	65	92	65	92
Other current financial assets	5	5	5	5
Other current financial assets	70	97	70	97
Securities	1,285	1,114	1,285	1,114
Cash and short-term deposits	832	847	832	847

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DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2023	2022	2023	2022
Mortgage loans - non-current	6,987	7,283	6,793	6,995
Mortgage loans - current	314	150	314	150
Mortgage loans	7,301	7,433	7,107	7,145
Lease liabilities - non-current	5,288	5,102		
Lease liabilities - current	826	821		
Lease liabilities	6,114	5,923		
Bank loans - current	156	534	156	534
Bank loans	156	534	156	534
Derivatives designated as hedging instruments (cash flow hedges)	32	-	32	-
Other non-current financial liabilities	45	16	45	16
Other non-current financial liabilities	77	16	77	16
Payables to entities with controlling influence	71	64	71	64
Payables to entities with significant influence	333	288	333	288
Derivatives not designated as hedging instruments	4	15	4	15
Other current financial liabilities	12	-	12	-
Other current financial liabilities	420	367	420	367
Trade payables	8,904	9,733	8,904	9,733
Other payables	2,706	2,598	2,706	2,598

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial instruments by category

	2023	2022
Financial assets at amortised cost:		
Trade receivables	120	81
Other receivables	525	686
Other financial assets excluding derivatives	5	5
Cash and short-term deposits	832	847
Financial assets at fair value through profit or loss:		
Securities	1,285	1,114
Financial assets - Derivatives (Cash flow hedges accounting):		
Cash flow hedges	65	195
Financial liabilities measured at amortised cost:		
Mortgage loans	7,301	7,433
Lease liability	6,114	5,923
Bank loans	156	534
Other non-current financial liabilities excluding derivatives	45	16
Other current financial liabilities excluding derivatives	416	352
Trade payables	8,904	9,733
Other payables	2,706	2,598
Financial liabilities - Derivatives (Cash flow hedges accounting):		
Derivatives not designated as hedging instruments	4	15
Financial liabilities at fair value through other comprehensive income:		
Derivatives designated as hedging instruments (cash flow hedges)	32	-

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DKK million

15 Financial assets and financial liabilities - continued

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 value of the bonds is 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 the interest rate risk in CIBOR-based mortgage loans.

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 2023	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2%	5,680	2,500	1,800	1,380
2 - 4 %	1,293	293	-	1,000
4 % -	328	328	-	-
Total	7,301	3,121	1,800	2,380

		Next interest rate fixing		
31 December 2022	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2%	7,433	1,698	3,600	2,135
Total	7,433	1,698	3,600	2,135

Notes to the consolidated financial statements

DKK million

15 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.

The impact of the hedging instruments and the hedged items on the balance sheet is, as follows:

31 December 2023	Notional amount	Carrying amount	Line item in the balance sheet
CIBOR-based mortgage loans (hedged items)	5,963	5,963	Mortgage loans
Interest rate swap contracts	5,300	-33	Other current and non-current financial items

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DKK million

15 Financial assets and financial liabilities - continued

31 December 2022	Notional amount	Carrying amount	Line item in the balance sheet
CIBOR-based mortgage loans (hedged items)	6,041	6,041	Mortgage loans
Interest rate swap contracts	5,900	-195	Other current and non-current financial items

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. Expected affect to profit before tax:

	2023	2022
Within 1 year	65	92
1 to 5 years	-13	98
After 5 years	-19	5
Total	33	195

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 2023 or 2022.

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.

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DKK million

15 Financial assets and financial liabilities - continued

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 2022. 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.

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.

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DKK million

15 Financial assets and financial liabilities - continued

The sensitivity analysis in the following sections relate to the positions as at 31 December 2023 and 2022. 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 companies within the Group are denominated in the companies functional currencies. However, some trade purchases are made in other currencies, primarily 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.

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 to 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.

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DKK million

15 Financial assets and financial liabilities - continued

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:

31 December 2023	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	451	7	-	1	26
Financial liabilities	-	-	-401	-	-
Known USD purchase orders	-	-	-	-	-506
Net exposures before derivatives	451	7	-401	1	-480
Derivatives	89	-	378	-	587
Net exposures after derivatives	540	7	-23	1	107
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	540	7	-23	1	107
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the consolidated income statement	5	-	-1	-	5

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DKK million

15 Financial assets and financial liabilities - continued

31 December 2022	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	385	6	32	1	31
Financial liabilities	-	-	-524	-	-
Known USD purchase orders	-	-	-	-	-525
Net exposures before derivatives	385	6	-492	1	-494
Derivatives	260	-	564	-	774
Net exposures after derivatives	645	6	72	1	280
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	645	6	72	1	280
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the consolidated income statement	6	-	4	-	14

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.

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DKK million

15 Financial assets and financial liabilities - continued

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 the 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 3 to 7. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

As at 31 December 2023, after taking into account the effect of interest rate swaps, approximately 91% of the Group's mortgage loan portfolio are at a fixed rate, compared to 98% as at 31 December 2022.

A general increase of 1%-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK 5 million (DKK 4 million in 2022), and pre-tax equity by DKK 102 million (DKK 53 million in 2022). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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

31 December 2023	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	1,285	1%	22	22
Other financial assets	5	1%	-	-
Mortgage loans	7,301	1%	-36	-36
Derivatives	-33	1%	22	119
Other financial liabilities	416	1%	-3	-3
Impact			5	102

31 December 2022	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	1,114	1%	14	14
Other financial assets	5	1%	-	-
Mortgage loans	7,433	1%	-35	-35
Derivatives	-195	1%	29	78
Other financial liabilities	352	1%	-4	-4
Impact			4	53

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 some 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.

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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 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 amount and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

31 December 2023	Within 1 year	1 to 5 years	After 5 years	Total
Mortgage loans	400	1,757	6,128	8,285
Lease liabilities	1,059	3,888	2,539	7,486
Bank loans	156	-	-	156
Trade and other payables*	12,026	45	-	12,071
Total	13,641	5,690	8,667	27,998

31 December 2022	Within 1 year	1 to 5 years	After 5 years	Total
Mortgage loans	269	1,599	6,308	8,176
Lease liabilities	1,028	3,739	3,309	8,076
Bank loans	534	-	-	534
Trade and other payables*	12,683	16	-	12,699
Total	14,514	5,354	9,617	29,485

*As at 31 December 2023 the Group has utilised the SCF facility by DKK 2.2 billion (DKK 3.1 billion in 2022).

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DKK million

	2023	2022

15 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 loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and 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 an external credit assessment tool and an internal credit policy which defines 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.

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 must be below 4.

The table below summarises the ageing analysis of trade receivables:

	2023	2022
Not due	108	68
< 30 days past due	10	11
30 to 90 days past due	1	1
> 90 days past due	1	1
Total trade receivables	120	81

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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 2023 the provision amounts to DKK 9 million (31 December 2022: DKK 19 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.

Changes in assets and liabilities arising from financing activities

2023:	1 January 2023	Cash flows	Other	31 December 2023
Mortgage loans	7,433	-132	-	7,301
Lease liabilities*	5,923	-730	921	6,114
Bank loans	534	-501	123	156
Other financial liabilities excluding derivatives	368	93	-	461
Total change in assets and liabilities from financing activities	14,258	-1,270	1,044	14,032

2022:	1 January 2022	Cash flows	Other	31 December 2022
Mortgage loans	7,612	-179	-	7,433
Lease liabilities	6,390	-637	170	5,923
Bank loans	-	501	33	534
Other financial liabilities excluding derivatives	550	-181	-1	368
Total change in assets and liabilities from financing activities	14,552	-496	202	14,258

*Other changes in lease liabilities comprises termination and remeasurements of lease contracts. For further information please refer to note 13.

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Notes to the consolidated financial statements

DKK million

16 Deferred tax

Specification of deferred tax

	Consolidated income statement		Consolidated balance sheet	
	2023	2022	2023	2022
Intangible assets	31	32	-140	-171
Property, plant and equipment	-59	-24	-721	-616
Investment properties	6	3	16	10
Financial assets	10	6	23	13
Other assets	2	5	1	-1
Provisions	-	-9	77	77
Other liabilities	-9	-2	49	58
Leases	9	18	116	107
Tax loss carryforward	4	-1	54	50
Other	11	1	12	1
Deferred tax income/expense / Net deferred tax	5	29	-513	-472

Reconciliation of net deferred tax

	2023	2022
Opening balance at 1 January	-472	-501
Adjustment of deferred tax recognised in the income statement	5	29
Deferred tax acquired in business combinations	-46	-
Closing balance at 31 December	-513	-472

Deferred tax is recognised in the consolidated balance sheet as follows:

	2023	2022
Deferred tax assets	94	84
Deferred tax liabilities	-607	-556
Net deferred tax	-513	-472

Notes to the consolidated financial statements

DKK million

16 Deferred tax - continued

In the Group an unrecognised deferred tax asset of DKK 920 million exists as at 31 December 2023 related to Netto Indygo Sp. Z o.o. (in 2022 DKK 870 million related to Netto Indygo Sp. Z o.o.). The deferred tax asset is unrecognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised. A significant part of the unrecognised deferred tax asset in Netto Indygo Sp. Z o.o. relates to tax losses. Tax losses may be carried forward for 5 consecutive tax years with restrictions on the utilization. Netto Indygo Sp. Z o.o. has suffered a loss in both 2023 and 2022.

17 Inventories

	2023	2022
Goods held for resale	5,946	5,754
Consumables	131	138
Total inventories	6,077	5,892

In the income statement as part of Cost of sales an expense of DKK 2 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 2 million in 2022).

18 Assets classified as held for sale

The major classes of assets classified as held for sale as at 31 December are as follows:

	2023	2022
Land and buildings	-	3
Investment properties	-	53
Assets classified as held for sale	-	56

Properties classified as held for sale are recognised at carrying amount, since the fair value less costs to sell of the properties is higher than the carrying amount.

As at 31 December 2023 no properties are classified as held for sale.

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Notes to the consolidated financial statements

DKK million

19 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:

	2023	2022
Defined benefit obligation at 1 January	210	243
Interest expenses recognised as part of Staff expenses	-5	-7
Actuarial gains / losses, demographic assumptions	1	4
Actuarial gains / losses, financial assumptions	14	-33
Actuarial gains / losses, experience adjustments	2	19
Payments from the plan	-17	-16
Defined benefit obligation at 31 December	205	210

The following significant actuarial assumptions are applied:

	2023	2022
Discount rate	2.1%	2.7%
Price inflation	1.9%	1.9%

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

Notes to the consolidated financial statements

DKK million

19 Pensions - continued

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

	2023	2022
Discount rate:		
Increase of 0.5% point	-7	-8
Decrease of 0.5% point	8	9
Price inflation:		
Increase of 0.5% point	8	9
Decrease of 0.5% point	-8	-8

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 2023 is 27 years (28 years in 2022). DKK 18 million is expexted to be paid from the plans in 2024.

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DKK million

20 Provisions

2023:	Insurance	Other	Total
Balance at 1 January 2023	149	51	200
Provisions made during the year	39	14	53
Provisions utilised during the year	-38	-4	-42
Reversals during the year	-24	-10	-34
Balance at 31 December 2023	126	51	177
Non-current	27	16	43
Current	99	35	134
Balance at 31 December 2023	126	51	177

2022:	Insurance	Other	Total
Balance at 1 January 2022	146	56	202
Provisions made during the year	45	11	56
Provisions utilised during the year	-15	-9	-24
Reversals during the year	-27	-7	-34
Balance at 31 December 2022	149	51	200
Non-current	93	39	132
Current	56	12	68
Balance at 31 December 2022	149	51	200

Notes to the consolidated financial statements

DKK million

20 Provisions - continued

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 29 million is expected to fall due after more than 5 years (DKK 21 million in 2022).

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. No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.
DKK 21 million of the provision is expected to fall due after more than 5 years (DKK 18 million in 2022).

21 Adjustments

	2023	2022
Financial income	-227	-65
Financial expenses	568	645
Depreciation, amortisation and impairment losses	2,555	2,483
Net gain on sale of non-current assets etc.	-25	-99
Other adjustments	-28	-41
Adjustments	2,843	2,923

22 Change in working capital

	2023	2022
Change in trade and other receivables and prepayments	114	-86
Change in inventories	-185	-570
Change in trade and other payables	-686	-3,090
Change in working capital	-757	-3,746

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Notes to the consolidated financial statements

DKK million

	2023	2022
23 Cash and cash equivalents		
Cash and short-term deposits	832	847
Current liabilities - bank loans	-156	-33
Cash and cash equivalents available to the Group	676	814

24 Contingent assets and 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 19 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:

	2023	2022
Within 1 year	225	200
1 to 5 years	293	298
After 5 years	150	99
Total	668	597

Notes to the consolidated financial statements

DKK million

24 Contingent assets and liabilities and other financial commitments - continued

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 1,046 million (DKK 392 million in 2022).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 6 million (DKK 5 million in 2022).

As security for mortgage loans, land and buildings with a carrying amount of DKK 5,763 million have been provided as collateral (DKK 5,778 million in 2022).

The company has security for interest rate swap contracts with a positive carrying amount of DKK 74 million as collateral in 2023. In 2022 security was provided as collateral by the parent company for interest rate swap contracts with a postive carrying amount of DKK 131 million.

