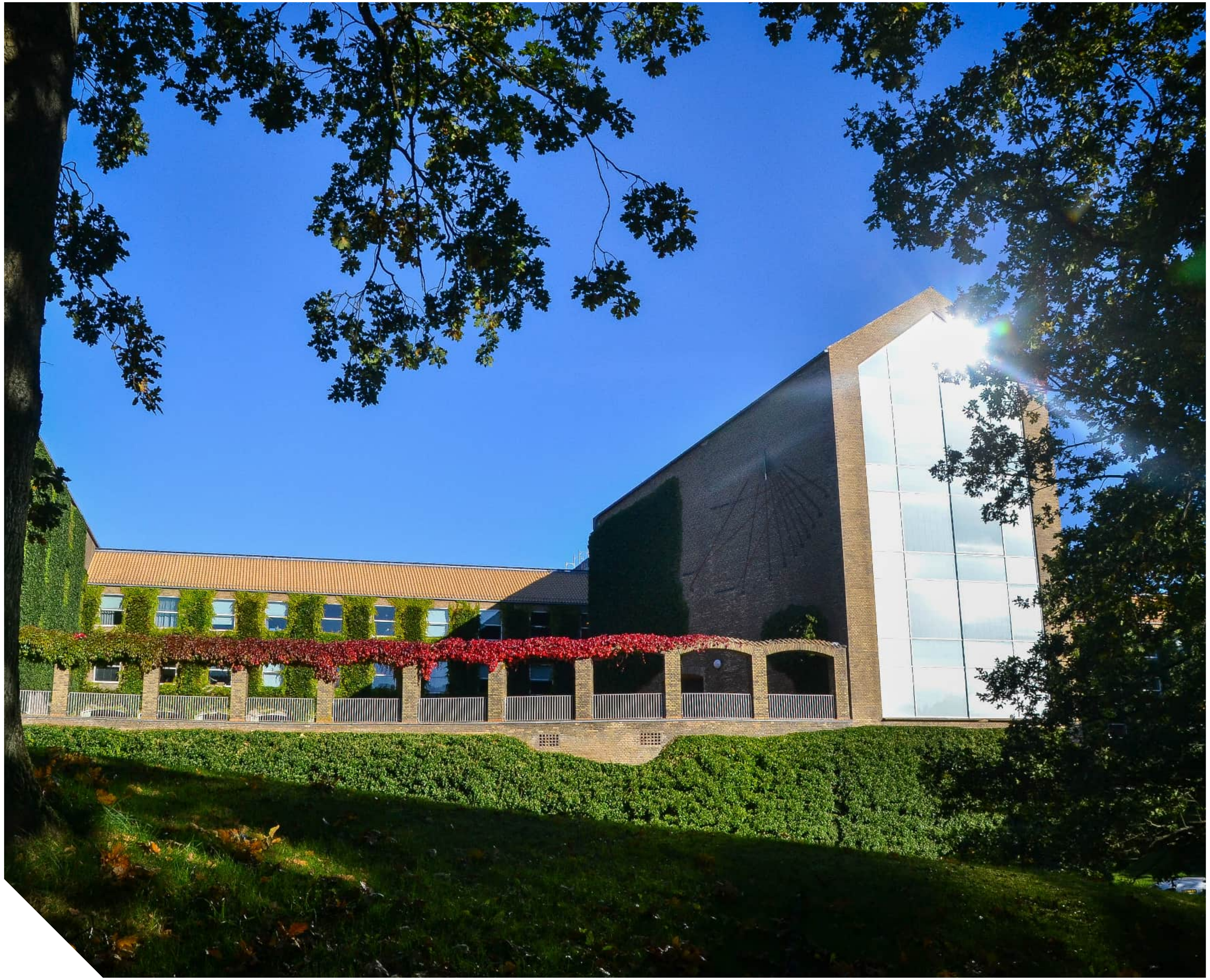
# Annual Report 2023

## Købmand Herman Sallings Fond

Købmand Herman Sallings Fond
Rosbjergvej 33-35
DK-8220 Brabrand
CVR 53520413
www.sallingfondene.dk

The annual report
has been presented and
approved at the board meeting
of the foundation at 11/6 2024

Chair



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# Management's review

## Financial highlights for the Group

*DKK million*

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Total revenue | 70,258 | 66,519 | 66,200 | 60,854 | 56,688 |
| Operating profit before depreciation, amortisation and impairment losses (EBITDA)* | 4,943 | 4,317 | 4,987 | 4,699 | 4,103 |
| Operating profit (EBIT) | 1,920 | 1,366 | 2,462 | 2,333 | 1,800 |
| Net financial items | -329 | -568 | -454 | -466 | -544 |
| Profit for the year from continuing operations | 1,206 | 534 | 1,570 | 1,487 | 971 |
| Profit/loss for the year from discontinued operations, net of tax | - | - | - | - | 714 |
| Total profit/loss for the year | 1,206 | 534 | 1,570 | 1,487 | 1,685 |
| Net cash flows from operating activities | 3,260 | -587 | 3,722 | 4,295 | 2,767 |
| Total assets | 54,604 | 54,180 | 57,469 | 54,768 | 53,265 |
| Total equity | 26,158 | 24,703 | 24,351 | 22,943 | 21,828 |
| Investments in property, plant and equipment, right-of-use assets, and investment properties | 2,342 | 2,063 | 2,358 | 2,089 | 2,232 |
| Net debt/EBITDA | 2.3 | 2.7 | 1.8 | 1.5 | 2.2 |
| Operating margin | 2.7% | 2.1% | 3.7% | 3.8% | 3.2% |
| Return on equity | 4.7% | 2.2% | 6.6% | 6.6% | 8.0% |

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.

## Købmand Herman Sallings Fond – the foundation

**Primary business area**

Købmand Herman Sallings Fond is an independent Danish commercially operating foundation established on 30 December 1964 by the founder of Salling Group A/S, Herman Christian Salling, with the aim of ensuring the development of Salling Group A/S and its affiliated companies.

The purpose of the foundation is to own, protect and develop the strength and continuity of Salling Group. In addition to this the foundation also has charitable purposes to support:

- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen
- Ecclesiastical, sport, cultural and other worthy causes

**Development during the financial year**

The annual report for Købmand Herman Sallings Fond is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In 2023 the foundation has realised a profit for the year of TDKK 174,966 against a profit for the year of TDKK 164,881 in 2022. The profit for the year for 2023 is better than expected due to increased interest income.

**Distributions**

For information about the foundations distribution policies, please refer to https://www.sallingfondene.dk/om-fondene/uddelingspolitik

A total of TDKK 214,139 (2022: TDKK 392,818) has been distributed, and is allocated on main categories in accordance with the purpose of the foundation:

- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen: TDKK 6,735
- Ecclesiastical, sport, cultural and other worthy causes: TDKK 207,404.

Distributions from previous years of TDKK 25,992 (2022: TDKK 12,213) have been reversed.

**Description of good foundation management**

The foundation complies with most of the provisions for good foundation management. For further information, please refer to

https://www.sallingfondene.dk/om-fondene/redegoerelse-for-god-fondsledelse

The table showing information about the board members (recommendation no. 2.3.4) and the independence of the board members (recommendation no. 2.4.1) is provided in the notes.

**Particular risks**

The foundation has no particular risks.

**Expected development and subsequent events**

The foundation expects that the profit for the year 2024 will be at the same level as in 2023.

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

## Købmand Herman Sallings Fond – the Group

**Primary business area**

The primary business area of the Group includes the primary business area of the foundation as described above and the primary business area of the subsidiaries in the Group, which is to operate retailing in Denmark, Germany and Poland.

**Development during the financial year**

The annual report for Købmand Herman Sallings Fond – the Group is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU.

Operating profit (EBIT) for 2023 amounts to DKK 1,920 million compared to DKK 1,366 million in 2022. Profit before tax is DKK 1,591 million compared to DKK 798 million in 2022. Total profit for the year for 2023 is DKK 1,206 million compared to DKK 534 million in 2022.

The result for 2023 is above expectations. The result for 2023 is impacted by the result from the share of profit from Salling Group A/S. The results in Salling Group A/S in 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.

**Statutory reporting on corporate responsibility cf. §99a and data ethics cf. §99d**

Købmand Herman Sallings Fond does not have policies regarding social responsibility or data ethics, as the foundation has not identified any material risks within the areas of human rights, environment, social and employee conditions and anti-corruption. Also, the foundation does not have a data ethics policy, as the foundation has not identified any material risks related to the foundation's processing and storage of data.

The primary activity of the foundation is the ownership of shares in Salling Group A/S and the charitable purposes. The Group as a whole does not have policies regarding social responsibility or data ethics either, as the primary activity within the Group takes place in the Group's subsidiaries. The subsidiary in the Group, Salling Group A/S, has policies regarding social responsibility and prepares a report on social responsibility in connection with the annual report. Salling Group A/S also has a data ethics policy, which is available in the company’s annual report and on the company's home page.

**Statutory reporting on gender distribution in management cf. §99b**

| **The Board of Directors** | 2023 |
|---|---|
| Total number of 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 Købmand Herman Sallings Fond as of 31 December.

Købmand Herman Sallings Fond has a target to increase the share of female members of the Board of Directors to 40% by end 2026 meaning that two out of five members of the Board of Directors must be female. There has not been any open positions during 2023. Købmand Herman Sallings Fond 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.

The foundation has less than 50 full-time employees in 2023 and 2022 and therefore no further gender target figures or policies are reported.

**Particular risks**

The retail activities are to a certain extent sensitive to market fluctuations. The Group has no special dependence on certain customers or suppliers.

**Expected development and subsequent events**

The company expects, that the result in 2024 will improve, as it is expected that Salling Group A/S will 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. The Group expects to realise a revenue in the level of DKK 70 - 73 billion and a result before tax in the level of DKK 1.7 - 2.1 billion.

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

# Statements

## Management's statement

The Board of Directors have today discussed and approved the annual report of Købmand Herman Sallings Fond for the financial year 1 January – 31 December 2023.

