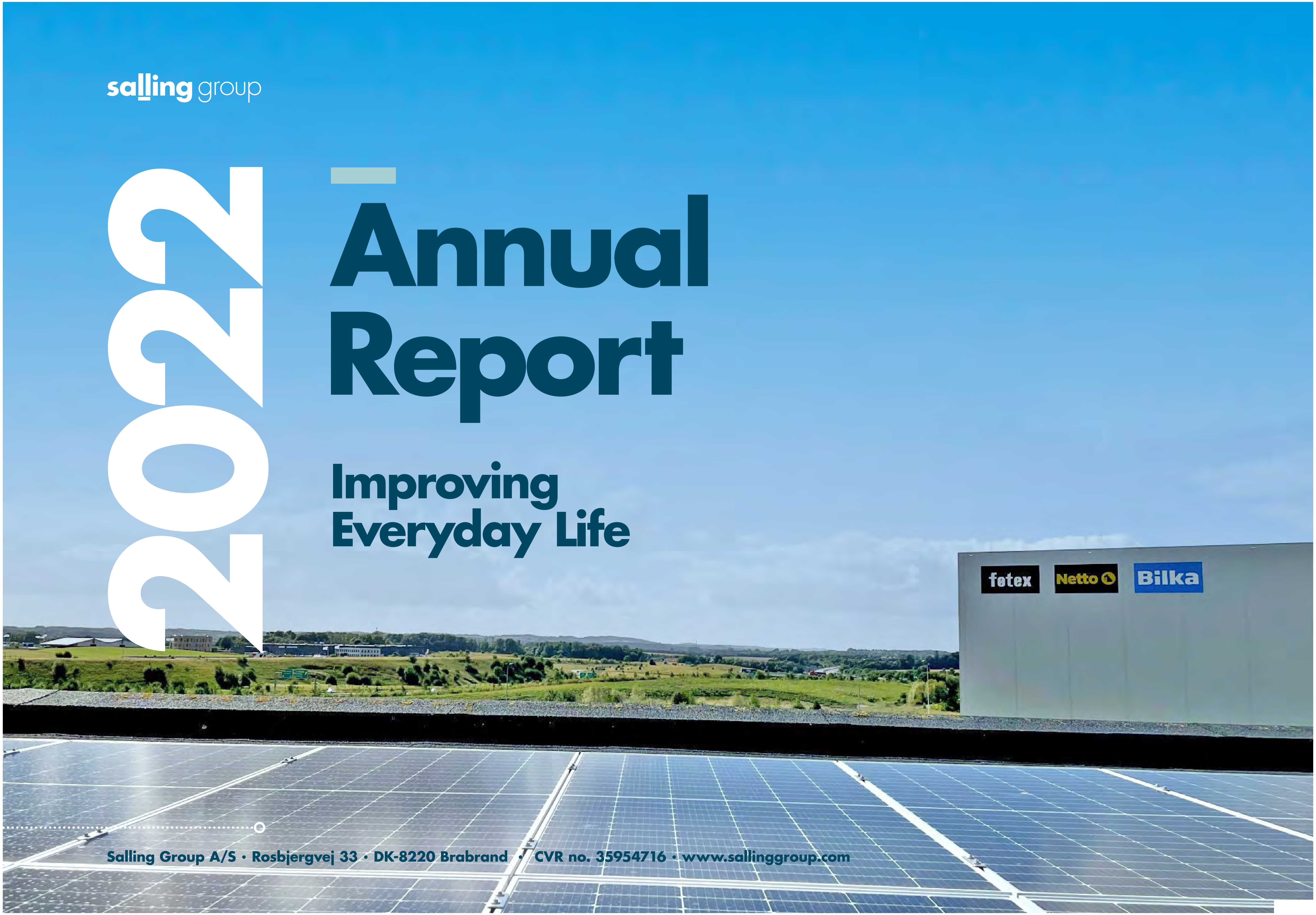
salling group

# 2022 Annual Report

## Improving Everyday Life

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READER´S GUIDE
The report has been prepared in accordance with the IFRS as adapted by the EU and additional requirements of the Danish Financial Statements Act (DFSA).

- Our reporting in compliance with section 99a of the DFSA on statement on corporate social responsibility can be found on pages 9 and 18-33 for actions and results, and on pages 98-111 for business model, risks, policies, actions and results.
- Our reporting in compliance with section 99b of the DFSA on statement on the underrepresented gender can be found on pages 110 for the top management and on page 109 for other managerial positions.
- Our reporting in compliance with section 99d of the DFSA on Data ethics can be found on page 33.

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Netto føtex Bilka 100% Danskejet Salling BR

# Letter from management

## Managing uncertain times

**Dear stakeholders,**
To our founder Herman Salling, earning customers' faith was at the heart of everything he did. He never took their trust for granted and he understood that you have to serve your customers by truly adding value to their everyday lives.