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 615 million at 31 December 2023 (DKK 553 million in 2022).

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

24 Contingent assets and liabilities and other financial commitments - continued

Guarantees of DKK 244 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 245 million in 2022).

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 124 million (DKK 121 million in 2022).

25 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.

The following related party transactions were carried out with related parties:

	2023	2022
Entities with controlling or significant influence over the Group:		
Sales of services	4	5
Lease payments	-30	-29
Interests paid	-6	-1
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	10	61

All outstanding balances with related parties as at 31 December are presented in note 15. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 15.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2023 (DKK 0 in 2022). No expense has been recognised in 2023 or 2022 for bad or doubtful debts.

Notes to the consolidated financial statements

DKK million

25 Related party disclosures - continued

Key management personnel

Key management personnel includes the Board of Directors, the Executive Board and other employees in the Group Leadership Team. For 2023 the Group Leadership Team comprise 12 persons (2022: 9 persons). The key management personnel remuneration is shown below:

	2023	2022
Short-term employee benefits	97	80
Post-employment benefits - defined contribution plans	2	3
Other long-term benefits	8	8
Termination benefits	-	8
Total remuneration	107	99

Short-term bonus plan
The Executive Board and the Group Leadership Team 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 2021 - 2023, 2022 - 2024 and 2023 - 2025 long-term incentive plans have been granted to the Executive Board and the Group Leadership Team. The estimated provision expensed in 2023 amounts to DKK 8 million (DKK 8 million in 2022).

The total remuneration of the Board of Directors amounts to DKK 5.0 million (DKK 5.2 million in 2022).

In 2023 the total remuneration of the Executive Board amounts to DKK 52.3 million of which DKK 3.7 million relates to other long-term benefits and DKK 0 million relates to post-employment benefits (in 2022 DKK 36.3 million of which DKK 4.6 million relates to other long-term benefits and DKK 0 million relates to post-employment benefits).

Consolidated financial statements

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DKK million

26 Business combinations

As at 29 December 2023 Salling Group A/S acquired the real-estate company Salling Group Ejendomme II ApS. Salling Group Ejendomme II ApS was acquired in order to buy the company's ten properties in which BR was lessee. Salling Group Ejendomme II ApS is recognised on the balance sheet in the Group as an asset deal from the acquisition date.

In 2022 Skagenfood A/S have acquired additional 39% of Bodebjerg ApS. Skagenfood A/S holds a total of 90% of the issued share capital and voting rights in Bodebjerg ApS at 31 December 2023. A call option exists, according to which Skagenfood A/S can purchase the remaining 10% of Bodebjerg ApS. The call options can be exercised in 2025. As the call option gives Skagenfood A/S present access to the returns associated with the ownership interest, the non-controlling interests, that are comprised by the call option, are considered to be purchased at the point in time, when the call option 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. Rather a liability of DKK 1 million related to the call option is recognised in the Group as at 31 December 2023 (DKK 1 million in 2022).

Salling Group A/S owns 90% of the issued share capital and voting rights in Skagenfood A/S. A call option exists, according to which Salling Group A/S can purchase the remaining 10% of Skagenfood A/S. The call option can be exercised in 2024. The call option is treated according to the anticipated acquisition method, according to which the non-controlling interests, that are comprised by a call option, are considered to be purchased at the point in time, when the call option is 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. Rather a liability of DKK 15 million related to the call option is recognised as at 31 December 2023 (DKK 15 million in 2022).

Notes to the consolidated financial statements

DKK million

27 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 as at 31 December 2023 or as at 31 December 2022.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

28 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2023.

29 Standards issued but not yet effective

The following Amendments to IFRS
- Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendment to IAS 1 “Non-current Liabilities with Covenants”
- Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

The implemented Amendments are not expected to have any significant impact on the financials or the Group’s accounting policies, as they cover areas that are not material and/or relevant for the Group or do not change the accounting policies applied in 2023.

Parent Company Financial Statements

Parent company financial statements

Parent company income statement

DKK million

Notes		2023	2022
	Revenue from contracts with customers	49,386	46,816
	Other revenue	278	297
4	Total revenue	49,664	47,113
	Cost of sales	-34,717	-32,687
	Gross profit	14,947	14,426
5	Staff expenses	-6,911	-6,652
	External expenses	-3,744	-4,091
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	4,292	3,683
6	Depreciation, amortisation and impairment losses, net	-2,259	-2,114
	Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets	-14	-8
	Operating profit (EBIT)	2,019	1,561
14	Share of profit from subsidiaries, net of tax	538	327
7	Financial income	173	75
8	Financial expenses	-840	-828
	Profit before tax	1,890	1,135
9	Income tax	-303	-163
	Profit for the year	1,587	972
	Proposal for distribution of profit for the year:		
	Reserve for net revaluation under the equity method	538	327
	Reserve for development projects	14	-29
	Retained earnings	835	474
	Proposed dividends	200	200
	Profit for the year	1,587	972

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

Parent company statement of other comprehensive income

DKK million

Notes		2023	2022
	Profit for the year	1,587	972
	Other comprehensive income, net of tax		
	Items that will not be reclassified to the income statement		
9	Remeasurement of defined benefit plans	-13	8
		-13	8
	Items that subsequently are or may be reclassified to the income statement		
14	Exchange rate differences on translating foreign operations	611	-122
14	Other comprehensive income to be reclassified in subsidiaries	-130	341
		481	219
	Other comprehensive income for the year, net of tax	468	227
	Comprehensive income for the year	2,055	1,199

Parent company financial statements

Parent company balance sheet at 31 December

DKK million

Notes	Assets	2023	2022
	Non-current assets		
10	**Intangible assets**		
	Goodwill	18	18
	Software	495	686
	Software development in progress	73	51
	Brands	18	19
	Total intangible assets	604	774
11	**Property, plant and equipment**		
	Land and buildings	414	421
	Fixtures and fittings, tools and equipment	1,911	1,762
	Leasehold improvements	171	169
	Assets under construction and prepayments	39	1
	Total property, plant and equipment	2,535	2,353
12	**Right-of-use assets**		
	Land and buildings	10,458	10,415
	Fixtures and fittings, tools and equipment	78	60
	Total right-of-use assets	10,536	10,475
13	**Investment properties**	174	181
	Financial assets		
14	Investments in subsidiaries	15,422	14,592
15	Other non-current financial assets	32	103
	Total financial assets	15,454	14,695
16	**Deferred tax assets**	152	104
	Total non-current assets	**29,455**	**28,582**

Parent company balance sheet at 31 December

DKK million

Notes	Assets - continued	2023	2022
	Amount transferred	29,455	28,582
	Current assets		
17	**Inventories**	4,063	4,244
	Receivables		
15	Trade receivables	42	52
	Income tax receivables	10	-
15	Other receivables	351	353
	Prepayments	71	86
15	Other current financial assets	662	666
	Total receivables	1,136	1,157
15	**Securities**	969	815
15	**Cash and short-term deposits**	460	508
	Total current assets	**6,628**	**6,724**
	Total assets	**36,083**	**35,306**

Parent company financial statements

Parent company balance sheet at 31 December

DKK million

Notes	Equity and liabilities	2023	2022
18	**Equity**		
	Share capital	524	524
	Reserve for net revaluation under the equity method	1,920	1,912
	Foreign currency translation reserve	89	-522
	Development projects reserve	482	468
	Retained earnings	9,040	7,818
	Proposed dividends	200	200
	Total equity	**12,255**	**10,400**

Parent company balance sheet at 31 December

DKK million

Notes	Equity and liabilities - continued	2023	2022
	Amount transferred	12,255	10,400
	Liabilities		
	Non-current liabilities		
19	Pensions	205	210
20	Provisions	35	35
15	Mortgage loans	181	188
12, 15	Lease liabilities	10,541	10,495
15	Other non-current financial liabilities	75	118
	Total non-current liabilities	11,037	11,046
	Current liabilities		
20	Provisions	7	8
15	Mortgage loans	6	5
12, 15	Lease liabilities	1,393	1,218
15	Bank loans	-	501
15	Other current financial liabilities	1,971	2,173
15	Trade payables	7,057	7,779
	Income tax payable	-	39
15	Other payables	2,352	2,135
	Deferred income	5	2
	Total current liabilities	12,791	13,860
	Total liabilities	**23,828**	**24,906**
	Total equity and liabilities	**36,083**	**35,306**

Parent company financial statements

Parent company cash flow statement

DKK million

Notes		2023	2022
	Profit before tax	1,890	1,135
21	Adjustments	2,396	2,518
22	Change in working capital	-294	-2,744
	Net cash flows from operating activities before financial items and tax	3,992	909
	Financial income received	158	91
	Financial expenses paid	-857	-826
	Income tax paid	-396	-222
	Net cash flows from operating activities	**2,897**	**-48**
10	Purchase of intangible assets	-89	-107
11	Purchase of property, plant and equipment	-752	-610
13	Purchase of investment properties	-1	-
	Proceeds from sale of investment properties, property, plant and equipment and intangible assets	-	3
23	Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries	-211	-
	Capital contribution to subsidiaries	-	-1,546
14	Dividends received from subsidiaries	400	410
	Purchase of securities	-364	-234
	Sale of securities	210	1,875
	Net cash flows from investment activities	**-807**	**-209**

Parent company cash flow statement

DKK million

Notes		2023	2022
	Amount transferred	2,090	-257
	Other financial liabilities	40	-
	Net repayments from related parties	15	390
	Net repayments to related parties	-212	-208
	Repayment of borrowings	-6	-5
12	Net payment of lease liabilities	-1,274	-1,109
	Net payments bank loans	-501	501
	Dividends paid	-200	-200
	Net cash flows from financing activities	**-2,138**	**-631**
	Net change in cash and cash equivalents	-48	-888
	Cash and cash equivalents at 1 January	508	1,396
24	**Cash and cash equivalents at 31 December**	**460**	**508**

Parent company financial statements

Parent company statement of changes in equity

DKK million

2023:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity, parent company
Equity at 1 January 2023	524	1,912	-522	468	7,818	200	10,400
Profit for the year	-	538	-	14	835	200	1,587
Remeasurement of defined benefit plans net of tax	-	-	-	-	-13	-	-13
Exchange rate differences on translating foreign operations	-	-	611	-	-	-	611
Other comprehensive income to be reclassified in subsidiaries	-	-130	-	-	-	-	-130
Other comprehensive income	-	-130	611	-	-13	-	468
Total comprehensive income for the year	**-**	**408**	**611**	**14**	**822**	**200**	**2,055**
Dividends received from subsidiaries	-	-400	-	-	400	-	-
Payment of dividends	-	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-400**	**-**	**-**	**400**	**-200**	**-200**
Equity at 31 December 2023	**524**	**1,920**	**89**	**482**	**9,040**	**200**	**12,255**

Parent company statement of changes in equity

DKK million

2022:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity, parent company
Equity at 1 January 2022	524	1,654	-400	497	6,926	200	9,401
Profit for the year	-	327	-	-29	474	200	972
Remeasurement of defined benefit plans net of tax	-	-	-	-	8	-	8
Exchange rate differences on translating foreign operations	-	-	-122	-	-	-	-122
Other comprehensive income to be reclassified in subsidiaries	-	341	-	-	-	-	341
Other comprehensive income	-	341	-122	-	8	-	227
Total comprehensive income for the year	**-**	**668**	**-122**	**-29**	**482**	**200**	**1,199**
Dividends received from subsidiaries	-	-410	-	-	410	-	-
Payment of dividends	-	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-410**	**-**	**-**	**410**	**-200**	**-200**
Equity at 31 December 2022	**524**	**1,912**	**-522**	**468**	**7,818**	**200**	**10,400**

Parent company financial statements

Summary of notes to the parent company financial statements

Notes to the parent company financial statements

DKK million

1 General information

The primary business area of Salling Group A/S is operating five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark Salling Group is operating physical stores under the brands Bilka, føtex, Netto, Salling and BR. Online Salling Group A/S operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk and flowr.dk. Furthermore Salling Group A/S operates Starbucks and Carl's Jr. as franchises in Denmark.

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

2 Summary of material accounting policy information

For a summary of material accounting policy information please refer to note 2 in the notes to the consolidated financial statements.

Share of profit/loss from subsidiaries, net of tax and Investment in subsidaries
Investments in subsidiaries are measured in the parent company's balance sheet 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 and including the effect of depreciation of fair value adjustments recognised as part of business combinations is recognised in the parent company's income statement.

Equity - Net revaluation under the equity method
The net revaluation of investments in subsidiaries is recognised as a reserve for net revaluation under equity according to the equity method to the extent that the carrying value exceeds the cost price. The reserve can be eliminated in the event of losses, realisation of investments, or changes in accounting estimates. Subsidiary dividends are transferred from the net revaluation to the distributable reserves at the time of distribution. The reserve cannot be recognised at a negative amount.

Parent company financial statements

Notes to the parent company financial statements

DKK million

2 Summary of material accounting policy information - continued

Equity - Development projects reserve

The development projects reserve 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 the development projects reserve to the distributable equity reserves.

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.

4 Total revenue

	2023	2022
Revenue from contracts with customers, retail and e-commerce activities	49,386	46,816
Total revenue from contracts with customers	49,386	46,816
Rental revenue, investment properties	37	34
Other revenue	241	263
Total other revenue	278	297
Total revenue	49,664	47,113

All revenue included in the parent company income statement is generated in Denmark.
For descriptions related to revenue please refer to note 4 in the notes to the consolidated financial statements.