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

It is our opinion that the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond give a true and fair view of the Group's and the foundation's assets, liabilities and financial position at 31 December 2023 and of the re-sults of the Group's and the foundation'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 foundation's operations and financial conditions, the results of the Group's and the foundation'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 foundation faces.

Brabrand, 11 June 2024

**Board of Directors**

Jens Bjerg Sørensen
Chairman

Karin Salling

Nils S. Andersen

Carsten Lorentzen

Michael Holm

## Independent auditor's report

**To the Board of Directors of Købmand Herman Sallings Fond**

**Opinion**

We have audited the consolidated financial statements and the parent company financial statements of Købmand Herman Sallings Fond 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 accounting policies, for the Group and the foundation. The consolidated financial statements and the financial statements of Købmand Herman Sallings Fond 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 IFRS 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 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, 11 June 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

| | |
|---|---|
| Claus Hammer-Pedersen<br>State Authorised Public Accountant<br>mne21334 | Jonas Busk<br>State Authorised Public Accountant<br>mne42771 |

# Købmand Herman Sallings Fond – Financial statements

## Income statement

*Amounts in TDKK*

| Notes | | 2023 | 2022 |
|---|---|---|---|
| 4 | Staff expenses | -2,450 | -2,050 |
| | External expenses | -4,117 | -4,690 |
| | Operating loss (EBIT) | -6,567 | -6,740 |
| 5 | Financial income | 181,539 | 171,729 |
| 6 | Financial expenses | -6 | -108 |
| | **Total profit for the year** | 174,966 | 164,881 |
| | Proposal for distribution of profit for the year: | | |
| | Transferred to distribution reserve | 164,000 | 168,000 |
| | Transferred to available capital | 10,966 | -3,119 |
| | **Total profit for the year** | **174,966** | **164,881** |

## Statement of other comprehensive income

*Amounts in TDKK*

| | 2023 | 2022 |
|---|---|---|
| Profit for the year | 174,966 | 164,881 |
| Other comprehensive income for the year, net of income tax | - | - |
| **Total comprehensive income for the year** | **174,966** | **164,881** |

# Købmand Herman Sallings Fond – Financial statements

## Balance sheet at 31 December

*Amounts in TDKK*

| Notes | Assets | 2023 | 2022 |
|---|---|---|---|
| | **Non-current assets** | | |
| | **Financial assets** | | |
| 7 | Investments in subsidiaries | 17,834 | 17,834 |
| | Total financial assets | 17,834 | 17,834 |
| | **Total non-current assets** | **17,834** | **17,834** |
| | **Current assets** | | |
| | **Receivables** | | |
| 8 | Other current financial assets | 377,696 | 310,866 |
| | Total receivables | 377,696 | 310,866 |
| 8 | **Cash and short-term deposits** | 6,560 | 9,806 |
| | **Total current assets** | **384,256** | **320,672** |
| | **Total assets** | **402,090** | **338,506** |

## Balance sheet at 31 December

*Amounts in TDKK*

| Notes | Equity and liabilities | 2023 | 2022 |
|---|---|---|---|
| | **Equity** | | |
| | Registered capital | 22,219 | 22,219 |
| | Available capital | 20,713 | 9,747 |
| | Distribution reserve | 20,706 | 44,853 |
| | **Total equity** | **63,638** | **76,819** |
| | **Liabilities** | | |
| | **Current liabilities** | | |
| 8 | Other current financial liabilities | 100 | 547 |
| 8 | Trade payables | 5 | 303 |
| 8 | Other payables | 338,347 | 260,837 |
| | **Total current liabilities** | 338,452 | 261,687 |
| | **Total liabilities** | **338,452** | **261,687** |
| | **Total equity and liabilities** | **402,090** | **338,506** |

# Købmand Herman Sallings Fond – Financial statements

## Cash flow statement

*Amounts in TDKK*

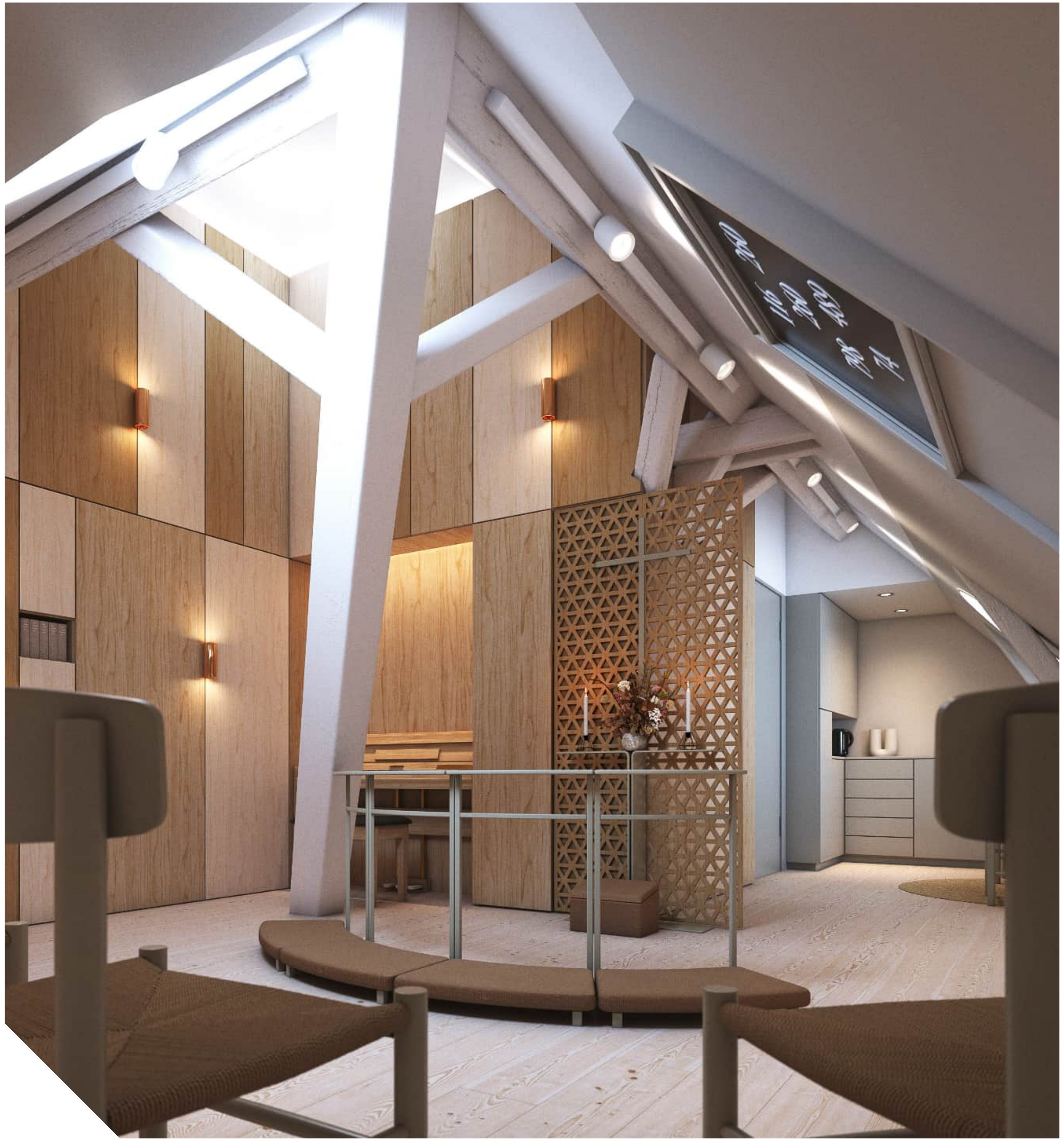
| Notes | | 2023 | 2022 |
|---|---|---|---|
| | Profit before tax | 174,966 | 164,881 |
| 9 | Adjustments | -181,533 | -171,621 |
| 10 | Change in working capital | 372 | 477 |
| | Net cash flows from operating activities before financial items and tax | -6,195 | -6,263 |
| | Financial income received | 5,898 | 1,918 |
| | Financial expenses paid | -6 | -2,017 |
| | **Net cash flows from operating activities** | **-303** | **-6,362** |
| | Dividends received | 169,811 | 169,811 |
| | **Net cash flows from investment activities** | **169,811** | **169,811** |
| | Net payments to subsidiaries | -61,447 | 227,087 |
| | **Net cash flows from financing activities** | **-61,447** | **227,087** |
| | Distributions paid | -111,307 | -424,309 |
| | Net change in cash and cash equivalents | -3,246 | -33,773 |
| | Cash and cash equivalents at 1 January | 9,806 | 43,579 |
| 11 | **Cash and cash equivalents at 31 December** | **6,560** | **9,806** |

## Statement of changes in equity

*Amounts in TDKK*

| *2023:* | Registered capital | Available capital | Distribution reserve | Total equity |
|---|---|---|---|---|
| Equity at 1 January 2023 | 22,219 | 9,747 | 44,853 | 76,819 |
| Profit for the year | - | 10,966 | 164,000 | 174,966 |
| **Total comprehensive income for the year** | **-** | **10,966** | **164,000** | **174,966** |
| Approved distributions | - | - | -214,139 | -214,139 |
| Reversed distributions payable | - | - | 25,992 | 25,992 |
| **Other transactions** | **-** | **-** | **-188,147** | **-188,147** |
| **Equity at 31 December 2023** | **22,219** | **20,713** | **20,706** | **63,638** |

| *2022:* | Registered capital | Available capital | Distribution reserve | Total equity |
|---|---|---|---|---|
| Equity at 1 January 2022 | 22,219 | 12,866 | 257,458 | 292,543 |
| Profit for the year | - | -3,119 | 168,000 | 164,881 |
| **Total comprehensive income for the year** | **-** | **-3,119** | **168,000** | **164,881** |
| Approved distributions | - | - | -392,818 | -392,818 |
| Reversed distributions payable | - | - | 12,213 | 12,213 |
| **Other transactions** | **-** | **-** | **-380,605** | **-380,605** |
| **Equity at 31 December 2022** | **22,219** | **9,747** | **44,853** | **76,819** |



# Købmand Herman Sallings Fond – Financial statements

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# Købmand Herman Sallings Fond – Financial statements

## Notes to the financial statements

*Amounts in TDKK*

**1 General information**

Købmand Herman Sallings Fond is an independent Danish commercially operating foundation established on 30 December 1964 by the founder of Salling Group A/S, Herman Christian Salling, with the aim of ensuring the development of Salling Group A/S and its affiliated companies.