If there ever was a year where this wisdom rang true, 2022 was that year.

Following a pair of turbulent years during the COVID pandemic, 2022 turned out even more unpredictable and challenging. The outbreak of war in Europe, soaring energy costs and alarming inflation brought about a steep, rapid drop in consumer confidence and the most profound changes in customer behaviour for decades.

Across households, available funds came under severe pressure and consumers looked to retailers for help to get through financially hard times. We have aimed to address the challenge short term by absorbing increase in cost rather than passing it on, by freezing prices for customers and by testing a brand new discount format. Long term we have accelerated our investments in renewable energy sources to reduce dependency on suppliers of fossil fuels and to limit the risk of severely fluctuating energy prices going forward.

None of this would have been possible without strong collaboration with suppliers and partners. Most of all, it would not have materialised without the tremendous effort delivered by our colleagues. We would like to extend a sincere thank you to our teams in stores, warehouses and back office functions who worked tirelessly to provide security and stability for our customers throughout the year.

### Challenging year for retail

In 2022 Salling Group delivered a revenue of DKK 66.5 billion with an EBIT of DKK 1.9 billion, and an EBITDA of DKK 4.3 billion. Profit for the year was DKK 1.0 billion However, despite highly challenging conditions for consumers and retailers across Europe throughout 2022, Salling Group delivered a satisfactory result.

New EU legislation and subsequent Danish over-implementation of the UTP protocol – regulating business-to-business relationships and commercial conduct – in 2022 resulted in a negative impact on cash flow of more than DKK 3 billion. Paired with a continued high investment level, not least in the Polish market, where Salling Group completed the conversion from Tesco to Netto, these factors combined to create an overall negative cash flow for the year. Effects from currency exposures were minor, but the strong US Dollar resulted in higher non-food prices on products sourced from the Far East.

Increase in electricity prices provided the single largest costs increase in 2022. With a monthly consumption of approximately 40 million kilowatt-hours across markets energy costs rose by more than DKK 0.5 billion.

> **Despite a challenging year for retail, we remain fully committed to our ambitions.**
>
> ***Per Bank, CEO***

Despite earnings being under pressure, we remain fully committed to our short, medium and long term sustainability ambitions as we intend to act according to our pledges to stakeholders and to stay true to our own expectations. In 2022, we initiated the massive investment of DKK 2.4 billion in restructuring our energy consumption and accelerating our road map towards renewable energy. Having adapted even further to challenging market conditions, we will remain as ambitious in our CAPEX spending next year, ensuring that our strategy remains completely on track despite a continued difficult environment for customers and retailers.

## Soaring inflation and unprecedented cost increases

While 2022 in retailing will be remembered for high inflation rates, the first wave was already visible in the 4th quarter of 2021 at around 3%. Simultaneously freight rates increased significantly as a result of an imbalance in the transport system and the last major waves of COVID.

Immediately following the Russian invasion in Ukraine on 24 February 2022, we deemed it necessary to impose restrictions on several everyday items, such as sunflower oil as prices more than doubled, customers started hoarding and supply became scarce. On other commodities with short term contracts like milk and sugar, price increases from suppliers immediately followed. Shortage in supply and changes in global demand meant the price on items such as beef and pork rose to record high levels.

Food inflation has continued to rise every single month in 2022 reaching a level of almost 16% in Denmark, and 25% in Poland at the end of the year. In Denmark, the total food market grew by only 5% despite the high inflation level, due to changes in consumer patterns.


## Countering market conditions to help customers

2022 has seen an unprecedented change in behaviour as customers have become more value-seeking to mitigate the inflation by shifting their shopping destination towards discount, increasing the promotion share of the basket and switching to private label.

In this environment one of our most important priorities has been to help our customers get more value for money. Early in the Spring we introduced a price cap on more than 300 everyday items in both Denmark, Germany and Poland. The customer promise was extended for the duration of 2022 thus eliminating further price increases on specific products such as milk, flour, bread, coffee, fruit and vegetables and other frequently purchased goods to provide shoppers relief as household budgets came under pressure.

> **Our priority has been to provide security and increased value for money for our customers.**
>
> ***Anders Hagh, CFO***

For a number of years Salling Group has focused intensively on widening and strengthening our private label assortment across banners. During 2022 we were able to boost the Salling master brand significantly with many new items in our mid- and high-tier range introducing more than 400 private label SKUs as part of the Princip top-tier range. On health products, Salling Group has extended the private label range by another 400 SKUs, offering several additional products within lactose and gluten free and low calorie to present customers with even more choice.

In the Autumn, we launched the discount banner BASALT in Denmark, testing the new format at 10 different locations at year's end. With no chillers, significantly reduced range, low energy costs and high volumes, the low maintenance format delivers savings of approximately 15-25% versus other discount formats.