Notes to the parent company financial statements

DKK million

5 Staff expenses

	2023	2022
Wages and salaries incl. termination benefits	6,144	5,936
Post-employment benefits – defined contribution plans	428	381
Post-employment benefits – defined benefit plans	-4	-6
Social security costs	147	154
Other staff expenses	196	187
Total staff expenses	6,911	6,652
Average number of full-time employees	18,003	18,058

Key management personnel

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 25 in the consolidated financial statements.

6 Depreciation, amortisation and impairment losses, net

	2023	2022
Depreciation, Property, plant and equipment	566	527
Depreciation, Right-of-use assets	1,437	1,305
Depreciation, Investment properties	8	8
Amortisation of intangible assets	227	247
Depreciation and amortisation	2,238	2,087
Property, plant and equipment	2	19
Right-of-use assets	12	-22
Intangible assets	7	30
Impairment losses, net	21	27
Depreciation, amortisation and impairment losses, net	2,259	2,114

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2023	2022
7 Financial income		
Interest income on loans to related parties	2	15
Interest income on other loans and receivables	8	4
Net gain on derivatives not designated as hedging instruments	81	3
Net gain on financial instruments held for trading	38	-
Net foreign exchange gain	43	51
Other financial income	1	2
Total financial income	173	75
8 Financial expenses		
Interest expense on mortgage loans	14	10
Interest expense on lease liabilities	90	96
Interest expense on lease liabilities from related parties	613	593
Interest expense paid to banks	46	6
Interest expense on loans from related parties	71	18
Net loss on financial instruments held for trading	-	100
Other financial expenses	6	5
Total financial expenses	840	828

Notes to the parent company financial statements

DKK million

	2023	2022
9 Income tax		
Current income tax	-355	-244
Adjustment regarding prior years, current income tax	8	-
Change in deferred tax	52	79
Adjustment regarding prior years, deferred tax	-4	-
Total income tax	-299	-165
Income tax recognised in the income statement	-303	-163
Income tax recognised in other comprehensive income	4	-2
Total income tax	-299	-165

Reconciliation of income tax recognised in the income statement

	2023		2022	
Tax on result for the year at the Danish income tax rate	-416	22.0%	-250	22.0%
Non-deductible costs	-15	0.8%	-12	1.1%
Non-taxable income	124	-6.6%	99	-8.7%
Adjustment to prior periods	4	-0.2%	-	0.0%
Income tax recognised in the income statement	-303	16.0%	-163	14.4%

Tax on other comprehensive income

	2023			2022		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-17	4	-13	10	-2	8
	-17	4	-13	10	-2	8

Parent company financial statements

Notes to the parent company financial statements

DKK million

10 Intangible assets

2023:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2023	18	2,295	51	26	17	2,407
Additions	-	36	53	-	-	89
Reclassifications	-	29	-31	1	-	-1
Disposals	-	-148	-	-	-	-148
Balance at 31 December 2023	18	2,212	73	27	17	2,347
Accumulated amortisation and impairment losses						
Balance at 1 January 2023	-	-1,609	-	-7	-17	-1,633
Amortisation	-	-225	-	-2	-	-227
Impairment losses recognised in the income statement	-	-7	-	-	-	-7
Disposals	-	124	-	-	-	124
Balance at 31 December 2023	-	-1,717	-	-9	-17	-1,743
Carrying amount at 31 December 2023	18	495	73	18	-	604

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

Notes to the parent company financial statements

DKK million

10 Intangible assets - continued

2022:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2022	270	2,306	81	102	17	2,776
Additions	-	71	36	-	-	107
Reclassifications	-	64	-66	-	-	-2
Disposals	-252	-146	-	-76	-	-474
Balance at 31 December 2022	18	2,295	51	26	17	2,407
Accumulated amortisation and impairment losses						
Balance at 1 January 2022	-252	-1,477	-	-81	-15	-1,825
Amortisation	-	-243	-	-2	-2	-247
Impairment losses recognised in the income statement	-	-30	-	-	-	-30
Disposals	252	141		76	-	469
Balance at 31 December 2022	-	-1,609	-	-7	-17	-1,633
Carrying amount at 31 December 2022	18	686	51	19	-	774

Parent company financial statements

Notes to the parent company financial statements

DKK million

11 Property, plant and equipment

2023:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2023	927	6,061	827	1	7,816
Additions	4	684	26	38	752
Reclassifications	-	4	-	-	4
Disposals	-	-222	-14	-	-236
Balance at 31 December 2023	931	6,527	839	39	8,336
Accumulated depreciation and impairment losses					
Balance at 1 January 2023	-506	-4,299	-658	-	-5,463
Depreciation	-11	-531	-24	-	-566
Impairment losses recognised in the income statement	-	-2	-	-	-2
Disposals	-	216	14	-	230
Balance at 31 December 2023	-517	-4,616	-668	-	-5,801
Carrying amount at 31 December 2023	414	1,911	171	39	2,535

Notes to the parent company financial statements

DKK million

11 Property, plant and equipment - continued

2022:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2022	925	5,695	809	71	7,500
Additions	-	592	21	-3	610
Reclassifications	2	2	-	-67	-63
Disposals	-	-228	-3	-	-231
Balance at 31 December 2022	927	6,061	827	1	7,816
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	-495	-4,008	-640	-	-5,143
Depreciation	-11	-494	-22	-	-527
Impairment losses recognised in the income statement	-	-19	-	-	-19
Reversals of impairment losses recognised in the income statement	-	-	1	-	1
Disposals	-	222	3	-	225
Balance at 31 December 2022	-506	-4,299	-658	-	-5,463
Carrying amount at 31 December 2022	421	1,762	169	1	2,353

Parent company financial statements

Notes to the parent company financial statements

DKK million

12 Leases

Right-of-use assets

2023:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2023	15,552	204	15,756
Additions	967	51	1,018
Remeasurement of lease liabilities*	731	2	733
Disposals	-404	-86	-490
Balance at 31 December 2023	16,846	171	17,017
Accumulated depreciation and impairment losses			
Balance at 1 January 2023	-5,137	-144	-5,281
Depreciation	-1,403	-34	-1,437
Impairment losses recognised in the income statement	-13	-	-13
Reversals of impairment losses recognised in the income statement	1	-	1
Disposals	164	85	249
Balance at 31 December 2023	-6,388	-93	-6,481
Carrying amount at 31 December 2023	10,458	78	10,536

*Remeasurement of lease liabilities comprises changes in the lease term (extension or shortening of lease period) and changes of lease payments. The majority of the Group's property leases are remeasured on a yearly basis through indexation of lease payments. Remeasurement of lease liabilities in 2023 is impacted by high inflation in 2022 which has caused higher lease payments in 2023.

Notes to the parent company financial statements

DKK million

12 Leases - continued

Right-of-use assets

2022:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2022	15,261	171	15,432
Additions	126	26	152
Remeasurement of lease liabilities	165	7	172
Balance at 31 December 2022	15,552	204	15,756
Accumulated depreciation and impairment losses			
Balance at 1 January 2022	-3,883	-115	-3,998
Depreciation	-1,276	-29	-1,305
Impairment losses recognised in the income statement	-2	-	-2
Reversals of impairment losses recognised in the income statement	24	-	24
Balance at 31 December 2022	-5,137	-144	-5,281
Carrying amount at 31 December 2022	10,415	60	10,475

The parent company has entered into leases with external parties regarding a number of stores, warehouses and some operational equipment. For 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 leases regarding stores with Salling Group Ejendomme A/S and F. Salling Invest A/S.

Parent company financial statements

Notes to the parent company financial statements

DKK million

12 Leases - continued

Lease liabilities

	2023		2022	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	1,973	1,393	1,790	1,218
1 to 5 years	7,608	5,456	6,927	5,060
After 5 years	5,459	5,085	6,231	5,435
Total	15,040	11,934	14,948	11,713

	2023	2022
Amounts recognised in the parent company income statement		
Interest expense on lease liabilities	703	689
Expenses related to leases of low value assets	18	18
Income from subleasing of right-of use assets	2	2

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2023 and 2022.

In 2023 the parent company has paid DKK 1,977 million related to lease contracts (DKK 1,798 million in 2022), of which DKK 703 million relate to interest payments regarding recognised lease liabilities (DKK 689 million in 2022) and DKK 1,274 million relate to payment of recognised lease liabilities (DKK 1,109 million in 2022).

Regarding situations, where the parent company is lessor, please refer to note 25.

Notes to the parent company financial statements

DKK million

	2023	2022
13 Investment properties		
Cost		
Balance at 1 January	540	474
Additions	1	-
Reclassifications	-	66
Balance at 31 December	541	540
Accumulated depreciation and impairment losses		
Balance at 1 January	-359	-351
Depreciation	-8	-8
Balance at 31 December	-367	-359
Carrying amount at 31 December	174	181

Investment properties comprise a shopping centre and flats located adjacent to Salling Group's stores.

The estimated fair value of the investment properties amounted to DKK 720 million at 31 December 2023 (DKK 962 million at 31 December 2022). The fair value is not based on a valuation by an independent valuer.

The fair value of the investment properties 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.

	2023	2022
Rental income from investment properties	37	34
Direct operating expenses from investment properties that generated rental income	-23	-15
Profit arising from investment properties	14	19

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2023	2022
14 Investments in subsidiaries		
Cost		
Balance at 1 January	13,202	11,656
Additions*	211	1,546
Balance at 31 December	13,413	13,202
Value adjustments		
Balance at 1 January	1,390	1,254
Dividends	-400	-410
Foreign currency translation	611	-122
Other comprehensive income for the year	-130	341
Profit for the year	538	327
Balance at 31 December	2,009	1,390
Carrying amount at 31 December	15,422	14,592

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

*Additions in 2023 comprises the acquisition of Salling Group Ejendomme II ApS. Additions in 2022 comprises capital increase in Netto Indygo Sp. Z o.o.

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2023	2022	2023	2022
Derivatives not designated as hedging instruments	32	103	32	103
Other non-current financial assets	32	103	32	103
Trade receivables	42	52	42	52
Other receivables	351	353	351	353
Receivables from subsidiaries	592	569	592	569
Derivatives not designated as hedging instruments	70	97	70	97
Other current financial assets	662	666	662	666
Securities	969	815	969	815
Cash and short-term deposits	460	508	460	508

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2023	2022	2023	2022
Mortgage loans - non-current	181	188	144	145
Mortgage loans - current	6	5	6	5
Mortgage loans	187	193	150	150
Lease liabilities - non-current	10,541	10,495		
Lease liabilities - current	1,393	1,218		
Lease liabilities	11,934	11,713		
Bank loans - current	-	501	-	501
Bank loans	-	501	-	501
Derivatives not designated as hedging instruments	32	103	32	103
Other non-current financial liabilities	43	15	43	15
Other non-current financial liabilities	75	118	75	118
Payables to entities with controlling influence	71	64	71	64
Payables to entities with significant influence	267	261	267	261
Payables to subsidiaries	1,552	1,741	1,552	1,741
Derivatives not designated as hedging instruments	69	107	69	107
Other current financial liabilities	12	-	12	-
Other current financial liabilities	1,971	2,173	1,971	2,173
Trade payables	7,057	7,779	7,057	7,779
Other payables	2,352	2,135	2,352	2,135

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial instruments by category

	2023	2022
Financial assets at amortised cost:		
Trade receivables	42	52
Other receivables	351	353
Other financial assets excluding derivatives	592	569
Cash and short-term deposits	460	508
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments	102	200
Securities	969	815
Financial liabilities measured at amortised cost:		
Mortgage loans	187	193
Lease liabilities	11,934	11,713
Other non-current financial liabilities excluding derivatives	43	15
Other current financial liabilities excluding derivatives	1,902	2,066
Trade payables	7,057	7,779
Other payables	2,352	2,135
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	101	210

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 and the changes in fair value of the 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 value of the bonds is determined by reference to published price quotations in an active market.

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities: Interest-bearing mortgage loans

Overview of borrowings by interest rate levels:

31 December 2023	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2%	158	-	-	158
2 - 4 %	-	-	-	-
4 % -	29	29	-	-
Total	187	29	-	158

31 December 2022	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2%	193	29	-	164
Total	193	29	-	164

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 15 in the notes to the consolidated financial statements.

Notes to the parent company financial statements

DKK million

15 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.

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 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 2022.

For an in-depth description of the policies for managing risks please refer to note 15 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 15 in the notes to the consolidated financial statements.

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

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:

31 December 2023	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	451	7	-	1	26
Financial liabilities	-	-	-401	-	-
Known USD purchase orders	-	-	-	-	-425
Net exposures before derivatives	451	7	-401	1	-399
Derivatives	89	-	378	-	587
Net exposures after derivatives	540	7	-23	1	188
The net exposure relates to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	540	7	-23	1	188
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the income statement	5	-	-1	-	9

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

31 December 2022	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	384	6	32	1	31
Financial liabilities	-	-	-524	-	-
Known USD purchase orders	-	-	-	-	-446
Net exposures before derivatives	384	6	-492	1	-415
Derivatives	260	-	564	-	774
Net exposures after derivatives	644	6	72	1	359
The net exposure relates to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	644	6	72	1	359
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the income statement	6	-	4	-	18

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.