The purpose of the foundation is to own, protect and develop the strength and continuity of Salling Group. In addition to this the foundation also has charitable purposes to support:

- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen
- Ecclesiastical, sport, cultural and other worthy causes

Købmand Herman Sallings Fond is a commercially operating foundation with its registered office located at Rosbjergvej 33 - 35, 8220 Brabrand in Denmark.

## Notes to the financial statements

*Amounts in TDKK*

**2 Summary of significant accounting policies**

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

The functional currency of Købmand Herman Sallings Fond is Danish kroner (DKK). The presentation currency of the financial statements of Købmand Herman Sallings Fond is Danish kroner (DKK). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

*Investments in subsidiaries*

Investments in subsidiaries are measured at cost in Købmand Herman Sallings Fond's statement of financial position. If the cost exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount. Dividends from investments in subsidiaries are recognised as financial income, when the final right to receive the dividends is established.

**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.

## Notes to the financial statements

*Amounts in TDKK*

| | | 2023 | 2022 |
|---|---|---|---|
| **4** | **Staff expenses** | | |
| | Fee, Board of Directors | 2,450 | 2,050 |
| | Total staff expenses | 2,450 | 2,050 |
| | Average number of full-time employees | 0 | 0 |
| **5** | **Financial income** | | |
| | Interest income from related parties | 11,575 | 1,860 |
| | Dividends received | 169,811 | 169,811 |
| | Interest income from banks | 153 | 58 |
| | Total financial income | 181,539 | 171,729 |

## Notes to the financial statements

*Amounts in TDKK*

| | | 2023 | 2022 |
|---|---|---|---|
| **6** | **Financial expenses** | | |
| | Interest expense paid to banks | - | 66 |
| | Interest expense paid to related parties | - | 42 |
| | Other financial expenses | 6 | - |
| | Total financial expenses | 6 | 108 |
| **7** | **Investments in subsidiaries** | | |
| | Cost at 1 January | 17,834 | 17,834 |
| | Cost at 31 December | 17,834 | 17,834 |
| | Carrying amount at 31 December | 17,834 | 17,834 |

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

# Købmand Herman Sallings Fond – Financial statements

## Notes to the financial statements

*Amounts in TDKK*

**8 Financial assets and financial liabilities**

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *Financial assets comprise the following:* | | | | |
| Receivables from subsidiaries | 377,696 | 310,866 | 377,696 | 310,866 |
| Other current financial assets | 377,696 | 310,866 | 377,696 | 310,866 |
| Cash and short-term deposits | 6,560 | 9,806 | 6,560 | 9,806 |
| *Financial liabilities comprise the following:* | | | | |
| Payables to subsidiaries | 100 | 547 | 100 | 547 |
| Other current financial liabilities | 100 | 547 | 100 | 547 |
| Trade payables | 5 | 303 | 5 | 303 |
| Distributions payable | 335,237 | 258,396 | 335,237 | 258,396 |
| Other payables | 3,110 | 2,441 | 3,110 | 2,441 |
| Other payables | 338,347 | 260,837 | 338,347 | 260,837 |


## Notes to the financial statements

*Amounts in TDKK*


**8 Financial assets and financial liabilities - continued**

**Financial instruments by category**

| | 2023 | 2022 |
|---|---|---|
| Financial assets at amortised cost: | | |
| Other financial assets | 377,696 | 310,866 |
| Cash and short-term deposits | 6,560 | 9,806 |
| Financial liabilities measured at amortised cost: | | |
| Other financial liabilities | 100 | 547 |
| Trade payables | 5 | 303 |
| Other payables | 338,347 | 260,837 |

**Fair value**

For cash and short-term deposits, 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.

**Risks arising from financial instruments**

The foundation's main risks are market risks relating to fluctuations in interest rates. 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*

There is no foreign currency risk in Købmand Herman Sallings Fond.

## Notes to the financial statements

*Amounts in TDKK*

**8 Financial assets and financial liabilities - continued**

*Interest rate risks*

The foundation's exposure to risk of changes in market interest rates relates to internal loans and intercompany balances.

A general increase of 1%-point in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by TDKK 2.694 (TDKK 1.830 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 |
|---|---|---|---|---|
| Other current financial assets | 377,696 | 1% | 2,695 | 2,695 |
| Other current financial liabilities | 100 | 1% | -1 | -1 |
| Impact | | | 2,694 | 2,694 |

| 31 December 2022 | Carrying amount | Sensitivity | Profit before tax | Pre-tax equity |
|---|---|---|---|---|
| Other current financial assets | 310,866 | 1% | 1,835 | 1,835 |
| Other current financial liabilities | 547 | 1% | -5 | -5 |
| Impact | | | 1,830 | 1,830 |

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

For receivables from and payables to subsidiaries 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 financial statements

*Amounts in TDKK*

**8 Financial assets and financial liabilities - continued**

*Liquidity risks*

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

Købmand Herman Sallings Fond ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the foundation can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash and securities if any. Købmand Herman Sallings Fond assesses the liquidity risk to be low.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments. The undiscounted cash flows can 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 | Carrying amount | Within 1 year | 1 to 5 years | After 5 years |
|---|---|---|---|---|
| Other current financial liabilities | 100 | 100 | - | - |
| Trade and other payables | 338,352 | 121,511 | 216,841 | - |
| Total, current liabilities | 338,452 | 121,611 | 216,841 | - |

| 31 December 2022 | Carrying amount | Within 1 year | 1 to 5 years | After 5 years |
|---|---|---|---|---|
| Other current financial liabilities | 547 | 547 | - | - |
| Trade and other payables | 261,140 | 136,339 | 124,801 | - |
| Total, current liabilities | 261,687 | 136,886 | 124,801 | - |

# Købmand Herman Sallings Fond – Financial statements

## Notes to the financial statements

*Amounts in TDKK*

**8 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. Købmand Herman Sallings Fond is exposed to credit risk from its receivables and its financing activities, including deposits with banks. Købmand Herman Sallings Fond reduces its credit risks with banks by only doing business with banks with high credit ratings. No allowance for impairment of receivables is recognised, as the allowance regarding the financial assets is immaterial.

**Changes in assets and liabilities arising from financing activities**

| | 1 January 2023 | Cash flows | Other | 31 December 2023 |
|---|---|---|---|---|
| Other current financial assets | 310,866 | 61,000 | 5,830 | 377,696 |
| Other current financial liabilities | -547 | 447 | - | -100 |
| Total change in assets and liabilities from financing activities | 310,319 | 61,447 | 5,830 | 377,596 |

| | 1 January 2022 | Cash flows | Other | 31 December 2022 |
|---|---|---|---|---|
| Other current financial assets | 535,957 | -227,000 | 1,909 | 310,866 |
| Other current financial liabilities | -460 | -87 | - | -547 |
| Total change in assets and liabilities from financing activities | 535,497 | -227,087 | 1,909 | 310,319 |

## Notes to the financial statements

*Amounts in TDKK*

| | | 2023 | 2022 |
|---|---|---|---|
| **9** | **Adjustments** | | |
| | Financial income | -181,539 | -171,729 |
| | Financial expenses | 6 | 108 |
| | Adjustments | -181,533 | -171,621 |
| **10** | **Change in working capital** | | |
| | Change in trade and other payables (excl. distributions payable) | 372 | 477 |
| | Change in working capital | 372 | 477 |
| **11** | **Cash and cash equivalents** | | |
| | Cash and short-term deposits | 6,560 | 9,806 |
| | Cash and cash equivalents | 6,560 | 9,806 |

## Notes to the financial statements

*Amounts in TDKK*

**12 Income tax and deferred tax**

No income tax is recognised in the income statement, and no income tax receivable or payable or deferred tax is recognised in the balance sheet.

**Reconciliation of income tax recognised in the income statement**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Tax on result for the year at the Danish income tax rate | -38,493 | 22.0% | -36,274 | 22.0% |
| Tax value of non-taxable income | 37,358 | -21.4% | 37,358 | -22.7% |
| Not recognised tax loss carry forwards | 1,135 | -0.6% | -1,084 | 0.7% |
| Income tax recognised in the income statement | 0 | 0.0% | 0 | 0.0% |

**13 Contingent liabilities and other financial commitments**

At 31 December 2023 Købmand Herman Sallings Fond had signed letters of intent stating its intention to decide to distribute up to DKK 2 million to an undefined number of minor local projects around Bilka stores, if a number of prerequisites are fulfilled.

At 31 December 2022 Købmand Herman Sallings Fond had signed letters of intent stating its intention to, during a period of up to 15 months, decide to distribute up to DKK 250 million to Dansk Neuroforskningscenter in Aarhus, if a number of prerequisites were fulfilled. In March 2024 the letter of intention was prolonged until 1 December 2024.

## Notes to the financial statements

*Amounts in TDKK*

**14 Related party disclosures**

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

| | 2023 | 2022 |
|---|---|---|
| Subsidiaries: | | |
| Purchase of goods and services | 2,531 | 2,916 |
| Interests received | 11,575 | 1,860 |
| Interests paid | - | 42 |
| Dividends received | 169,811 | 169,811 |
| Distributions paid | -10,845 | -62,700 |

All outstanding balances with related parties as at 31 December are presented in note 8. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 8.

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.