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

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 15 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 -6 million (DKK -1 million in 2022).

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

31 December 2023	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	969	1%	16	16
Other financial assets	592	1%	6	6
Mortgage loans	187	1%	0	0
Derivatives, net	-1	1%	-	-
Other financial liabilities	1,902	1%	-28	-28
Impact			-6	-6

31 December 2022	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	815	1%	9	9
Other financial assets	569	1%	6	6
Mortgage loans	193	1%	0	0
Other financial liabilities	2,066	1%	-16	-16
Impact			-1	-1

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 some 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.

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

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 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.

31 December 2023	Within 1 year	1 to 5 years	After 5 years	Total
Mortgage loans	6	26	155	187
Lease liabilities	1,973	7,608	5,459	15,040
Trade and other payables*	11,470	-246	-	11,224
Derivatives	65	-13	-19	33
Total	13,514	7,375	5,595	26,484

31 December 2022	Within 1 year	1 to 5 years	After 5 years	Total
Mortgage loans	5	26	162	193
Lease liabilities	1,790	6,927	6,231	14,948
Trade and other payables*	11,980	15	-	11,995
Derivatives	92	98	5	195
Total	13,867	7,066	6,398	27,331

*As at 31 December 2023 the parent company has utilised the SCF facility by DKK 2.1 billion (DKK 2.8 billion as at 31 December 2022).

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 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 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 an external credit assessment tool and an internal credit policy which defines 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

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 must be below 4.

The table below summarises the ageing analysis of trade receivables:	2023	2022
Not due	38	50
> 30 days past due	4	2
Total	42	52

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 2023 the provision amounts to DKK 6 million (31 December 2022: 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.

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Changes in assets and liabilities arising from financing activities

	1 January 2023	Cash flows	Other	31 December 2023
Other financial assets excluding derivatives	-569	-23	-	-592
Mortgage loans	193	-6	-	187
Lease liabilities*	11,713	-1,274	1,495	11,934
Bank loans	501	-501	-	-
Other financial liabilities excluding derivatives	2,081	-134	-2	1,945
Total change in assets and liabilities from financing activities	13,919	-1,938	1,493	13,474

	1 January 2022	Cash flows	Other	31 December 2022
Other financial assets excluding derivatives	-932	363	-	-569
Mortgage loans	198	-5	-	193
Lease liabilities	12,498	-1,109	324	11,713
Bank loans	-	501	-	501
Other financial liabilities excluding derivatives	2,260	-181	2	2,081
Total change in assets and liabilities from financing activities	14,024	-431	326	13,919

*Other changes in lease liabilities comprises termination and remeasurements of lease contracts. For further information please refer to note 12.

Parent company financial statements

Notes to the parent company financial statements

DKK million

16 Deferred tax

Specification of deferred tax

	Parent company income statement		Parent company balance sheet	
	2023	2022	2023	2022
Intangible assets	38	37	-130	-168
Property, plant and equipment	-30	-	-84	-54
Investment properties	13	-	-	-13
Provisions	-1	-9	45	46
Leases	35	46	276	241
Other	-7	5	45	52
Deferred tax income / Net deferred tax	48	79	152	104

Reconciliation of net deferred tax

	2023	2022
Opening balance at 1 January	104	25
Adjustment of deferred tax recognised in the income statement	48	79
Closing balance at 31 December	152	104

Notes to the parent company financial statements

DKK million

17 Inventories

	2023	2022
Goods held for resale	3,977	4,133
Consumables	86	111
Total inventories	4,063	4,244

In the income statement as part of Cost of sales an income of DKK 6 million has been recognised regarding adjustments of write-downs of inventories to net realisable value (an expense of DKK 12 million in 2022).

18 Equity

Share capital

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

	2023	2022
1,048,223 shares of DKK 500	524	524
Total share capital	524	524

There has been no changes to the share capital during 2019 - 2023. All shares have been fully paid.

Retained earnings

During the 2023 financial year an ordinary dividend of DKK 200 million has been paid (DKK 200 million in 2022). A dividend for the 2023 financial year of DKK 200 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

Parent company financial statements

Notes to the parent company financial statements

DKK million

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:

	2023	2022
Defined benefit obligation at 1 January	210	243
Interest expenses recognised as part of Staff expenses	-5	-7
Actuarial gains / losses, demographic assumptions	1	4
Actuarial gains / losses, financial assumptions	14	-33
Actuarial gains / losses, experience adjustments	2	19
Payments from the plan	-17	-16
Defined benefit obligation at 31 December	205	210

The following significant actuarial assumptions are applied:

	2023	2022
Discount rate	2.1%	2.7%
Price inflation	1.9%	1.9%

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

Notes to the parent company financial statements

DKK million

19 Pensions - continued

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

	2023	2022
Discount rate:		
Increase of 0.5% point	-7	-8
Decrease of 0.5% point	8	9
Price inflation:		
Increase of 0.5% point	8	9
Decrease of 0.5% point	-8	-8

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 2023 is 27 years (28 years in 2022). DKK 18 million is expexted to be paid from the plans in 2024.

20 Provisions

	2023	2022
Balance at 1 January	43	46
Provisions made during the year	9	7
Provisions utilised during the year	-4	-7
Reversals during the year	-6	-3
Balance at 31 December	42	43
Non-current	35	35
Current	7	8
Balance at 31 December	42	43

Parent company financial statements

Notes to the parent company financial statements

DKK million

20 Provisions - continued

The 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 concerns the Danish employees, and is estimated based on the expected jubilees for current employees. No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.
DKK 21 million of the total provision is expected to fall due after more than 5 years (DKK 18 million in 2022).

21 Adjustments

	2023	2022
Financial income	-173	-75
Financial expenses	840	828
Depreciation, amortisation and impairment losses	2,259	2,114
Net gain/loss on sale of non-current assets etc.	14	8
Share of profit from subsidiaries, net of tax	-538	-327
Other adjustments	-6	-30
Adjustments	2,396	2,518

22 Change in working capital

	2023	2022
Change in trade and other receivables and prepayments	27	41
Change in inventories	181	-216
Change in trade and other payables	-502	-2,569
Change in working capital	-294	-2,744

Notes to the parent company financial statements

DKK million

23 Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries

As at 29 December 2023 Salling Group A/S acquired the real-estate company Salling Group Ejendomme II ApS. Salling Group Ejendomme II ApS is included in the Group from the acquisition date. In December 2023 a payment of DKK 211 million was made related to the acquisition.

24 Cash and cash equivalents

	2023	2022
Cash and short-term deposits	460	508
Cash and cash equivalents available to the parent company	460	508

25 Contingent assets and 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 18 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:

	2023	2022
Within 1 year	25	25
1 to 5 years	28	31
After 5 years	43	46
Total	96	102

Parent company financial statements

Notes to the parent company financial statements

DKK million

25 Contingent assets and liabilities and other financial commitments - continued

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 58 million (DKK 37 million in 2022).

As security for mortgage loans land and buildings with a carrying amount of DKK 256 million have been provided as collateral (DKK 259 million in 2022).

The company has security for interest rate swap contracts with a carrying amount of DKK -74 million as collateral in 2023. In 2022 security was provided as collateral by the parent company for interest rate swap contracts with a carrying amount of DKK -131 million.

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 615 million at 31 December 2023 (DKK 553 million in 2022).

Guarantees of DKK 7,400 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 7,529 million in 2022).

Guarantees of DKK 213 million have been provided to external parties regarding subsidiaries' lease obligations (DKK 199 million in 2022).

The parent company has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 124 million (DKK 121 million in 2022).

Notes to the parent company financial statements

DKK million

26 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:

	2023	2022
Entities with controlling or significant influence over the parent company:		
Sales of services	4	5
Lease payments	-17	-15
Lease interests paid	-13	-14
Interests paid	-6	-1
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	10	61
Subsidiaries:		
Sales of goods and services	136	143
Purchase of goods and services	-43	-37
Lease payments	-1,093	-1,027
Lease interests paid	-600	-579
Interests received/paid	-63	-2
Repayment of bank loans	-60	-
Dividends received	400	410

All outstanding balances with related parties as at 31 December are presented in note 15. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 15.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2023 (DKK 0 million in 2022). No expense has been recognised in 2023 or 2022 for bad or doubtful debts.

Any guarantees Salling Group A/S has provided for related parties are listed in note 25.

Parent company financial statements

Notes to the parent company financial statements

DKK million

27 Capital management

For a description of the capital management please refer to note 27 in the notes to the consolidated financial statements.

28 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2023.

29 Standards issued but not yet effective

For a description of standards issued but not yet effective please refer to note 29 in the notes to the consolidated financial statements.

Sustainability Reporting

Sustainability reporting

Being an international retailer, we offer all kinds of products in our stores and source these products not only locally, but from all over the world. This implies several risks of potential negative impact throughout our whole supply chain.

Primary production
Risk screening

- **Human rights**: Child labour, Forced labour, Minimum wage
- **Environment**: Use of water, Chemicals

Manufacturers
Supplier satisfaction

- **Human rights**: Child labour, Forced labour
- **Climate**: CO_2 emissions from production
- **Corruption**

Transport
tCO_2e

- **Climate**: CO_2 emissions from transportation
- **Corruption**

Distribution
Work injuries

- **Human rights**: Discrimination and equal treatment
- **Social conditions**: Employee accidents, Stress, Working hours
- **Climate**: CO_2 emissions from warehouses

Transport
tCO_2e

- **Human rights**: Fair living wages of truck drivers
- **Climate**: CO_2 emissions and particles from transportation
- **Environment**: Noise

Stores
Food waste

- **Human rights**: Food safety, Fair living wages of cleaning staff
- **Social conditions**: Employee accidents
- **Climate**: CO_2 emissions from stores
- **Environment**: Waste and food waste
- **Corruption**: Theft

Consumers
Food safety

- **Human rights**: Food safety
- **Environment**: Food waste

Responsible sourcing

Our human rights due diligence approach – upstream supply chain

Our work with responsible sourcing is fully integrated within our commercial operations. The strategy, policies and initiatives are managed centrally by the Quality and Responsible Sourcing Department, ensuring that our products are sourced with care for the people involved.

Salling Group has developed a classic due diligence setup, with a foundation based on our Human Rights Policy, and the adopted amfori Code of Conduct. The UN Global Compact membership has additionally brought us a framework that enables us to systemise our processes and keep them aligned with universal principles and practices.

The following steps represent the key cornerstones of our due diligence:

Risk assessment

As a retailer, we are engaged in complex and deep supply chains, sourcing various products from many different countries in the world. To know where to start, we map actual and potential impacts of our business on an annual basis. Essential parameters that are part of the upstream identification involve country stability, systematic salient risks related to industry, and vulnerable worker groups.
In order to act where it matters the most, we consider the scale, scope, remediation options and likelihood of the different salient impacts.

Mitigating risks

To detect where salient impacts are part of our supply chains, we apply 3rd party auditing. Within this process suppliers, and their producers are asked to create corrective action plans and remediate non-compliances. This effort is central when attempting to actively minimise or prevent any risks related to human- and/or labour rights within our supply chains. In severe cases, we engage with relevant supply chain partners to seek suitable solutions as to remediation. This often involves stakeholder dialogues, educational trainings or additional certification.
We have developed key commodity requirements that also function as preventive measures in relation to foreseeable negative impacts.

Tracking and monitoring

Upstream actors of our supply chains and compliance with our human- and labour rights requirements and expectations are followed via Salling Group's Responsible Sourcing System. Herein data is kept and maintained in relation to supply chain transparency and social documentation. Alongside this and more importantly we have a close dialogue with our suppliers and their producers to follow the development and performance.

Selected key commodities and identified social risks

Fresh fruit & vegetables
Exploitation of migrant workers, lack of contracts, sexual harassment, excessive working hours, poor accommodation, low payment, discrimination.

Cocoa
Child labour, forced labour, discrimination, poverty/low payment.

Leather
In tanning process:
safety hazards as to heavy machinery and chemicals.

Flowers & plants
Child labour, forced labour, discrimination.

Soy & palm oil
Discrimination, sexual harassment, child labour, forced labour, negative impacts on indigenous people.

Human rights issues

Salling Group respects human rights and works to ensure that we do not directly or indirectly contribute to any human rights violations.

Area	Risks	Action taken in 2023	Expectations
Consumer health and safety	Improper food handling/labelling may pose a risk to food safety. Food safety includes long and short term impact on human health and covers compliance with food safety practices such as HACCP, Good Hygiene Practices, food labelling to avoid making consumers ill. Poor food safety can affect human health, and in some cases food poisoning (from e.g., listeria, salmonella or Norovirus) or hidden allergens can lead to severe illness or even deaths. Any contamination e.g., foreign bodies or harmful substances in food can also endanger consumers.	Private label food products are thoroughly checked before released – there has been no incidents with undeclared allergens or similar. Own food production in føtex and Bilka or own products have not caused any food poisoning/Norovirus, and staff preparing food/meals are trained in Good Hygiene Practices and food safety. Stores in Denmark, Poland and Germany are continuously inspected by Food Authorities and the HACCP-based Quality Management ensures corrective actions if an incident occurs or products are recalled.	We expect to introduce customised hygiene training for staff at different levels from low-risk areas to high-risk areas (e.g., Butcher/Deli).
Human and labour risks in supply chain	Key risks identified in our upstream supply chain consist of forced labour, child labour, excessive working hours, health and safety issues, discrimination and exploitation of migrant workers. Identified risks have been considered according to the severity and likelihood of the individual salient human rights impact.	Include human rights standards in our legal trade agreement and continuous implementation of the amfori BSCI Code of Conduct (asking suppliers to cascade the principles and values hereof upstream the supply chain). Ensuring that suppliers comply with Salling Group's Responsible Sourcing Policy hereunder; • Mapping of producers in scope • Compilation and review of 3rd party social standard reports • Requesting corrective action plans • Supporting suppliers and producers in their continuous improvement in relation to safe working conditions Mandatory internal training sessions concerning responsible sourcing and buying practices (for Commercial coordinators, buyers, and managers).	We expect that our suppliers accept and comply with the principles and values of our adopted Code of Conduct. Furthermore, it is expected that our suppliers implement their own due diligence setup as to identifying and remediating or eliminating salient human rights issues within their own supply chain. The processes and subsequent actions should be in alignment with our Responsible Sourcing and Human Rights policies.

Social and employee issues

Our employees are our most important asset. Therefore, it is very important to us to ensure fair and safe employment conditions in every respect and to foster a diverse and inclusive workplace.

Area	Risks	Action taken in 2023	Expectations
Invisible disabilities	Employees with hidden or invisible diagnoses may be subject to stigma which might negatively affect a person´s work ability and quality of life.	We continued our initiatives targeted towards colleagues with dyslexia and other reading- and writing disabilities, e.g., making digital reading and writing tools available for all employees. Furthermore we extended our efforts due to the Sunflower lanyard which helps create awareness of hidden disabilities and individual needs for individual considerations.	We wish to put on an end to prejudice about dyslexia and instead focus on the strengths. With the Sunflower lanyard we wish to remove stigmatisation and promote openminded and psychologically safe working environments.
Stress	Our employees are at risk of suffering from stress. Stress can affect the health of staff, reduce productivity and lead to employees taking time off or being on sick leave.	We seek to adapt the workload and the demands placed on our employees to their capacity and abilities. We have started a project regarding mental health and tested different models and tools. Roll-out will take place during 2024.	A stronger focus on the importance of early intervention, including PFA Early Care for employees who have joined PFA Pension, is expected to lead to fewer and shorter periods of stress-related absence.
Employee accidents	In our warehouses and in our stores, there is a risk of sudden accidents occurring due to the physical work involved in lifting boxes, slippery floors, operating forklifts, knives, machines and tools.	Thorough instruction on how to prevent accidents. Thorough and regular investigations into work accidents from the top level down to section level in each store and in all warehouses in order to prevent recurrences.	We saw an increase in 2023 unfortunately and expect the number of accidents to decrease in the future.
Physical attrition	Physical attrition due to heavy lifting and moving or too much sedentary work may lead to a poorer quality of life, more frequent sick leave and higher employee turnover.	In warehouses we have worked with different technologies (robots and auto store) in order to ease lifting and repetitive work and at the same time implement efficient and precise logistic solutions. For employees, who have the ability to work from home, we also offer remote work to secure more flexibility and work life balance.	With increased focus and knowledge, as well as better aids and workstations, we expect to see a small reduction in the level of physical attrition.
Prevention of illness	Restrictions, improved hygiene, less socialising, etc. due to COVID-19 in the past years have lowered the hardening of our immune system. With restrictions being cancelled in 2022, the risk of non-resistance in relation to a potential flu epidemic has grown.	All employees of our Danish entities have been offered free flu shots at work during working hours, and in stores we have kept some of the restrictions from COVID-19 e.g., hand sanitizers.	Following years of relatively high absence due to COVID-19, our expectation is a decrease in the future.
Harassment	Salling Group does not tolerate abusive behaviour, but in light of the past years´ #metoo debate, we recognise the risk of offensive behaviour including sexist or sexually offensive behaviour.	We have revised our policy to prevent offensive behaviour in the workplace. Salling Group encourages anyone who may have been a victim of or have witnessed inappropriate behaviour or language while at work to speak up or report it, either to their immediate manager, trade union representative, health and safety representative, People & Culture or through our whistleblower scheme. No matter which one of these the employee contacts, they are obligated to take the complaint seriously and keep the information confidential.	Everyone is expected to contribute to creating a workplace and a culture which are characterised by mutual respect – across gender, age, abilities and origin.

Environmental – and climate related issues

The overview below contains the main impacts of Salling Group's operations on the climate. In addition to emissions from own operations, the biggest climate impact comes from emissions from the value chain of the products we sell.

Area	Risks	Action taken in 2023	Expectations
Deforestation	A large share of the global deforestation is commodity driven. It entails for instance raw materials and ingredients such as soy, palm oil, wood, rubber, beef, coffee, and cocoa. Production of the mentioned commodities may negatively impact the environment, the living conditions in local communities and lead to biodiversity loss in high conservation value areas, especially in South-east Asia and South America.	In 2023, we have revised our action plans for palm oil and soy – and continued our initiatives as member of the Danish Alliance of Responsible Soy and Palm Oil. We have initiated a preliminary investigation of our suppliers delivering to Netto Germany and Poland in relation to palm oil content and certification. In connection with the EUDR we have started preparation concerning new processes to collect data, and empowerment of our suppliers and their sub-suppliers to being able to comply with the due diligence obligations.	We expect that our continued participation in the Danish Alliances on responsible Palm Oil and Soy will contribute to an increased certified share of imported palm oil and soy. We will during 2024 make an onboarding plan for suppliers to Netto Germany and Poland in relation to certified palm oil. We expect to set up lean and robust due diligence processes allowing us to become compliant with the European Deforestation Regulation by end 2024.
Carbon footprint	As a large retailer selling goods produced in virtually every corner of the world, we have a direct and indirect CO_2e footprint that might have an adverse impact on the the climate and the environment.	In 2023, we continued our efforts to put lids on freezers, doors on refrigerators, sun panels on roof tops and other initiatives. We had our CO_2e reduction targets approved by the SBTi, and we onboarded further 279 suppliers to the CDP platform. By end 2023 a total of 419 suppliers were signed up by request from Salling Group.	We expect to onboard another 300 suppliers on the CDP platform, thus covering almost 90% of our purchasing volume by end 2024, and to continue investments in carbon reductions in our own operations.
Refrigerants	Contribution to global warming as a result of using refrigerants in cooling units.	Replacement of older cooling units (ongoing since 2017).	We expect our central cooling systems to be freon free by the end of 2030.
Food waste	As a large retailer we cannot avoid creating food waste. Food waste is a source of green house gas emissions, primarily methane. Also rising temperatures could potentially affect global food supply, which could lead to food shortage, competition for food and rising food prices.	We are continuously working to reduce food waste across the value chain. In 2023, we also contributed to the formulation of recommendations from the think tank One\Third to the Danish Government on food waste issues.	Through our extensive partnerships with various food waste organisations, we expect an even greater re-distribution of food that might otherwise go to biogas.
Packaging	Most of the plastic produced worldwide is used for packaging of consumer goods. The continuous overproduction of plastic poses a huge risk for the environment, and the lack recyclability and reuse of plastic materials are a global challenge in terms of scarce resources.	We are continuously working on reducing our use of packaging. We are also designing our private label packaging with recyclability in focus and attaching sorting pictograms to enhance the possibility of better recycling in households. Furthermore, we are collecting and sorting all of our secondary packaging through a sorting facility.	We expect to continue our work with designing packaging for recyclability in order to support a more circular use of plastic. Furthermore, we expect to revise our plastic strategy and keep focus on reduction, recyclability and recycled content in our private label packaging.

Corruption and bribery issues

Salling Group does not tolerate corruption or bribery of any kind. We strive to maintain a transparent and fair corporate culture, including awareness of our stands on corruption and bribery.

Area	Risks	Actions taken in 2023	Expectations
Corruption and bribery in the supply chain	Corruption and bribery in our supply chain can be a barrier to economic and social development, especially in developing countries. Corruption and bribery often entail increased cost of goods, eventually affecting our customers. Bribery in particular may also compromise the safety of workers when auditors receive money under the table for delivering untruthful reports on high performance on working conditions.	We maintain anti-corruption requirements as an integrated part of both the amfori BCSI Code of Conduct, and Salling Group's general trade agreement terms for all suppliers and service providers. No new actions taken.	Our overall efforts in the field of business ethics, including anti-corruption and anti-bribery, will also entail continuous monitoring of conduct in our supply chain to ensure that high standards are maintained.
Corruption and bribery in Salling Group	Risks of e.g., Accounting fraud Bribery related to obtaining building permits Bribery received in exchange for orders Bribery offered in relation to circumventing delivery restrictions	In both Denmark and Germany, full whistleblower set-ups are implemented. The Whistleblower Directive has still not been implemented in Poland. Our Internal Audit function in Poland handles incoming whistleblower reports regarding Poland.	It is uncertain when Poland will implement the Whistleblower Directive into national law. Once it is done, a compliant whistleblower set-up will be implemented in the Polish business.

Our stakeholders

It is of great importance that we run our business and stores with a high degree of responsibility, as we are a significant player in the communities in which we operate. This requires good cooperation with various stakeholders and partners.

Stakeholders	Topics	Dialogue form
Customers	Customer satisfaction Product Food quality Diversity Accountability Responsible products Health Climate	Social media Studies Customer Support Centres Mailboxes in stores Shop visits Customer panels NPS/Maze
Employees	Employee satisfaction Employee benefits Career development Education Working conditions Accidents	Employee representation at board meetings Individual meetings Team meetings Engagement surveys Meetings with union- and working environment representatives
Owners – Salling Foundations	Accountability strategy Accountability initiatives Donations	Ongoing dialogue Board meetings
Law- and policymakers	Taxes and duties on certain products Food labelling and Food waste Health and Climate Occupation and Gender equality Interforce etc.	Government working groups Think tanks Round tables
Ministry of Food, Agriculture and Fisheries	Hygiene, Food Safety, Food Certifications Smiley scheme Food waste Food donations	Inspections Think tank One/Third
Municipalities	Noise Waste management Opening of new stores Inclusion and job readiness	Ongoing dialogue

Stakeholders	Topics	Dialogue form
NGOs and partnerships	Sustainable sourcing Animal welfare Food waste Environment Climate Food safety Applications for assistance Fundraising Plastic Smoke-free generation Health	Individual meetings Ongoing dialogue Partnerships
Trade associations and other organisations	Sustainable sourcing Labelling	Individual meetings Ongoing dialogue Network groups
Media / Press	Product safety Animal welfare Competition and prices Responsible products Climate Food waste Health	Individual meetings Ongoing dialogue
Vendors	Code of Conduct Climate Reducing food waste Plastic	Individual meetings Theme days/conferences Manufacturer audits Satisfaction survey
Competitors	Labelling Animal welfare Food waste Palm oil Soy Sustainable sourcing	Round tables organised by public authorities and/or organisations
Trade unions	Working conditions Employee safety	Individual meetings Ongoing dialogue

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ESG Statements

ESG STATEMENTS ACCOUNTING POLICIES AND PERFORMANCE

Accounting Policies for the Consolidated ESG Statements

Basis for reporting

Salling Group's annual sustainability report complies with the Danish Financial Statements Act sections 99a, 99b and 99d.

The sustainability reporting covers relevant and significant topics within environmental, social and governance for the parent company Salling Group A/S and the subsidiaries operationally controlled by Salling Group A/S. This includes the formats Salling, føtex, Bilka, Netto in Denmark, Germany and Poland, BR, BASALT (closed in July 2023), Skagenfood, Bodebjerg and franchises Starbucks and Carl's Jr. Properties owned by Salling Group but not a part of our operational control are included in scope 3.

The reporting covers the period 1st January – 31st December 2023.

Accounting policies

The accounting policies stated in the notes have been applied consistently in the preparation of the consolidated ESG statements. Accounting policies for each KPI are listed in detail in relation to the individual performance under environment, social and governance.

Disclosure on our emissions follows the Greenhouse Gas (GHG) Protocol.

Data are reported according to our internal reporting requirements and procedures.

Group standards have been defined with requirements for reporting of data and documentation for the data, and assigned data responsible for all relevant departments and entities.

Changes and improvements

Salling Group is continuously working on improving the ESG reporting. As a consequence some improvements have been implemented for the 2023 reporting. The changes and improvements did not result in restatements due to immaterial character.

The following improvements are affecting general disclosure (energy, waste and water), scope 1 and 2, from 2023:

- Energy data in scope 1 and 2 for Denmark excluding energy consumption from leased assets to tenants.
- Food waste percentage is presented after deduction of food donations.
- Refrigerants account for emissions from all refrigerants and not only the ones included in the Kyoto Protocol.
- Scope 2 heating calculation is based on two emission factors in Denmark.

The following improvements are affecting scope 3, from 2023:

- Category 1 (Purchased goods and services) includes services from data centres and cloud solutions.
- Category 4 (Upstream transportation and distribution) includes rented storage spaces in Poland. For Denmark and Poland, transportation is covering the distance from the distribution centres to the stores, and data includes transportation back to the distribution centres as e.g., waste and pallets are transported back to the distribution centres.
- Category 5 (Waste generated in operations) now includes waste water.
- Category 6 (Business travel) includes travel by air and rail from E-Travels for Poland.
- Category 7 (Employee commuting) is calculated based on company survey including all three countries.
- Emissions from category 11 (Use of sold products) and category 12 (End-of-life treatment) are calculated based on sold products. Previously the two categories were calculated based on purchased goods. The impact from the change in the data source is immaterial.
- Category 13 (Downstream leased activities) includes leasehold in Germany and Poland.