**Key management personnel**

Key management personnel includes the Board of Directors. The key management personnel remuneration is shown below:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 2,450 | 2,050 |
| Total remuneration | 2,450 | 2,050 |

# Købmand Herman Sallings Fond – Financial statements

## Notes to the financial statements

**14 Related party disclosures - continued**

| | Jens Bjerg Sørensen | Karin Salling | Nils S. Andersen | Carsten Lorentzen | Michael Holm |
|---|---|---|---|---|---|
| **Position** | Chairman | Vice chairman | Board member | Board member | Board member |
| **Age, gender, appointment period** | Born 1957, male, appointment period 2009 - 2023. | Born 1943, female, appointment period 1978 - lifelong according to the foundation charter. | Born 1958, male, appointment period 2014 - 2023. | Born 1956, male, appointment period 2015 - 2023. | Born 1957, male, appointment period 2018 - 2023. |
| **Independency** | Not considered independent. | Not considered independent. | Considered independent. | Considered independent. | Considered independent. |
| **Managerial positions** | | | | | |
| **Chairman** | Danfoss A/S, BioMar Group A/S, GPV Group A/S, GPV International A/S, HydraSpecma A/S, Borg Automotive A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, A. Kirk A/S. | | ASML Holding N.V., SGL Group ApS. | Ørnstrand Holding A/S, Jacob Lee Ørnstrand Holding A/S, Benjamin Capital ApS, Poul-Jørn Holding ApS, JACO supermarkeder A/S, Emiliehøj ApS, JACO Gruppen Holding A/S, Ejendomsselskabet Aarhus 2012 ApS, Ejendomsselskabet af den 4. januar 1999 A/S, Lægårdsvej ApS, Pantus Invest ApS, IPJ Invest A/S, Holmstrupgårdvej ApS, JNRP Invest ApS, Lindberg Optik A/S, Per N. Ørnstrand A/S, Jaco Holding I ApS, Jacob PNO Holding A/S, Pam Holding A/S, MF Hansen Holding ApS, Give Sværgods A/S, Åben ApS. | Systematic A/S, Fonden for Aarhus Støtter Håndbolden. |
| **Vice chairman** | Salling Group A/S. | Købmand Ferdinand Sallings Mindefond. | VFS Group. | | Digital Research Center Denmark - DIREC. |
| **Board member** | Købmand Ferdinand Sallings Mindefond, Aida A/S, Ejendomsselskabet FMJ A/S, F.M.J. A/S. | Tivoli Friheden A/S. | WWF Verdensnaturfonden. | Benjamin Holding A/S, Formula Automobile A/S, Medital A/S, PHIRIK ApS, Søholt Hovedgård A/S, Bell Xpress A/S, Formula Leasing A/S, Formula Holding 2017 A/S, Intracair ApS, Pantus ApS, Foreningen KUSTOS af 1881, Aarhus Ridefond af 1996, Autoropa Holding AB, Formula Holding Norge AS. | Copenhagen Optimization ApS, Cubedin A/S, AVK Holding A/S, Den Erhvervsdrivende Fond Bellevue-Hallerne, Water Valley Denmark, Energinet. |
| **Positions on executive boards** | CEO at Aktieselskabet Schouw & Co., Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS. | | | Partner, Lawyer, DLA Piper Denmark Advokatpartnerselskab, Medital A/S, CLO 2018 ApS, LKC Holding 2020 ApS, LKC Invest ApS. | Systematic Holding ApS. |
| **Other managerial positions** | | | Non-Executive Director. | Positions as liquidator are not included. | DI Hovedbestyrelse. |
| **Special competences** | Appointed due to special managerial qualifications to handle the foundation's business purpose. Meets the requirement of close connection to Aarhus. Experience in board work, management and innovation among others in large, international corporations. Thorough knowledge of the activities within Salling Group. | Appointed to handle the foundation's distribution purpose. Thorough knowledge on the history of Salling Group and close connection to the local circles within church, culture, sports etc. | Appointed due to special managerial qualifications to handle the foundation's business purpose. Experience in board work and management among others in large, international corporations. | Appointed to handle the foundation's distribution purpose. Meets the requirement of close connection to Aarhus. Experience in corporate law and board work. | Appointed to handle the foundation's business purpose. Experience in management, strategy, corporate governance and finance. |

## Notes to the financial statements

*Amounts in TDKK*

**15 Capital management**

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

**16 Events after the reporting period**

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

**17 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.

# Købmand Herman Sallings Fond – the Group
# Consolidated financial statements

# Consolidated financial statements

## Consolidated income statement

*DKK million*

| Notes | | 2023 | 2022 |
|---|---|---|---|
| | Revenue from contracts with customers | 69,794 | 66,026 |
| | Other revenue | 464 | 493 |
| 4 | Total revenue | 70,258 | 66,519 |
| | Cost of sales | -50,524 | -47,579 |
| | Gross profit | 19,734 | 18,940 |
| 5 | Staff expenses | -9,091 | -8,621 |
| 6 | External expenses | -5,700 | -6,002 |
| | Operating profit before depreciation, amortisation and impairment losses (EBITDA) | 4,943 | 4,317 |
| 7 | Depreciation, amortisation and impairment losses | -3,010 | -2,944 |
| | Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets | -13 | -7 |
| | Operating profit (EBIT) | 1,920 | 1,366 |
| 8 | Financial income | 227 | 65 |
| 9 | Financial expenses | -556 | -633 |
| | Profit before tax | 1,591 | 798 |
| 10 | Income tax | -385 | -264 |
| | **Total profit for the year** | **1,206** | **534** |
| | The profit for the year is attributable to: | | |
| | Distribution reserve | 164 | 168 |
| | Købmand Herman Sallings Fond (retained earnings) | 856 | 286 |
| | Non-controlling interests | 186 | 80 |
| | **Total profit for the year** | **1,206** | **534** |

## Consolidated statement of other comprehensive income

*DKK million*

| Notes | | 2023 | 2022 |
|---|---|---|---|
| | **Profit for the year** | 1,206 | 534 |
| | **Other comprehensive income, net of tax** | | |
| | **Items that will not be reclassified to the consolidated income statement** | | |
| 10 | Remeasurement of defined benefit plans | -15 | 10 |
| | | -15 | 10 |
| | **Items that subsequently are or may be reclassified to the consolidated income statement** | | |
| 10 | Exchange 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** | 466 | 229 |
| | **Total comprehensive income for the year** | **1,672** | **763** |
| | The comprehensive income for the year is attributable to: | | |
| | Distribution reserve | 164 | 168 |
| | Købmand Herman Sallings Fond | 1,252 | 480 |
| | Non-controlling interests | 256 | 115 |
| | **Total comprehensive income for the year** | **1,672** | **763** |

# Consolidated financial statements

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Assets | 2023 | 2022 |
|---|---|---|---|
| | **Non-current assets** | | |
| 11 | **Intangible assets** | | |
| | Goodwill | 7,496 | 7,496 |
| | Software | 503 | 697 |
| | Software development in progress | 74 | 51 |
| | Brands | 1,204 | 1,250 |
| | Other intangible assets | 35 | 31 |
| | Total intangible assets | 9,312 | 9,525 |
| 12 | **Property, plant and equipment** | | |
| | Land and buildings | 25,856 | 25,700 |
| | 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 | 29,828 | 29,371 |
| 13 | **Right-of-use assets** | | |
| | Land and buildings | 5,145 | 5,010 |
| | Fixtures and fittings, tools and equipment | 102 | 86 |
| | Total right-of-use assets | 5,247 | 5,096 |
| 14 | **Investment properties** | 957 | 1,014 |
| | **Financial assets** | | |
| 15 | Other non-current financial assets | - | 103 |
| | Total financial assets | - | 103 |
| 16 | **Deferred tax assets** | 104 | 94 |
| | **Total non-current assets** | **45,448** | **45,203** |

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Assets - continued | 2023 | 2022 |
|---|---|---|---|
| | Amount transferred | 45,448 | 45,203 |
| | **Current assets** | | |
| 17 | **Inventories** | 6,077 | 5,892 |
| | **Receivables** | | |
| 15 | Trade receivables | 120 | 81 |
| | Income tax receivables | 90 | 51 |
| 15 | Other receivables | 525 | 686 |
| | Prepayments | 151 | 143 |
| 15 | Other current financial assets | 70 | 97 |
| | Total receivables | 956 | 1,058 |
| 15 | **Securities** | 1,285 | 1,114 |
| 15 | **Cash and short-term deposits** | 838 | 857 |
| 18 | **Assets classified as held for sale** | - | 56 |
| | **Total current assets** | **9,156** | **8,977** |
| | **Total assets** | **54,604** | **54,180** |

# Consolidated financial statements

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Equity and liabilities | 2023 | 2022 |
|---|---|---|---|
| | **Equity** | | |
| | Registered capital | 22 | 22 |
| | Retained earnings | 21,880 | 21,037 |
| | Cash flow hedge reserve | 23 | 133 |
| | Foreign currency translation reserve | 83 | -437 |
| | Distribution reserve | 21 | 45 |
| | Equity attributable to Købmand Herman Sallings Fond | 22,029 | 20,800 |
| | Non-controlling interests | 4,129 | 3,903 |
| | **Total equity** | **26,158** | **24,703** |

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Equity and liabilities - continued | 2023 | 2022 |
|---|---|---|---|
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| 19 | Pensions | 231 | 236 |
| 16 | Deferred tax liabilities | 2,354 | 2,414 |
| 20 | Provisions | 134 | 132 |
| 15 | Mortgage loans | 7,220 | 7,525 |
| 13, 15 | Lease liabilities | 5,089 | 4,901 |
| 15 | Other non-current financial liabilities | 77 | 16 |
| | **Total non-current liabilities** | 15,105 | 15,224 |
| | **Current liabilities** | | |
| 20 | Provisions | 43 | 68 |
| 15 | Mortgage loans | 322 | 151 |
| 13, 15 | Lease liabilities | 807 | 804 |
| 15 | Bank loans | 156 | 534 |
| 15 | Other current financial liabilities | 16 | 15 |
| 15 | Trade payables | 8,904 | 9,733 |
| | Income tax payable | 6 | 56 |
| 15 | Other payables | 3,048 | 2,888 |
| | Deferred income | 39 | 4 |
| | **Total current liabilities** | 13,341 | 14,253 |
| | **Total liabilities** | **28,446** | **29,477** |
| | **Total equity and liabilities** | **54,604** | **54,180** |

# Consolidated financial statements

## Consolidated cash flow statement

*DKK million*

| Notes | | 2023 | 2022 |
|---|---|---|---|
| | Profit before tax | 1,591 | 798 |
| 21 | Adjustments | 3,323 | 3,478 |
| 22 | Change in working capital | -755 | -3,746 |
| | Net cash flows from operating activities before financial items and tax | 4,159 | 530 |
| | Financial income received | 209 | 81 |
| | Financial expenses paid | -553 | -633 |
| | Income tax paid | -555 | -565 |
| | **Net cash flows from operating activities** | **3,260** | **-587** |
| 11 | Purchase of intangible assets | -100 | -109 |
| | Purchase of property, plant and equipment | -1,901 | -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** | **-1,923** | **-30** |

## Consolidated cash flow statement

*DKK million*

| Notes | | 2023 | 2022 |
|---|---|---|---|
| | Amount transferred | 1,337 | -617 |
| | Other current financial liabilities | 41 | - |
| 13 | Payment of lease liabilities | -713 | -622 |
| | Net payments bank loans | -501 | 501 |
| | Proceeds from borrowings | -38 | 25 |
| | Repayment of borrowings | -134 | -180 |
| | Dividends paid | -30 | -30 |
| | **Net cash flows from financing activities** | **-1,375** | **-306** |
| | Distributions paid | -111 | -424 |
| | Net change in cash and cash equivalents | -149 | -1,347 |
| | Cash and cash equivalents at 1 January | 824 | 2,181 |
| | Net foreign exchange difference | 7 | -10 |
| 23 | **Cash and cash equivalents at 31 December** | **682** | **824** |

# Consolidated financial statements

## Consolidated statement of changes in equity

*DKK million*

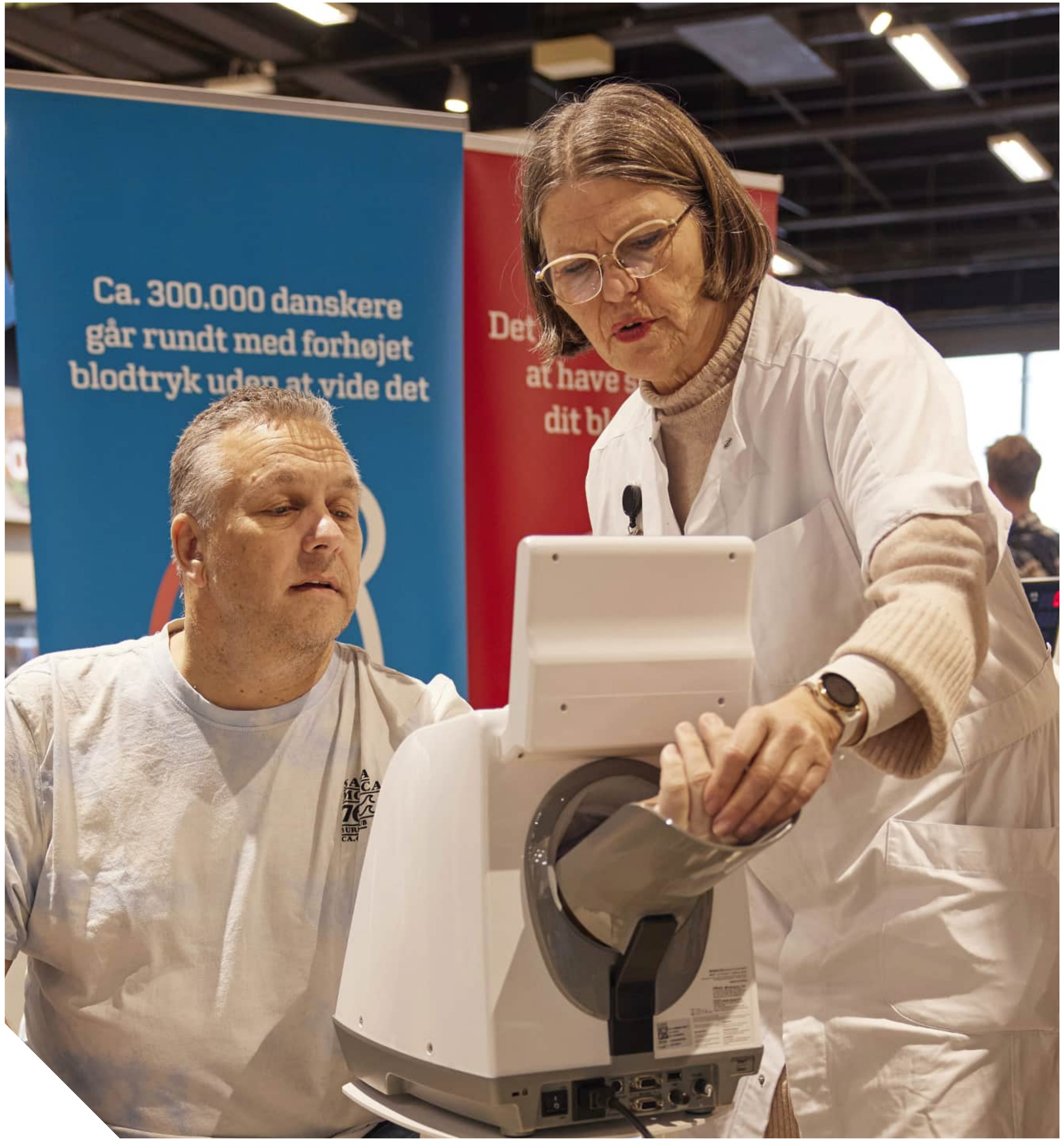
| *2023:* | Equity attributable to Købmand Herman Sallings Fond | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Registered capital | Retained earnings | Cash flow hedge reserve | Foreign currency translation reserve | Distribution reserve | Total | Non-controlling interests | Total equity |
| Equity at 1 January 2023 | 22 | 21,037 | 133 | -437 | 45 | 20,800 | 3,903 | 24,703 |
| Profit for the year | - | 856 | - | - | 164 | 1,020 | 186 | 1,206 |
| Remeasurement of defined benefit plans | - | -14 | - | - | - | -14 | -1 | -15 |
| Exchange differences on translating foreign operations | - | - | - | 520 | - | 520 | 91 | 611 |
| Cash flow hedges, value adjustment for the year | - | - | -46 | - | - | -46 | -9 | -55 |
| Cash flow hedges, reclassified to financial expenses | - | - | -64 | - | - | -64 | -11 | -75 |
| Other comprehensive income | - | -14 | -110 | 520 | - | 396 | 70 | 466 |
| **Total comprehensive income for the year** | **-** | **842** | **-110** | **520** | **164** | **1,416** | **256** | **1,672** |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | -30 | -30 |
| Approved distributions | - | - | - | - | -214 | -214 | - | -214 |
| Reversed distributions payable | - | - | - | - | 26 | 26 | - | 26 |
| Rounding | - | 1 | - | - | - | 1 | - | 1 |
| **Other transactions** | **-** | **1** | **-** | **-** | **-188** | **-187** | **-30** | **-217** |
| **Equity at 31 December 2023** | **22** | **21,880** | **23** | **83** | **21** | **22,029** | **4,129** | **26,158** |

# Consolidated financial statements

## Consolidated statement of changes in equity

*DKK million*

| *2022:* | Equity attributable to Købmand Herman Sallings Fond | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Registered capital | Retained earnings | Cash flow hedge reserve | Foreign currency translation reserve | Distribution reserve | Total | Non-controlling interests | Total equity |
| Equity at 1 January 2022 | 22 | 20,743 | -156 | -333 | 257 | 20,533 | 3,818 | 24,351 |
| Profit for the year | - | 286 | - | - | 168 | 454 | 80 | 534 |
| Remeasurement of defined benefit plans | - | 9 | - | - | - | 9 | 1 | 10 |
| Exchange differences on translating foreign operations | - | - | - | -104 | - | -104 | -18 | -122 |
| Cash flow hedges, value adjustment for the year | - | - | 238 | - | - | 238 | 43 | 281 |
| Cash flow hedges, reclassified to financial expenses | - | - | 51 | - | - | 51 | 9 | 60 |
| Other comprehensive income | - | 9 | 289 | -104 | - | 194 | 35 | 229 |
| **Total comprehensive income for the year** | **-** | **295** | **289** | **-104** | **168** | **648** | **115** | **763** |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | -30 | -30 |
| Approved distributions | - | - | - | - | -393 | -393 | - | -393 |
| Reversed distributions payable | - | - | - | - | 12 | 12 | - | 12 |
| Rounding | - | -1 | - | - | 1 | - | - | - |
| **Other transactions** | **-** | **-1** | **-** | **-** | **-380** | **-381** | **-30** | **-411** |
| **Equity at 31 December 2022** | **22** | **21,037** | **133** | **-437** | **45** | **20,800** | **3,903** | **24,703** |




# 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 the Group includes the primary business area of the foundation as described in note 1 in the notes to the financial statements of Købmand Herman Sallings Fond. The primary business area of the subsidiaries in the 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 the Group is present with Netto stores. Online the Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore the Group operates Starbucks and Carl's Jr. as franchises in Denmark.

Købmand Herman Sallings Fond is a commercially operating foundation with its registered office located at Rosbjergvej 33 - 35, 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 Købmand Herman Sallings Fond and its subsidiaries (the Group) and the separate financial statements of Købmand Herman Sallings Fond.

The consolidated financial statements of Købmand Herman Sallings Fond Group and the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements for class C large enterprises in the Danish Financial Statements Act.