Restatement policy

Salling Group A/S have chosen year 2021 as the base year for our GHG inventory including scope 1, 2 and 3. The baseline will be restated if significant errors are found, divestments or acquisitions have taken place and/or calculation methodologies have changed.

Environment

Energy, waste and water

Environment	KPI	Unit	2023	2022	2021	2020	2019*	Dev.	Target	Target year	Base year
Energy	Consumption	MWh	636,625	662,171	714,675	564,403	610,241	-3.9%	-10%	2025	2020
	Energy Efficiency	MWh/m²	0.206	0.214	0.235	0.216	0.223	-3.8%	-10%	2025	2020
Waste	Recycling	%	77.0	76.8	77.2	78.6	78.6	0.2%	85%	2030	2021
	Surplus food	Tonnes	42,399	44,438	40,817	39,226	39,162	-4.6%			
	Food donation	Tonnes	5,918	5,173	2,410			14.4%			
	Food waste	Tonnes	36,481	39,265	38,407	39,226	39,162	-7.1%			
	Food waste percentage	%	1.7	1.8	1.8	1.9	1.9	-3.4%	-50%	2030	**2015
Water	Water Efficiency	m³/m²	0.172	0.166	0.175	0.174	0.183	3.7%	-5%	2025	2022

* Netto Sweden operations in 2019 are not included in the GHG numbers in accordance with SBTi guiding principles.
** Base year number is 2.8%

Energy

In 2023, Salling Group continued its focus on initiatives to reduce our energy consumption across the Group. This is part of the strategy of investing DKK 2.4 billion in renewable energy sources during the period 2022 to 2028.

Energy efficiency per m² has in 2023 improved by 3.8% to 0.206 MWh (2022: 0.214 MWh).

Consumption of electricity per m² has in 2023 decreased by 3.4% to 0.160 MWh (2022: 0.166 MWh).

Further, Salling Group has in 2023 increased consumption of electricity from own solar panels to 6,355 MWh in 2023 (2022: 317 MWh). Additionally, the excess production from own solar panels that has been sold back to the grid has increased to 548 MWh in 2023 (2022: 7 MWh). The electricity production and consumption from own solar panels will increase going forward as we are investing in installation of solar panels on our stores, distribution centres and head offices where possible.

Consumption of heating per m² has in 2023 decreased by 5.2% to 0.046 MWh (2022: 0.048 MWh), among others due to conversion of heating sources from gas and oil to electricity based heating pumps and to district heating.

Waste

Recycling percentage has slightly increased by 0.2% to 77.0% in 2023 (2022: 76.8%). The increase in recycling percentage is driven by a continued focus on sorting waste.

Food waste

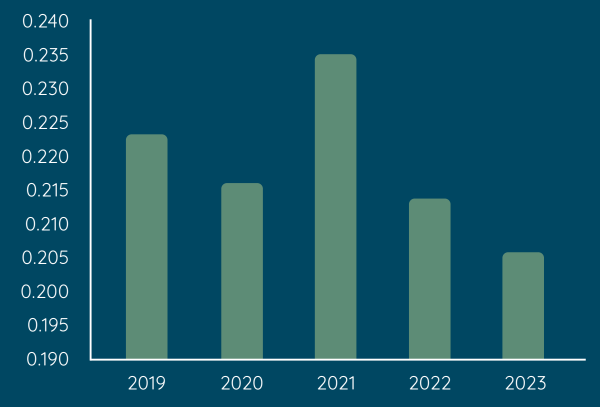
Food waste was reduced to 36,481 tonnes in 2023 (2022: 39,265 tonnes). The decrease in food waste is due to continued focus on being precise in our ordering of products, reducing prices on items approaching their expiry date and being meticulous in handling products during transportation to prevent damage that might render products unsellable in stores.

Further, we have collaborations with FødevareBanken, Wefood (DanChurchAid) and Stop Spild Lokalt which collect unsold food and unsellable items that are still edible. Food donations increased to 5,918 tonnes (2022: 5,173 tonnes).

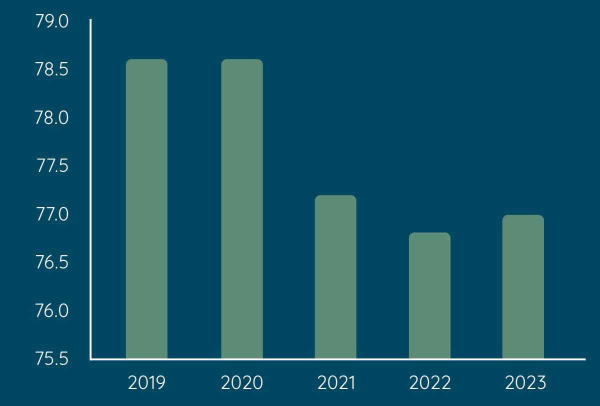
Water

Water consumption per m² increased slightly in 2023 by 3.7% to 0.172 m³ (2022: 0.166 m³). The increase is due to leaks in Germany and Poland, and higher consumption in one of the distribution centres in Poland during summer 2023. We continue to focus on efficiency initiatives to reduce water consumption.

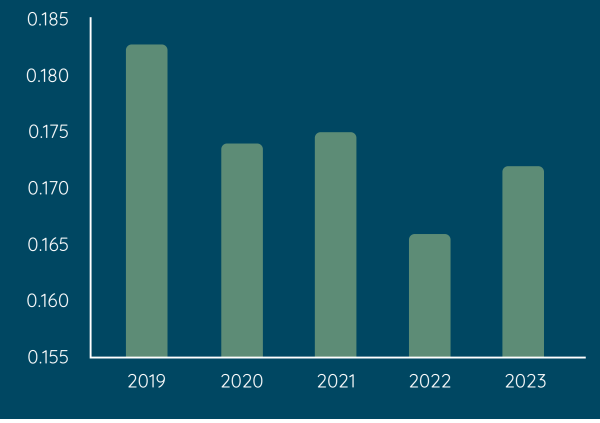
Energy efficiency – MWh/m²



Waste recycling %



Water efficiency m³/m²



ESG statements accounting policies

Energy

Electricity and heating data in the Danish operations are based on digital readings on each location through the system Omega, while electricity and heat data in Poland and Germany are based on manual readings or invoices from suppliers.

Estimates for stores with no available data or incorrect data are prepared by multiplying the average consumption per square metre for comparable stores within the same format and country. Electricity data include consumption from electrical cars and solar panels.

Water

Water data in our Danish operations are based on digital readings on each location through the system Omega, while water data in Poland and Germany are based on invoices from energy suppliers on actual consumption.

Estimates for stores with no available data or large data deviations are prepared on the basis of the average consumption in comparable stores within the same format, country and store size.

Waste

In Denmark, waste from stores, HQ and warehouses is weighed by disposal suppliers at collection. The reporting is based on external reports from the suppliers with all weighing per site.

In Germany all recycling and bio waste from stores are sent to the warehouses. At the warehouses and at HQ the waste is weighed at collection by disposal suppliers. All incineration waste at stores is collected by local suppliers, and not weighed. Weight of all recycling and bio waste is received from external suppliers, weight of incineration waste at HQ and warehouses is received from external suppliers and incineration waste from all stores is estimated on basis of samples and the stores´ net sales.

In Poland, waste collected from HQ and warehouses is weighed by the waste disposal suppliers. Bio waste and category 3 of incinerated waste for all stores is weighed by the waste disposal suppliers. All other types of incinerated and recycling waste are collected by municipal collectors and are not weighed. Weight of all waste from warehouses and HQ is received from external suppliers. Weight of bio waste and category 3 waste from all stores is received from external suppliers. Number of collected waste containers is received from external suppliers divided by types of waste that is collected. The weight of the waste is estimated on basis of collected numbers of containers multiplied by an average weight for the size of container and type of waste.

Food waste, surplus food and food donations

Food waste is calculated in tonnes and originates from our stores and distribution centres in Denmark, Poland and Germany. The food waste statement follows the FWL Protocol – The Food Loss and Waste Accounting and Reporting Standard.

Surplus food is all registered food scrapping including shrinkage from Bilka and føtex bakery, shrinkage from fruit and vegetables in Netto and food donations, but excluding food sold via Too Good To Go (TGTG).

The surplus food calculation is based on the number of all registered scrapping units multiplied by the net weight of the individual unit reported in SAP. The weight of the individual unit is based on data from the suppliers. If the net weight of a given product is missing, the average weight for other products in the same category and format is used. The total weight of the registered scrapping of food is reported after deduction of food sold via TGTG.

For føtex, the weight of food sold via TGTG is estimated based on an average weight. For Netto, food sold via TGTG is registered on numbers of units in SAP, and the weight is calculated by the same method as for the surplus food.

Food donations are registered on numbers of units in SAP and the weight is calculated by same method as the surplus food.

Food waste is surplus food minus food donations. Food waste percentage is food waste (tonnes) divided by food sold (tonnes).

Environment

GHG inventory, scope 1 and 2

Environment	KPI	Unit	2023	2022	2021	2020	2019*	Dev.	Target	Target year	Base year
GHG inventory	Total scope 1 and 2 emissions	tCO_2e	331,280	338,374	366,833	258,921	263,111	-2.1%			
	GHG intensity ratio (revenue DKK thousand)	%	0.5	0.5	0.6	0.4	0.5	-8.0%			
	GHG intensity ratio (m^2)	tCO_2e/m^2	0.107	0.111	0.120	0.095	0.096	-3.6%			
	Scope 1	tCO_2e	42,083	45,962	76,730	41,541	44,852	-8.4%	-50%	2030	2021
	Heating (natural gas)	tCO_2e	11,965	12,848	15,470	9,219	9,721	-6.9%			
	Fuel consumption	tCO_2e	5,044	6,151	5,683	4,170	5,442	-18.0%			
	Refrigerants	tCO_2e	24,637	26,286	55,212	27,806	29,286	-6.3%			
	Oil	tCO_2e	437	677	365	346	403	-35.4%			
	Scope 2	tCO_2e	289,197	292,412	290,103	217,380	218,259	-1.1%	-50%	2030	2021
	Electricity (location based)	tCO_2e	134,562	143,975	153,213	102,180	108,299	-6.5%			
	Electricity (market based)	tCO_2e	280,998	284,895	279,775	211,058	212,397	-1.4%			
	Heating (district heating)	tCO_2e	8,199	7,517	10,327	6,321	5,862	9.1%			

*Netto Sweden operations in 2019 are not included in the GHG numbers in accordance with SBTi guiding principles.

Scope 1

In 2023, total emissions in scope 1 have decreased by 8.4% to 42,083 tCO_2e (2022: 45,962 tCO_2e) which is mainly driven by lower consumption of heating oil, gas and fuel. In 2023, we succeeded in becoming free of heating oil in Denmark by converting to district heating and electrical heat pumps. Natural gas decreased mainly due to warmer winter in 2023 in Poland and Germany, but also because of the conversion to district heating and electrical heat pumps in all countries. Consumption of fuel decreased mainly due to lower activity in the home-delivery business, as we changed the concept from føtex to Bilka, causing a temporary home-delivery close-down for about 6 months.

Scope 2

Total emissions in scope 2 decreased by 1.1% to 289,197 tCO_2e in 2023 (2022: 292,412 tCO_2e). The location based emissions decreased by 6.5% primarily due to electricity consumption from own solar panels. The market based emissions decreased by 1.4%, even though the emission factors have increased by 5.0%.

ESG statements accounting policies

Scope 1 and 2 GHG intensity ratios

The revenue ratio shows the percentage between total scope 1 and 2 emissions in tCO_2e and total revenue in thousand DKK. The floor space ratio shows the percentage between total scope 1 and 2 emissions in tCO_2e and total floor space of Salling Group in m^2.

Scope 1

Scope 1 emissions relate to activities within Salling Group's control. This includes heating (natural gas) of stores, head offices and warehouses, fuel consumption for using Salling Group's vehicles and other direct emissions from stores, warehouses and head offices. The emissions are calculated in accordance with the methodology defined by the GHG Protocol by applying emission factors to Salling Group's specific data.

Salling Group is using 2023 emission factors from the Department for Environment, Food & Rural Affairs (DEFRA) for calculating scope 1 emissions. The KPIs are calculated based on the following data:

Heating (natural gas)

Consumption of gas for heating is measured in KWh. Data for reporting are for Denmark based on energy management system Omega which includes both automated and manual readings. Data for Poland are based on invoices from suppliers, while data for Germany are based on manual readings.

Fuel consumption

Fuel consumption is covering consumption for leased cars and is measured in litres. The data for reporting are based on fuel and mileage reports from car leasing suppliers in Denmark, Poland and Germany.

Refrigerants

Refrigerants are measured in kilos, and are registered by our suppliers when they are refilling due to leaks. As of 2023, Salling Group includes emissions from all refrigerants, and not only the ones included in the Kyoto Protocol.

Oil

Consumption of heating oil is measured in KWh. Data are received in litres, based on invoices and manual readings in Germany and Poland, and digital readings in Denmark, and are converted to KWh.

Scope 2

Scope 2 emissions are related to Salling Group's consumption of electricity and heating excluding own production from solar panels. The scope 2 emissions are calculated in accordance with the GHG protocol.

Electricity

In accordance with the GHG Protocol, Salling Group calculates emissions using both the location-based and the market-based method.

The total scope 2 includes emissions calculated by the market-based method. Electricity for Denmark is measured in KWh multiplied by Energinet's individual electricity declaration (2022) for the location-based and the general electricity declaration (2022) for the market-based.

Consumption in Germany and Poland is measured in KWh multiplied by the International Energy Agency's (IEA) relevant emission factor (2023) for the location-based and the Association of Issuing Bodies's (AIB) European Residual Mix (2022) for the market-based.

Heating

Heating for Denmark is measured in KWh and divided in West and East regions. The West region is multiplied by Kredsløb's general district heating emission factor (2022) and the East region is multiplied by HOFORs general district heating emission factor (2022). For Germany and Poland it is measured in KWh and multiplied by the IEA's relevant emission factor (2023).

Environment

GHG inventory, scope 3 and total emissions

Environment	KPI	Unit	2023	2022	2021	2020	2019*	Dev.	Target	Target year	Base year
GHG inventory	Scope 3**	tCO_2e	6,253,719	6,330,752	6,412,374	106,596	108,364	-1.2%	***	2050	2021
	GHG intensity ratio (revenue DKK thousand)	%	8.9	9.6	9.7			-7.2%			
	1 - Purchased Goods and Services	tCO_2e	5,452,230	5,561,321	5,510,428			-2.0%	****	2027	2021
	2 - Capital Goods	tCO_2e	68,719	69,208	152,509			-0.7%			
	3 - Fuel - and Energy Related Activities	tCO_2e	47,554	54,125	56,345			-12.1%			
	4 - Upstream Transportation and Distribution	tCO_2e	50,344	30,190	29,605	31,474	31,031	66.8%	****	2027	2021
	5 - Waste Generated in Operations	tCO_2e	219	107	1,709	75,047	76,975	105.3%			
	6 - Business travel	tCO_2e	339	196	55	75	358	73.1%			
	7 - Employee Commuting	tCO_2e	57,120	34,739	33,886			64.4%			
	11 - Use of Sold Products	tCO_2e	250,729	260,733	323,301			-3.8%	-42%	2030	2021
	12 - End-of-Life Treatment of Sold Products	tCO_2e	311,368	316,883	300,698			-1.7%			
	13 - Downstream Leased Assets	tCO_2e	15,097	3,249	3,838			364.6%			
	Total emissions (scope 1, 2 and 3)	tCO_2e	6,584,999	6,669,126	6,779,207	365,517	371,475	-1.3%			

*Netto Sweden operations in 2019 are not included in the GHG numbers in accourdance with SBTi guiding principles.
** Full scope 3 reporting from 2021 (previous years only covered category 4, 5 and 6).
***The target for scope 3 is a 90% reduction towards 2050 compared to 2021 to reach our net-zero ambition.
**** 75% of suppliers by emissions will have science-based targets.

Scope 3

In 2023, emissions from scope 3 have decreased by 1.2% to 6,253,719 tCO_2e (2022: 6,330,752 tCO_2e).

The decrease in scope 3 is mainly driven by lower emissions in category 1 “Purchased goods and services” which have decreased in 2023 as a result of changes in the mix and weight of products and services purchased and sold compared to 2022.

Category 4 “Upstream Transport” increased in 2023 as a result of including return transportation in Denmark and Poland, and more data regarding rented storages.

Category 7 “Employee Commuting” increased as the average distance in km to and from work has increased. The increase is affected by a change in data quality due to less estimates and a more comprehensive internal study of employee commuting in 2023.

Both category 11 “Use of sold products” and 12 “End-of-life treatment of sold products” decreased as a result of change in the mix and weight of products sold in 2023 compared to 2022. The decrease is affected by a change in methodology.

Category 13 “Downstream Leased Assets” increased in 2023 due to inclusion of leased activities in Poland and Germany.

ESG statements accounting policies

Scope 3

Scope 3 emissions relates to all other indirect emissions that occur in Salling Group's value chain. The calculation of emissions is in accordance with the GHG protocol.

Scope 3 GHG intensity ratio
The ratio shows the percentage between total scope 3 emissions in tCO_2e and total revenue in thousand DKK.

Category 1 - Purchased goods and services
Delimitation: The category includes all goods for resale and smaller goods not for resale, that are used in our stores, which are not included in category 2. The category also include services from data centres and cloud solutions.

Method: Average-data
Salling Group's total purchase of goods in the financial period in kilos or pieces is multiplied by relevant emission factors from Ecoinvent, Carbon Trust and other product specific LCA's.

The activity data (primary data) used for the calculation is extracted from Salling Group's SAP BI platform. The applied emission factors covers emissions from cradle-to-gate, including upstream transportation.

Data from data centres and cloud solutions are received directly from suppliers.

Category 2 - Capital goods
Method: Average spend-based

The calculation is based on aggregate amounts for each asset category multiplied by DEFRA's relevant supply chain emission factors. The amounts are adjusted for inflation. The emission factors also take technological improvements into account by using the IEA "elec. & heat" (2023) world average.

Category 3 - Fuel and energy-related activities not covered by scope 1 and 2
Method: Average-data

Emissions from fuel, gas, oil, heating and electricity, as well as transmission and distribution losses for all units that are not included in scope 1 and 2. The calculation is based on activity data from consumption (primary data) and emission factors from DEFRA (2023) and IEA (2023).

Category 4 - Upstream transport and distribution
Method: Distance-based (transportation) and site-specific (distribution)

Outbound transport for Denmark and Poland covers the transport of goods from Salling Group's distribution centres to the stores and back. The emissions are calculated on the basis of the number of kilometres driven and diesel consumption per kilometres. The CO_2e emission factor is calculated on the basis of DEFRA per litre of diesel (2023). Distribution data are based on electricity consumption from third party suppliers multiplied with Energinet's (2023) emission factor in Denmark and IEA (2023) emission factor in Poland.

For Germany the outbound transport is the transport of goods from our distribution centres to our stores. The transport is handled by third parties, who are calculating the CO_2e footprint.

Category 5 - Waste generated in operations
Method: Waste type-specific

The calculation is based on primary supplier data on waste quantities multiplied by relevant DEFRA conversion factors. This is done for landfill and waste water emissions only. For Netto DK the emissions include the supplier´s transport handling of our waste and the calculations are done by our supplier.

Category 6 - Business travel
Method: Distance-based

Limited to air and rail travels. Flight carbon footprints for the entities in Denmark and Germany are based on reports from American Express Global Business Travel's GHG Emissions Database. The applied emissions factors are based on DEFRA conversion factors for air travel (2023). For Poland the flight and rail carbon footprint are based on reports from E-travel's database. The CO2e footprint for flights is based on the number of kilometres flown and fuel consumption from the respective airlines. Whereas the rail travel is based on number of kilometres.

Category 7 - Employee commuting
Method: Distance-based

The calculation is based on a 2023 questionnaire survey of employee commuting to and from work across Salling Group. Relevant emission factors for different modes of transport are derived from DEFRA emission factors 2023.

Category 8 - Upstream leased assets
The leased cars and properties are included in scope 1 and 2.

Category 11 - Use of sold products and Category 12 - End-of-life treatment of sold products
Method: Average-data

Salling Group's total sale of goods in the financial period measured in kilos or pieces is multiplied by relevant emission factors from Ecoinvent, Carbon Trust and other product specific LCA's. The activity data (primary data) used for the calculation are extracted from Salling Group's SAP BI platform. The applied emission factors cover emissions from the use-phase of a product (cat. 11) and waste treatment of a sold product (cat. 12).

Category 13 - Downstream leased assets
Method: Average data (Denmark) and asset-specific (Germany and Poland).

For Denmark the calculation is based on the square metre area of the properties that Salling Group leases to others. Consumption is estimated based on data from Ejendom Danmark, Dansk Fjernvarme or on our own consumption data. The energy data are multiplied with relevant emission factors from Energinet, HOFOR and Kredsløb. For Germany and Poland the energy data are either based on meter readings, invoices or estimated if there is no separate meter. If there are no separate meters, the same consumption estimates as in Denmark are applied. The energy data are multiplied by the IEA's relevant emission factor (2023).

Category 14 - Franchise
The stand-alone stores are included in scope 1 and 2.

Not applicable scope 3 categories
The following categories are excluded from the GHG Inventory as they are not applicable to Salling Group:

- Category 9 - Downstream transportation and distribution
- Category 10 - Processing of sold products
- Category 15 – Investments

Social

People and products

Social	KPI	Unit	2023	2022	2021	2020	2019	Dev.	Target	Target year
	People									
	Headcounts all	No.	58,903	59,696	61,874	55,471	53,531	-1.3%		
	Diversity: Executive committee*	%	15.4	18.0	20.0	22.0	13.0	-14.5%	40%	2030
	Diversity: Vice presidents	%	16.2	13.0	13.0	17.0	16.0	24.7%	40%	2030
	Diversity: Directors+	%	22.3	21.0	19.0	17.0	16.0	6.2%	40%	2030
	Diversity: Managers+	%	53.9	54.0	53.0	50.0	50.0	-0.1%	40%	constant
	Diversity: All employees	%	55.1	56.0	57.0	56.0	56.0	-1.7%	40%	constant
	Safety (LTIF)	No.	99	104	104	97	120	-5.0%		
	Sickness absence	%	4.2	4.6	4.0	3.6	3.5	-9.7%		
	Employee turnover	%	27.1	26.4	25.3	19.2	24.0	2.5%		
	People in job training (DK only)	No.	1,049	954	919	1,043	1,089	10.0%		
	Products									
	Risk screening activated	%	100.0	100.0	100.0	93.0	98.0	0.0%	100%	constant
	Risk screening completed	%	86.7	90.0	85.6	83.7	81.3	-3.6%		
	- Green	%	94.1	95.3	89.6	93.8	94.9	-1.2%		
	- Yellow	%	2.9	1.4	2.7	1.9	3.1	107.4%		
	- Red	%	3.0	3.3	7.7	4.3	1.8	-10.1%		
	- Suspended	%	0.0	0.1	0.0	0.0	0.2	-100.0%		
	Food safety (DK only)	%	89.2	90.3	90.4	89.8	89.2	-1.2%	100%	constant

Diversity expresses the share of women. We work to achieve and maintain gender balance and increase the percentage of the underrepresented gender.
* Includes the Executive Board and people managers employed by Salling Group A/S reporting to the Executive Board including country directors in Germany and Poland.

Diversity

We have strengthened our focus on gender diversity in 2023. 55.1% of all employees in Salling Group are women. For the group of Managers+ we have a strong share of women in the pipeline for future enhancements at higher managerial level. We will continue to develop our pipeline going forward.

Sickness absence

Sickness absence have decreased by 9.7% to 4.2% in 2023 (2022: 4.6%), which is mainly driven by lower sickness absence in Denmark and Poland.

Employee turnover

Employee turnover increased by 2.5% to 27.1% in 2023 (2022: 26.4%). Affected by a heated job market characterised by inflation and low unemployment.

Risk screening of vendors

The completion rate represents the individual vendors´ duly registration of their producers, and further uploaded required documentation regarding code of conduct compliance. A completed profile is related to several due diligence procedures such as monitoring, preventive measures, and remediation. We constantly discover new products and therefore new suppliers in scope for our monitoring and performance evaluation process. Since 2022, we have onboarded approximately 200 new suppliers, and their ability to complete the profile directly affect the completion rate. As to the development in performance scores (red, yellow, green) we see a slightly different level on the green and yellow score. The yellow score reflects pending documentation, meaning that the Responsible Sourcing team must control and approve the documentation.

Food safety

In general we experienced a high number of reports without remarks. We continuously follow-up and discuss food safety internally, since this is an important KPI for a food retailer. Food safety have decreased by 1.2% to 89.2% in 2023 (2022: 90.3%).

ESG statements accounting policies

Headcounts

Average headcount through the year is the total number of people employed. These include all employees: full-time, part-time and temporary workers.

The headcount is calculated by the average end of month headcount for each format.

Diversity

Diversity is expressed in percentage and defined as the share of female employees relative to male employees. The share of women at different levels in the company is reported - from executive, vice president, director, manager to all employees. The data are based on records from SAP BI.

Diversity is reported by end of month December.

Safety

Includes the number of work related accidents recorded during the reporting period as the lost time injury frequency (LTIF). LTIF is the number of reported injuries resulting in more than one day of absence per 10,000 average headcount. The injury data are registered in InsuBiz and head counts drawn from SAP BI.

Sickness absence

Employee sickness absence is expressed in percentage and measured as hours of sickness divided by the number of paid working hours (including paid overtime). The data are derived from HR systems.

Employee turnover

The employee turnover rate is expressed as a percentage of the total number of average headcount. In Denmark and Poland the voluntary departure of employees is reported and in Germany the total employee turnover. The data is derived from HR systems.

People in job training

People outside the labour market who are in unpaid internships to determine their job readiness. The number is an annual average based on data from SAP BI.