***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. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

***Basis of preparation***

The functional currency of Købmand Herman Sallings Fond is Danish kroner (DKK). The presentation currency of the consolidated financial statements and the separate financial statements is Danish kroner (DKK). All amounts have been rounded to the nearest million, unless otherwise indicated.

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

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 |
|---|---|---|
| F. Salling Invest A/S | 100.00% | Brabrand, Denmark |
| F. Salling Holding A/S | 70.81% | Brabrand, Denmark |
| Associate of F. Salling Invest A/S: | | |
| Salling Group A/S | 48.29% | Brabrand, Denmark |
| Subsidiary of F. Salling Holding A/S: | | |
| Salling Group A/S | 51.71% | Brabrand, Denmark |

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

| | Share of issued share capital and voting rights | Principal place of business and country of incorporation |
|---|---|---|
| Subsidiaries within Salling Group: | | |
| Salling Group Ejendomme A/S | 100.00% | Brabrand, Denmark |
| Salling Group Ejendomme II ApS | 100.00% | Brabrand, Denmark |
| Salling Group Captiveforsikringsselskab A/S | 100.00% | Brabrand, Denmark |
| Dansk Netto Deutschland ApS | 100.00% | Brabrand, Denmark |
| Skagenfood A/S | 90.00% | Strandby, Denmark |
| Bodebjerg ApS* | 90.00% | Marslev, Denmark |
| Netto Supermarkt GmbH | 100.00% | Stavenhagen, Germany |
| NETTO ApS & Co. KG** | 100.00% | Stavenhagen, Germany |
| Netto Sp. Z o.o | 100.00% | Szczecin, Poland |
| Netto Indygo Sp. Z o.o. | 100.00% | 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 that are comprised by call options, that 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.

***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.

In situations where the 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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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.

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

*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*
The Danish companies in the Group 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.

## 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 measure reliably, and if the software is expected to generate probable future economic benefits.

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

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

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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

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

| | |
|---|---|
| Goodwill | No amortisation |
| Acquired software | 3 - 10 years |
| Internally developed software | 3 - 10 years |
| Software development in progress | No amortisation |
| Brands | 10 - 40 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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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

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

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

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

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

*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.

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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

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

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

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

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

Subsequently financial assets at fair value through profit or loss are carried in the 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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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

A financial asset or a part of a financial asset is derecognised from the 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.

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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

*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.

*Equity - Distribution reserve*
Distributions following the charter of the foundation and reversals of distributions payable, if any, made during the year are presented as an equity adjustment not as part of the proposal for distribution of profit/loss for the year. Approved distributions, which have not been paid at year-end, are recognised as part of other current financial liabilities.

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

*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.

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**

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.

The Group facilitates a supply chain financing programme (SCF). SCF is a three-way relationship between the 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 the Group. The agreement of early payment is a transaction between the supplier and the syndication banks, and does not involve the 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.

## 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.


## Notes to the consolidated financial statements

*DKK million*

**2 Summary of material accounting policy information - continued**


Cash flows from financing activities comprise the raising of loans, repayment of interest-bearing debt including lease liabilities, and payment of dividends to minority shareholders.

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

***Accounting policies, other***

*Consolidated financial statements*
The consolidated financial statements comprise Købmand Herman Sallings Fond and the subsidiaries in which Købmand Herman Sallings Fond directly or indirectly exercises control. Købmand Herman Sallings Fond exercises control, if Købmand Herman Sallings Fond 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 Købmand Herman Sallings Fond 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.

## 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.

## 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).

## Notes to the consolidated financial statements

*DKK million*

**3 Significant accounting judgements, estimates and assumptions**

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.

*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 impairment, if there is an indication 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.

## Notes to the consolidated financial statements

*DKK million*

**3 Significant accounting judgements, estimates and assumptions**

*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.

***Macroeconomic impact***

*Geopolitical turbulence*

The war in Ukraine continued in 2023, furthermore the conflict in Israel and Palestine escalated. The Group is not impacted directly by the war in Ukraine or the conflict in Israel and Palestine as The 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*

The 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 the Group's overall interest rate sensitivity will increase all other things being equal.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | | 2023 | 2022 |
|---|---|---|---|
| **4** | **Total revenue** | | |
| | Revenue from contracts with customers, retail and ecommerce activities | 69,794 | 66,026 |
| | Total revenue from contracts with customers | 69,794 | 66,026 |
| | Rental revenue, investment properties | 78 | 75 |
| | Other rental revenue | 268 | 247 |
| | Other revenue | 118 | 171 |
| | Total other revenue | 464 | 493 |
| | Total revenue | 70,258 | 66,519 |
| | **Geographical split** | | |
| | Denmark | 49,745 | 47,200 |
| | Abroad | 20,513 | 19,319 |
| | Total revenue | 70,258 | 66,519 |

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.


## Notes to the consolidated financial statements

*DKK million*


| | | 2023 | 2022 |
|---|---|---|---|
| **5** | **Staff expenses** | | |
| | Wages and salaries incl. termination benefits | 7,912 | 7,539 |
| | Post-employment benefits – defined contribution plans | 428 | 381 |
| | Post-employment benefits – defined benefit plans | -6 | -7 |
| | Social security costs | 474 | 449 |
| | Other staff expenses | 283 | 259 |
| | Total staff expenses | 9,091 | 8,621 |
| | 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 | 3.7 | 3.5 |
| | 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 | 5.0 | 5.5 |

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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | | 2023 | 2022 |
|---|---|---|---|
| 7 | **Depreciation, amortisation and impairment losses** | | |
| | *Depreciation and amortisation* | | |
| | Depreciation, Property, plant and equipment | -1,843 | -1,733 |
| | Depreciation, Right-of-use assets | -809 | -726 |
| | Depreciation, Investment properties | -38 | -45 |
| | Amortisation of intangible assets | -277 | -300 |
| | Depreciation, net | -2,967 | -2,804 |
| | *Impairment losses* | | |
| | Property, plant and equipment | -21 | -55 |
| | Right-of-use assets | 2 | -23 |
| | Investment properties | -17 | -32 |
| | Intangible assets | -7 | -30 |
| | Impairment losses, net | -43 | -140 |
| | Depreciation, amortisation and impairment losses, net | -3,010 | -2,944 |
| 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 |

## Notes to the consolidated financial statements

*DKK million*

| | | | |
|---|---|---|---|
| 9 | **Financial expenses** | | |
| | Interest expense on mortgage loans | 279 | 71 |
| | Cash flow hedges reclassified from other comprehensive income | -96 | 76 |
| | Interest expense on lease liabilities | 313 | 339 |
| | Interest expense paid to banks | 53 | 10 |
| | Net loss on financial instruments held for trading | - | 122 |
| | Other financial expenses | 7 | 15 |
| | Total financial expenses | 556 | 633 |
| 10 | **Income tax** | | |
| | Current income tax | -490 | -494 |
| | Adjustment regarding prior years, current income tax | 24 | -21 |
| | Change in deferred tax | 116 | 154 |
| | Total income tax | -350 | -361 |
| | Income tax recognised in the income statement | -385 | -264 |
| | Income tax recognised in other comprehensive income | 35 | -97 |
| | Total income tax | -350 | -361 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**10 Income tax - continued**

**Reconciliation of income tax recognised in the income statement**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Tax on result for the year at the Danish income tax rate | -349 | 22.0% | -176 | 22.0% |
| Non-deductible costs | -81 | 5.1% | -46 | 5.8% |
| Non-taxable income | 71 | -4.7% | 78 | -9.8% |
| Deviating tax rates in foreign operations | -3 | 0.3% | -15 | 1.8% |
| Adjustment to prior periods | 24 | -1.5% | -21 | 2.7% |
| Not capitalised tax loss carry forwards | -47 | 3.0% | -84 | 10.6% |
| Other | - | 0.0% | - | 0.0% |
| Income tax recognised in the income statement | -385 | 24.2% | -264 | 33.1% |

Divided on countries, where the Group has operating activities, the effective tax rate of 24.2% (33.1% in 2022) shown above can be specified as follows:

| | | |
|---|---|---|
| Denmark | 20.6% | 19.2% |
| Germany | 19.9% | 45.4% |
| Poland: | | |
| Netto Sp. Z o.o. | 21.3% | 21.8% |
| Netto Indygo Sp. Z.o.o and subsidiaries | 0.6% | 1.0% |


## Notes to the consolidated financial statements

*DKK million*

**10 Income tax - continued**


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.

The 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 | -19 | 4 | -15 | 12 | -2 | 10 |
| Exchange 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 | 76 | -16 | 60 |
| | 431 | 35 | 466 | 326 | -97 | 229 |

## Notes to the consolidated financial statements

*DKK million*

**11 Intangible assets**

| *2023:* | Goodwill | Software | Software develop-ment in progress | Brands | Other in-tangible assets | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at 1 January | 11,429 | 2,318 | 51 | 1,794 | 75 | 15,667 |
| Additions | - | 38 | 55 | - | 7 | 100 |
| Reclassifications | - | 27 | -32 | - | - | -5 |
| Disposals | - | -148 | - | - | -7 | -155 |
| Balance at 31 December | 11,429 | 2,235 | 74 | 1,794 | 75 | 15,607 |
| Accumulated amortisation and impairment losses | | | | | | |
| Balance at 1 January | -3,933 | -1,621 | - | -544 | -44 | -6,142 |
| Amortisation | - | -228 | - | -46 | -3 | -277 |
| Impairment losses recognised in the income statement | - | -7 | - | - | - | -7 |
| Disposals | - | 124 | - | - | 7 | 131 |
| Balance at 31 December | -3,933 | -1,732 | - | -590 | -40 | -6,295 |
| Carrying amount at 31 December | 7,496 | 503 | 74 | 1,204 | 35 | 9,312 |

# Consolidated financial statements

## 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 | 11,681 | 2,330 | 84 | 1,870 | 75 | 16,040 |
| Additions | - | 73 | 36 | - | - | 109 |
| Reclassifications | - | 61 | -69 | - | - | -8 |
| Disposals | -252 | -146 | - | -76 | - | -474 |
| Balance at 31 December | 11,429 | 2,318 | 51 | 1,794 | 75 | 15,667 |
| Accumulated amortisation and impairment losses | | | | | | |
| Balance at 1 January | -4,185 | -1,486 | - | -574 | -37 | -6,282 |
| Amortisation | - | -247 | - | -46 | -7 | -300 |
| Impairment losses recognised in the income statement | - | -30 | - | - | - | -30 |
| Disposals | 252 | 142 | - | 76 | - | 470 |
| Balance at 31 December | -3,933 | -1,621 | - | -544 | -44 | -6,142 |
| Carrying amount at 31 December | 7,496 | 697 | 51 | 1,250 | 31 | 9,525 |


## Notes to the consolidated financial statements

*DKK million*

**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.

Carrying amount of goodwill within the Group:

| | 2023 | 2022 |
|---|---|---|
| Retail activities within Salling Group | 57 | 57 |
| Repurchase of Salling Group | 7,439 | 7,439 |
| Goodwill | 7,496 | 7,496 |

The recoverable amount of the goodwill related to the Group's activities has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The discount rate 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, 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 Impairment losses recognised in the income statement**

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. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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

*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.