Risk screening of suppliers

Screening is carried out using our Responsible Procurement System to obtain documentation from our private label suppliers and selected non-private label suppliers, as well as tertiary brand suppliers and products sent directly from production sites in risk countries. The system records information about manufacturers and documentation for social and environmental audits and/or supplier certificates. The system uses a colour code to indicate status of obtained documentation, where green means that all the necessary audit documentation is in place, yellow means that documentation is in progress, and red means that documentation has not been provided by the supplier within the given deadline. No colour means that the supplier has yet to complete its profile within deadline.

Food safety (DK)

Food safety is only reported for Denmark and calculates 'happy smiley' share of total food inspections in the Danish stores.

The Danish Veterinary and Food Authorities (DVFA) are continuously controlling compliance of all food business establishments with regard to the food and feed legislation. DVFA check the stores with different frequency according to the level of food handling (risk based), consumer complaints, campaigns etc. Every DVFA inspection results in a report and an assigned result of the inspection.

The result of the inspection is followed by a smiley symbol corresponding to the result.

Governance

Governance	KPI	Unit	2023	2022	2021	2020	2019	Dev.	Target	Target year
	Diversity: Board	%	20.0	20.0	20.0	20.0	17.0	0.0%	40%	2026
	Buyers trained in responsible procurement	%	64.0	71.0	61.0	69.0	76.0	-9.9%	80%	constant
	Employees trained in responsible products	%	54.0	88.0	94.0	96.0	77.0	-38.6%	85%	constant
	Vendor satisfaction score	Score	4.4	4.3	4.2	4.2	4.0	1.4%		
	Tax	DKK million	8,580	8,198	8,533	7,308	7,349	4.7%		

Diversity board

There has been no change in the Board of Directors during 2023. The Board consists of 5 individuals, 1 female* and 4 males.

Buyers trained in responsible procurement

All our buyers must attend a training course covering the concept of responsible procurement including Code of Conduct, due diligence, human rights, ILO guiding principles and responsible buying practices. The participation rate in 2023 decreased by 9.9% to 64.0% (2022: 71.0%). The participation level is not satisfying, therefore new initiatives will be incorporated in 2024.

Employees trained in responsible products

The participation rate decreased by 38.6% to 54.0% in 2023 (2022: 88.0%) as not all relevant employees were invited to the training by mistake. The participation level is not satisfying, therefore new initiatives will be incorporated in 2024.

*Marianne Kirkegaard resigned from the Board on 2nd February 2024.

Vendor satisfaction

Strong collaboration with our suppliers is important to Salling Group. Upon request from Salling Group, Rambøll has performed a supplier satisfaction survey. 527 suppliers were invited, of which 357 participated in the survey. The response rate was marginally higher than previous years. The vendor satisfaction score increased by 1.4% to 4.4 in 2023 (2022: 4.3) on a score from 1 to 5.

ESG statements accounting policies

Diversity Board

Diversity is expressed in percentage and defined as the share of female board members relative to male board members, excluded employee representatives. The diversity of board members is reported end of month December.

Buyers trained in responsible procurement

Mandatory course in responsible procurement practices. The course was developed in collaboration with Ethical Trade Denmark and was aimed at employees with procurement responsibilities. Expressed in percentage (number completed relative to the number in scope). Data are derived from SAP-HR and are limited to active employees end of month December.

Employees trained in responsible products

Mandatory e-learning on responsible products/certification schemes in general, and specific training in organic products, Fairtrade and animal welfare. The modules target employees in procurement functions and are completed via the employees' Learning segment on HR Intra. Expressed in percent (number completed relative to the number in scope). Data are derived from SAP-HR and are limited to active employees end of month December.

Vendor satisfaction scorew

The survey is conducted in collaboration with Rambøll Management Consulting ApS. The participants in the survey are the largest suppliers by spend (excluding Salling department stores). The respondents give Salling Group a rating on a scale of 1 to 5 based on the question 'How satisfied are you with your cooperation with Salling Group?'

Tax

The reported annual taxes include both taxes paid indirectly (taxes collected), such as VAT and employee income tax, and taxes paid directly (taxes born), such as corporate income tax and property taxes.

The VAT amount included is calculated as the net VAT payment, i.e. VAT on sales less VAT payable. Collected excise duties in Denmark (for example on chocolate and alcohol etc.) are only included for imported goods, as excise duties on locally produced products are paid to the authorities by the manufacturers.

Management's statements

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 2023.

The annual report has been prepared in accordance with International IFRS Accounting Standards as adopted by the EU and additional requirements of 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 2023 and of the results of the Group's and the company's operations and cash flows for the financial year 1 January – 31 December 2023.

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, 25 April 2024

Executive Board

Anders Hagh
CEO

Board of Directors

Bjørn Gulden Chairman	**Jens Bjerg Sørensen**	**Freddy Mikael Sobin**	**Thomas Carsten Alexander Tochtermann**
Samuel Dam Rützou Employee representative	**Jonas-Tobias Andersen** Employee representative	**Lars Lippert Laursen** Employee representative	

Statements

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 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information for the Group and the parent company pages 29-92. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting 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 2023 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 2023 in accordance with FRS Accounting 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 pages 3-28 and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial 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 IFRS Accounting 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, 25 April 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen
State Authorised Public Accountant
mne21334

Jonas Busk
State Authorised Public Accountant
mne42771

Statements

Independent auditor's assurance report on the 'ESG statements' sections of the annual report

To the stakeholders of Salling Group A/S
As agreed, we have performed an examination with a limited assurance, as defined by the International Standards on Assurance Engagements, on Salling Group A/S' ('Salling Group') 'ESG Statements' sections on pages 101-110 in the Annual Report for the period from January 1st to December 31st 2023.

In preparing the 'ESG Statements', Salling Group applied the ESG statements accounting policies described on pages 101-110. The 'ESG Statements' needs to be read and understood together with the ESG statements accounting policies, which Management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate, and measure the 'ESG Statements' allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Annual Report, and accordingly, we do not express an opinion on this information.

Management's responsibilities

Salling Group's Management is responsible for selecting the ESG statements accounting policies, and for presenting the 'ESG Statements' in accordance with the ESG statements accounting policies, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the 'ESG Statements', such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion based on our examinations on the presentation of the 'ESG Statements' in accordance with the scope defined above.

We conducted our examinations in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation to obtain limited assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed

In obtaining limited assurance over the 'ESG Statements' on pages 101-110, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance.

The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

As part of our examinations, we performed the below procedures:

- Interviewed those in charge of 'ESG Statements' to develop an understanding of the process for the preparation of the ESG statements and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the 'ESG Statements' with a significant risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries we evaluated the appropriateness of ESG statements accounting policies used, their consistent application and related disclosures in the 'ESG Statements'. This includes the reasonableness of estimates made by management.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.
- In connection with our procedures, we read the other sustainability information in the 'Sustainability', 'Environment', 'Social', 'Governance' and 'Sustainability Reporting' sections of Salling Group's Annual Report for the period January 1st to December 31st 2023 and, in doing so, considered whether the other sustainability information is materially inconsistent with the 'ESG Statements' or our knowledge obtained in the review or otherwise appear to be materially misstated.

In our opinion, the examinations performed provide a sufficient basis for our conclusion.

Conclusion

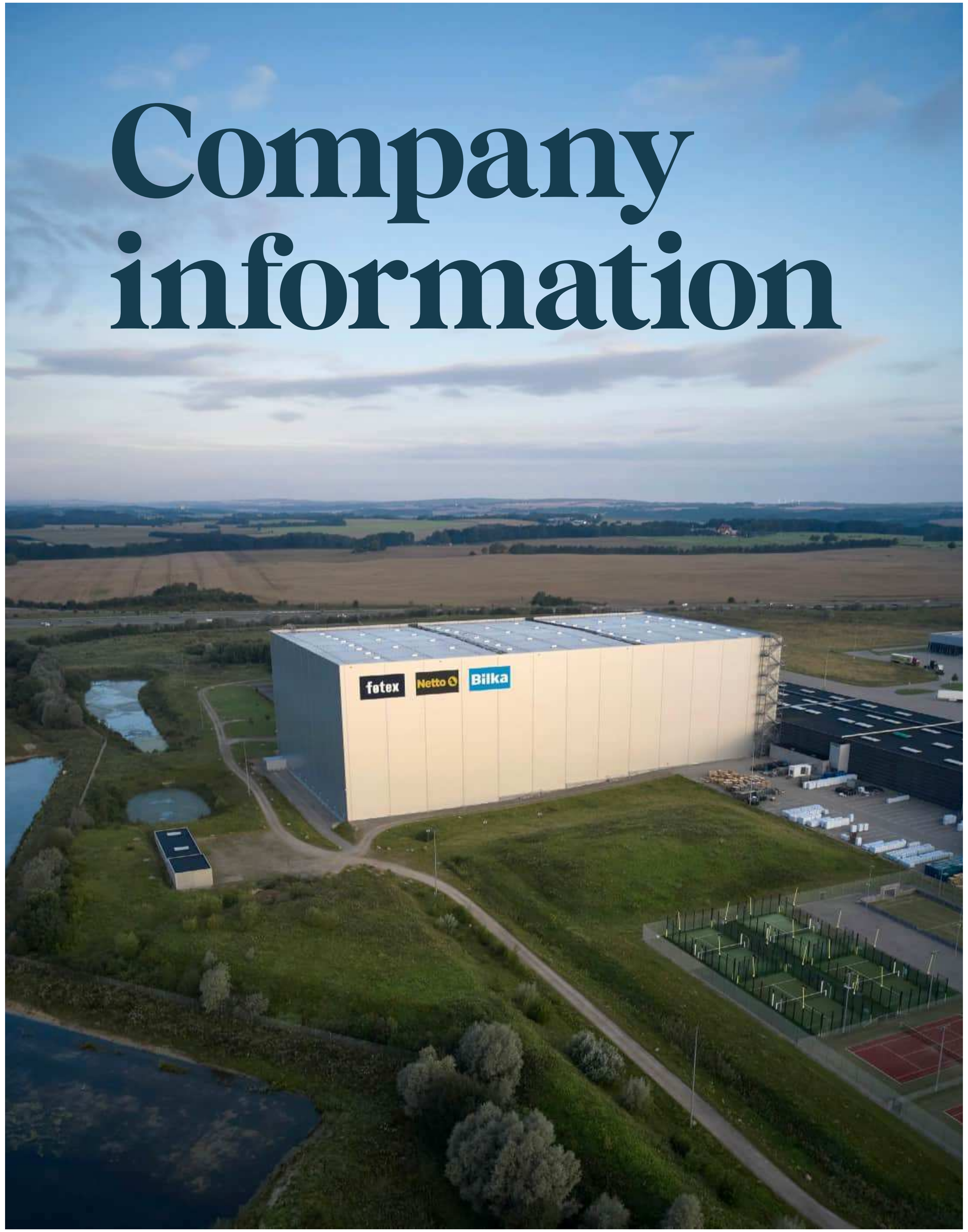
Based on our examinations and the evidence obtained, nothing has come to our attention that causes us to believe that the 'ESG Statements' on pages 101-110 in Salling Group's Annual Report for the period from January 1st to December 31st 2023 has not been prepared, in all material respects, in accordance with ESG statements accounting policies described on pages 101-110.

Aarhus, 25 April 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen
Partner
State Authorised
Public Accountant
mne21334

Esben Juul Hansen
Partner
Climate Change and
Sustainability Services

Company information



Company name	Salling Group A/S
Website	www.sallinggroup.com
Head office	Rosbjergvej 33, DK-8220 Brabrand
Primary brands	Salling, føtex, Bilka, Netto and BR
Ownership and corporate form	Privately owned / non-listed
Total number of employees	58,903
Significant change in size, structure, ownership or supply chain during the reported period	No significant changes
Externally developed charters, principles or initiatives signed or endorsed by Salling Group	UN Global Compact
Membership of associations and support organisations	• Amfori Business Social Compliance Initiative (BSCI) • Amfori Business Environmental Performance Initiative (BEPI) • The International Accord • Ethical Trade Denmark • Danish Chamber of Commerce • AMS Sourcing • FSC Denmark • The Consumer Goods Forum (CGF) • Global G.A.P.
Tax policy	Our tax policy is available on our website (www.sallinggroup.com)
Reporting period	1st January – 31st December 2023
Reporting principles	Consistent with IFRS and additional requirements (including sections 99a, 99b and 99d) of the Danish Financial Statements Act
Date of the most recent report	27th April 2023
Contacts for enquiries about the report or its contents	Henrik Vinther Olesen, Group Vice President, Sustainability, Communication and Public Affairs

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2024-04-26 07:29:31 UTC

Freddy Mikael Sobin
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Lars Lippert Laursen
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2024-04-26 12:09:17 UTC

Thomas Carsten Alexander Tochtermann
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2024-04-26 16:25:00 UTC

Jonas Busk Tangsgaard
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Statsautoriseret revisor
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Serienummer: c967be5a-15c6-4d3a-912f-bb032c82586e
IP: 87.63.xxx.xxx
2024-04-27 08:22:45 UTC

Claus Hammer-Pedersen
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Statsautoriseret revisor
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IP: 165.225.xxx.xxx
2024-04-28 15:11:39 UTC

Jakob Røddik Thøgersen
Dirigent
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Serienummer: d33a0ec4-2b30-4683-b8c2-0de01515045e
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Esben Juul Hansen
Partner, Climate Change and Sustainability Services
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Serienummer: c2a9f6c9-3376-4d29-ade6-18e3c6fa0446
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