## Notes to the consolidated financial statements

*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 | 38,907 | 8,645 | 1,762 | 68 | 49,382 |
| Foreign currency translation | 578 | 124 | 24 | - | 726 |
| Additions | 765 | 959 | 109 | 119 | 1,952 |
| Reclassifications | -160 | 27 | 6 | -32 | -159 |
| Disposals | -113 | -274 | -27 | - | -414 |
| Balance at 31 December | 39,977 | 9,481 | 1,874 | 155 | 51,487 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January | -13,207 | -5,737 | -1,067 | - | -20,011 |
| Foreign currency translation | -98 | -63 | -9 | - | -170 |
| Depreciation | -907 | -831 | -105 | - | -1,843 |
| 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 | 30 | 260 | 23 | - | 313 |
| Balance at 31 December | -14,121 | -6,374 | -1,164 | - | -21,659 |
| Carrying amount at 31 December | 25,856 | 3,107 | 710 | 155 | 29,828 |

## 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 | 38,689 | 7,894 | 1,688 | 285 | 48,556 |
| Foreign currency translation | -139 | -24 | -4 | -1 | -168 |
| Additions | 721 | 1,035 | 98 | 30 | 1,884 |
| Reclassifications | -97 | 3 | 11 | -246 | -329 |
| Reclassified as held for sale | -10 | - | - | - | -10 |
| Disposals | -257 | -263 | -31 | - | -551 |
| Balance at 31 December | 38,907 | 8,645 | 1,762 | 68 | 49,382 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January | -12,368 | -5,226 | -983 | - | -18,577 |
| Foreign currency translation | 18 | 10 | - | - | 28 |
| Depreciation | -886 | -757 | -90 | - | -1,733 |
| 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 | 72 | 255 | 28 | - | 355 |
| Balance at 31 December | -13,207 | -5,737 | -1,067 | - | -20,011 |
| Carrying amount at 31 December | 25,700 | 2,908 | 695 | 68 | 29,371 |

## Notes to the consolidated financial statements

*DKK million*

**12 Property, plant and equipment - continued**

**Impairment losses during the year**

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

## Notes to the consolidated financial statements

*DKK million*

**13 Leases**

**Right-of-use assets**

*2023:*

| | Land and buildings | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 7,644 | 251 | 7,895 |
| Foreign currency translation | 93 | 2 | 95 |
| Additions | 316 | 73 | 389 |
| Remeasurement of lease liabilities | 705 | 1 | 706 |
| Disposals | -391 | -113 | -504 |
| Balance at 31 December | 8,367 | 214 | 8,581 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 January | -2,634 | -165 | -2,799 |
| Foreign currency translation | -21 | -1 | -22 |
| Depreciation | -766 | -43 | -809 |
| Impairment losses recognised in the income statement | 2 | - | 2 |
| Disposals | 197 | 97 | 294 |
| Balance at 31 December | -3,222 | -112 | -3,334 |
| Carrying amount at 31 December | 5,145 | 102 | 5,247 |

The Group has entered into leases with external parties 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.

## 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 | 7,510 | 200 | 7,710 |
| Foreign currency translation | -22 | - | -22 |
| Additions | 132 | 47 | 179 |
| Remeasurement of lease liabilities | 26 | 6 | 32 |
| Disposals | -2 | -2 | -4 |
| Balance at 31 December | 7,644 | 251 | 7,895 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 January | -1,924 | -131 | -2,055 |
| Foreign currency translation | 3 | - | 3 |
| Depreciation | -691 | -35 | -726 |
| 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 | -2,634 | -165 | -2,799 |
| Carrying amount at 31 December | 5,010 | 86 | 5,096 |

## 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 | 1,029 | 807 | 1,000 | 804 |
| 1 to 5 years | 3,768 | 3,159 | 3,625 | 2,363 |
| After 5 years | 2,405 | 1,930 | 3,153 | 2,538 |
| Total | 7,202 | 5,896 | 7,778 | 5,705 |

| | 2023 | 2022 |
|---|---|---|
| **Amounts recognised in the consolidated income statement** | | |
| Interest expense on lease liabilities | 313 | 339 |
| Expenses related to leases of low value assets | 39 | 39 |
| Income from subleasing of right-of use assets | 76 | 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 paid DKK 1.028 million related to lease contracts (DKK 961 million in 2022), of which DKK 313 million relate to interest payments regarding recognised lease liabilities (DKK 339 million in 2022) and DKK 713 million relate to payment of recognised lease liabilities (DKK 622 million in 2022).

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

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|
| **14 Investment properties** | | |
| Cost | | |
| Balance at 1 January | 1,871 | 1,729 |
| Foreign currency translation | 19 | - |
| Additions | 1 | - |
| Reclassifications | 162 | 336 |
| Reclassified as held for sale | - | -56 |
| Disposals | -134 | -138 |
| Balance at 31 December | 1,919 | 1,871 |
| Accumulated depreciation and impairment losses | | |
| Balance at 1 January | -857 | -882 |
| Foreign currency translation | -3 | - |
| Depreciation | -38 | -45 |
| Impairment losses recognised in the income statement | -17 | -32 |
| Reclassifications | -73 | 35 |
| Reclassified as held for sale | - | 3 |
| Disposals | 26 | 64 |
| Balance at 31 December | -962 | -857 |
| Carrying amount at 31 December | 957 | 1,014 |

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 amounts to DKK 1,368 million at 31 December 2023 (DKK 1,522 million at 31 December 2022). The fair value is not based on a valuation by an independent valuer.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | | 2023 | 2022 |
|---|---|---|---|
| **14** | **Investment properties - continued** | | |
| | Rental income from investment properties | 78 | 75 |
| | Direct operating expenses from investment properties that generated rental income | -47 | -26 |
| | Direct operating expenses from investment properties that did not generate rental income | -4 | -2 |
| | Profit arising from investment properties | 27 | 47 |

**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 | 838 | 857 | 838 | 857 |

## Notes to the consolidated 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 | 7,220 | 7,525 | 7,241 | 7,241 |
| Mortgage loans - current | 322 | 151 | 322 | 151 |
| Mortgage loans | 7,542 | 7,676 | 7,563 | 7,392 |
| Lease liabilities - non-current | 5,089 | 4,901 | | |
| Lease liabilities - current | 807 | 804 | | |
| Lease liabilities | 5,896 | 5,705 | | |
| 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 |
| Derivatives not designated as hedging instruments | 4 | 15 | 4 | 15 |
| Other current financial liabilities | 12 | - | 12 | - |
| Other current financial liabilities | 16 | 15 | 16 | 15 |
| Trade payables | 8,904 | 9,733 | 8,904 | 9,733 |
| Other payables | 3,048 | 2,888 | 3,048 | 2,888 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|
| **15 Financial assets and financial liabilities - continued** | | |
| **Financial instruments by category** | | |
| 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 | 838 | 857 |
| Financial assets at fair value through profit or loss: | | |
| Securities | 1,285 | 1,114 |
| Financial assets at fair value through other comprehensive income: | | |
| Cash flow hedges | 65 | 195 |
| Financial liabilities measured at amortised cost: | | |
| Mortgage loans | 7,542 | 7,676 |
| Lease liabilities | 5,896 | 5,705 |
| Bank loans | 156 | 534 |
| Other financial liabilities excluding derivatives | 57 | 16 |
| Trade payables | 8,904 | 9,733 |
| Other payables | 3,048 | 2,888 |
| Financial liabilities at fair value through profit or loss: | | |
| 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 | - |

## Notes to the consolidated financial statements

*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 values of the bonds are determined by reference to published price quotations in an active market.

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

**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 years | After 5 years |
| 0 - 2% | 7,024 | 3,836 | 1,800 | 1,388 |
| 2 - 4 % | 1,293 | 293 | - | 1,000 |
| 4 % - | 328 | 328 | - | - |
| Total | 8,645 | 4,457 | 1,800 | 2,388 |

| | | *Next interest rate fixing* | | |
|---|---|---|---|---|
| 31 December 2022 | Carrying amount | Within 1 year | 1 to 5 years | After 5 years |
| 0 - 2% | 7,676 | 1,931 | 3,600 | 2,145 |
| Total | 7,676 | 1,931 | 3,600 | 2,145 |

## Notes to the consolidated financial statements

*DKK million*

**15 Financial assets and financial liabilities - continued**

**Hedging activities and derivatives**

The 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*
The 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 (active) | 5,300 | -33 | Other non-current and current financial liabilities |

## Notes to the consolidated financial statements

*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 (active) | 5,900 | -195 | Other non-current and current financial liabilities |

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. 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. No ineffectiveness was 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.

## Notes to the consolidated financial statements

*DKK million*

**15 Financial assets and financial liabilities - continued**

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 financial liabilities 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 have been no structural changes in the Group's risk exposure or risks compared to 2022. The policies for managing risks are explained below.

The overall framework for financial risk management is set out in the Group'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. The Group 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.

## Notes to the consolidated financial statements

*DKK million*

**15 Financial assets and financial liabilities - continued**

*Market risk*

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

The sensitivity analysis in the following sections relate to the position 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 the Group is denominated in the Group's functional currency DKK. However, some trade purchases are made in other currencies, primarily EUR and USD. It is the Group's policy to hedge known purchase orders in specific material currencies. Presently, USD is assessed to be a material currency, and purchase orders in USD are hedged. Purchase orders in other currencies are considered immaterial, and are therefore not hedged.

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

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

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

## Notes to the consolidated financial statements

*DKK million*

**15 Financial assets and financial liabilities - continued**

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 summarized in an absolute VaR-based risk figure covering the various currency exposures. The foreign exchange exposures and the VaR-based risk figure are monitored and controlled on a daily basis, thereby securing compliance with thresholds and policies.

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

| 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 |

## Notes to the consolidated 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 | 385 | 6 | 32 | 1 | 31 |
| Financial liabilities | - | - | -524 | - | - |
| Known USD purchase orders | - | - | - | - | -525 |
| Net external exposures | 385 | 6 | -492 | 1 | -494 |
| Derivatives | 260 | - | 564 | - | 774 |
| Net exposures | 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.

## Notes to the consolidated financial statements

*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's policy to keep an overall duration target for the mortgage loan portfolio in the range of 4 to 8. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

As at 31 December 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 6 million (DKK 8 million in 2022), and pre-tax equity by DKK 103 million (DKK 57 million in 2022). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

## 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 | 7,542 | 1% | -35 | -35 |
| Derivatives | -33 | 1% | 22 | 119 |
| Other financial liabilities | 12 | 1% | -3 | -3 |
| Impact | | | 6 | 103 |

| 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 | 7,676 | 1% | -35 | -35 |
| Derivatives | 195 | 1% | 29 | 78 |
| Impact | | | 8 | 57 |

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 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 | 419 | 1,838 | 6,380 | 8,637 |
| Lease liabilities | 1,029 | 3,768 | 2,405 | 7,202 |
| Bank loans | 156 | - | - | 156 |
| Trade and other payables | 11,747 | 262 | - | 12,009 |
| Total | 13,351 | 5,868 | 8,785 | 28,004 |

| 31 December 2022 | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Mortgage loans | 273 | 1,647 | 6,517 | 8,437 |
| Lease liabilities | 1,000 | 3,625 | 3,153 | 7,778 |
| Bank loans | 534 | - | - | 534 |
| Trade and other payables | 12,496 | 141 | - | 12,637 |
| Total | 14,303 | 5,413 | 9,670 | 29,386 |

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

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

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

| *2023:* | 1 January | Cash flows | Other | 31 December |
|---|---|---|---|---|
| Mortgage loans | 7,676 | -134 | - | 7,542 |
| Lease liabilities | 5,705 | -713 | 904 | 5,896 |
| Bank loans | 534 | -501 | 123 | 156 |
| Other financial liabilities excluding derivatives | 16 | - | 41 | 57 |
| Total change in assets and liabilities from financing activities | 13,931 | -1,348 | 1,068 | 13,651 |

| *2022:* | 1 January | Cash flows | Other | 31 December |
|---|---|---|---|---|
| Mortgage loans | 7,856 | -180 | - | 7,676 |
| Lease liabilities | 6,156 | -622 | 171 | 5,705 |
| Bank loans | - | 501 | 33 | 534 |
| Other financial liabilities excluding derivatives | 17 | - | -1 | 16 |
| Total change in assets and liabilities from financing activities | 14,029 | -301 | 203 | 13,931 |

## 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 | 40 | 41 | -389 | -429 |
| Property, plant and equipment | 6 | 100 | -2,125 | -2,085 |
| Investment properties | 42 | -3 | -69 | -111 |
| Financial assets | 10 | 6 | 23 | 13 |
| Other assets | 2 | 5 | 1 | -1 |
| Provisions | 1 | -10 | 83 | 82 |
| Other liabilities | -10 | -1 | 49 | 59 |
| Leases | 9 | 17 | 111 | 102 |
| Tax loss carryforward | 3 | - | 54 | 51 |
| Other | 13 | -1 | 12 | -1 |
| Deferred tax income / Net deferred tax | 116 | 154 | -2,250 | -2,320 |

**Reconciliation of net deferred tax**

| | 2023 | 2022 |
|---|---|---|
| Opening balance at 1 January | -2,320 | -2,474 |
| Adjustment of deferred tax recognised in the income statement | 116 | 154 |
| Deferred tax acquired in business combinations | -46 | - |
| Closing balance at 31 December | -2,250 | -2,320 |

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

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets | 104 | 94 |
| Deferred tax liabilities | -2,354 | -2,414 |
| Net deferred tax | -2,250 | -2,320 |

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|

**16 Deferred tax - continued**

In the Group an unrecognised deferred tax asset of DKK 930 million exists as at 31 December 2023 of which DKK 920 million is related to Netto Indygo Sp. Z o.o. (in 2022 DKK 880 of which 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. 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 |

The 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.

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|

**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 is defined contribution plans. For a few former employees and some members of the founders 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 | 236 | 274 |
| Interest expenses recognised as part of staff expenses | -6 | -7 |
| Actuarial gains / losses, demographic assumptions | 1 | 5 |
| Actuarial gains / losses, financial assumptions | 17 | -39 |
| Actuarial gains / losses, experience adjustments | 2 | 21 |
| Payments from the plan | -19 | -18 |
| Defined benefit obligation at 31 December | 231 | 236 |

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 | -8 | -9 |
| Decrease of 0.5% point | 9 | 10 |
| Price inflation: | | |
| Increase of 0.5% point | 9 | 10 |
| Decrease of 0.5% point | -8 | -9 |

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.

## Notes to the consolidated financial statements

*DKK million*

**20 Provisions**

| *2023:* | Insurance | Other | Total |
|---|---|---|---|
| Balance at 1 January | 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 | 126 | 51 | 177 |
| Current | 27 | 16 | 43 |
| Non-current | 99 | 35 | 134 |
| Balance at 31 December | 126 | 51 | 177 |

| *2022:* | Insurance | Other | Total |
|---|---|---|---|
| Balance at 1 January | 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 | 149 | 51 | 200 |
| Current | 56 | 12 | 68 |
| Non-current | 93 | 39 | 132 |
| Balance at 31 December | 149 | 51 | 200 |

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|

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

**21 Adjustments**

| | 2023 | 2022 |
|---|---|---|
| Financial income | -227 | -65 |
| Financial expenses | 556 | 633 |
| Amortisation and impairment of intangible assets | 3,010 | 2,944 |
| Net gain on sale of non-current assets etc. | 13 | 7 |
| Other adjustments | -29 | -41 |
| Adjustments | 3,323 | 3,478 |

**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 | -684 | -3,090 |
| Change in working capital | -755 | -3,746 |

## Notes to the consolidated financial statements

*DKK million*

**23 Cash and cash equivalents**

| | 2023 | 2022 |
|---|---|---|
| Cash and short-term deposits | 838 | 857 |
| Current liabilities - bank loans | -156 | -33 |
| Cash and cash equivalents | 682 | 824 |
| Cash and cash equivalents available to the Group | 682 | 824 |

**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 | 202 |
| 1 to 5 years | 295 | 299 |
| After 5 years | 151 | 100 |
| Total | 671 | 601 |

## Notes to the consolidated financial statements

*DKK million*

**24 Contingent liabilities and financial commitments**

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 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 8,419 million have been provided as collateral (DKK 8,688 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.

The Danish companies in the Group excl. F. Salling Holding A/S are part of the joint registration 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).

## Notes to the consolidated financial statements

*DKK million*

**24 Contingent assets and liabilities and other financial commitments - continued**

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.

At 31 December 2023 Købmand Herman Sallings Fond had signed letters of intent stating its intention to decide to distribute up to DKK 2 million to an undefined number of minor local projects around Bilka stores, if a number of prerequisites are fulfilled.

At 31 December 2022 Købmand Herman Sallings Fond had signed letters of intent stating its intention to, during a period of up to 15 months, decide to distribute up to DKK 250 million to Dansk Neuroforskningscenter in Aarhus, if a number of prerequisites were fulfilled. In March 2024 the letter of intention was prolonged until 1 December 2024.

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).

## Notes to the consolidated financial statements

*DKK million*

| | 2023 | 2022 |
|---|---|---|
| **25 Related party disclosures** | | |

Transactions between Købmand Herman Sallings Fond and its subsidiaries have been eliminated in the consolidated financial statements and are not disclosed in this note.

The following transactions were carried out with related parties:

| | 2023 | 2022 |
|---|---|---|
| Other related parties: | | |
| Dividends paid to non-controlling interests in subsidiary | 30 | 30 |

**Key management personnel**

Key management personnel includes the Board of Directors. The key management personnel remuneration for the Group companies is shown below:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 3 | 3 |
| Total remuneration | 3 | 3 |

Of the total remuneration DKK 2 million (DKK 1 million in 2022) concerns payments from other Group companies.

## Notes to the consolidated financial statements

*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).

**27 Capital management**

Købmand Herman Sallings Fond Group ensures the continuity within Salling Group A/S and affiliated companies. Distributions are based on the financial strength of Købmand Herman Sallings Fond Group taking the liquidity situation into account.

## Notes to the consolidated financial statements

*DKK million*

**27 Capital management - continued**

Købmand Herman Sallings Fond Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns through the optimisation of the debt and equity balance. For the purpose of Købmand Herman Sallings Fond 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.

The Group has no covenants in relation to bank facilities or other financing activities, hence as at 31 December 2023 and 2022 no covenants exist.

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 becomes effective as of 1 January 2024:

- 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.

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**Michael Holm**
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