## Investing in tomorrow

On the back of launching our climate ambition, in 2022 we intensified our investment and commitment to battle climate change assuming responsibility across Scopes 1, 2 and 3 as we strive to contribute to limiting the global temperature rise to 1.5 degrees by living up to the Paris Agreement. Our commitment to net zero carbon emissions in our full value chain by 2050 was documented in our application to the Science Based Targets initiative, SBTi, in 2022. We remain as committed as ever to reduce our own emissions, help customers,

**59,696**
employees

**10 m**
customers a week

**1,724**
stores

engage employees and commit suppliers to emissions reduction. Through our partnership with the Carbon Disclosure Project, we have intensified supplier engagement, entering into dialogue with our 140 main suppliers across categories.

Following the Russian invasion of Ukraine, we accelerated our energy transition by launching an investment programme of DKK 2.4 billion over 5 years in the transition from oil and gas to renewable sources and limiting our energy consumption. Over the next three years, Salling Group will remove gas boilers from 750 stores in Denmark, Germany and Poland and replace them with electric heat pumps. 725 stores will install new energy-efficient refrigerators, and all coolers and freezers will be equipped with glass doors. Parallel to this, we plan to install solar panels on the roofs of our stores, warehouses and office buildings.

**DKK 2.4 bn**
by 2028 in energy reductions and climate investments

Within days of the invasion of Ukraine, Salling Group became the first retailer in Europe to remove all Russian products. Salling Group and DanChurchAid initiated fund raising activities to aid the victims of the invasion. At the same time, Netto Poland collaborated with local aid organisations and introduced price reductions on the most purchased basic groceries in stores close to the Ukrainian border to help refugees.

With more than 10 million weekly shopping trips in Salling Group, many people rely on us on a daily basis to make the right choices. Our main focus areas within responsibility remain Climate and Health, and we will continue our efforts to make a difference within these areas.

## Staying on track – and true to our heritage

While navigating challenging macroeconomic developments and steering through volatile conditions, we have remained on course to fulfil our long term ambitions. A cornerstone in our strategy is the expansion in the Polish market, where focus has shifted from conversion of stores to growing and optimising sales. Across Germany, Denmark and Poland the roll-out of our modernised Netto 3.0 continues. The decision to relocate our head offices in Germany and Poland to Berlin and Warsaw respectively will improve our ability to attract talent and strengthen our competitiveness.

Several other substantial investments were completed in 2022, including the large extension of our Netto distribution centre.

We will maintain our pursuit of new business opportunities in the years to come while we continue to invest in and strengthen our core. Though market conditions with sustained inflation may be bleak and energy prices will remain high and volatile, we are fully convinced that we will be able to take further responsibility in 2023 and provide more value to our customers.

In the current climate of uncertainty we will find even greater inspiration in the insight of our founder as we remain fully committed to improving everyday life for everyone connected with our business.

**Per Bank** // CEO

**Anders Hagh** // CFO

LETTER FROM THE CHAIRMAN

# Assuming responsibility for our surroundings

**Dear stakeholders**

The financial year 2022 has probably been one of the most difficult years ever to be in retail. Inflation, energy crisis, the Russian invasion of Ukraine and a continuous negative impact from COVID 19 were all factors that our employees had to work around. I am really proud of how our management and staff have managed all these challenges. We were very agile and quick to react every time the situations changed and we were continuously striving to improve everyday life for everyone connected to our business. Due to this hard work we were able to not only manage the day to day business but also to continue to invest in the future of the business while at the same time distribute dividends to our owners, the Salling Foundations, for them to donate all of it to charitable causes in our local communities. I am, as you should be, proud of being in a business like Salling Group, where all profit that we make are either re-invested in the company or donated, through the Salling Foundations, to good causes.

## Committing ourselves to progress

Our company and employees also tried to do their best for other people during all the difficult times. When war broke out in Ukraine, our Polish team quickly rallied to support and aid the refugees from their neighbouring country. In stores close to the Ukrainian border, prices on the most needed items were lowered to provide refugees with safe and healthy products. Salling Group became the first retailer to show our support by removing all Russian products from the shelves.

The Group is also working to free itself from the dependency of fossil fuels. This is in accordance with our pledge to contribute to the UN´s Paris Agreement and the common ambition of limiting global temperature rise to 1.5 degrees. We have committed ourselves through the Science Based Targets initiative to halve $CO_2e$ emissions in our own operations by 2030 and net zero carbon emissions in our entire value chain by 2050. The investments we are doing to achieve this target are high, but we feel that this is right and that we have a duty to try to make this planet a better place for future generations.

## Anchoring responsibility at the top

2022 is the first full year where we have a Salling Group Sustainability Committee. It is comprised partly of board members and has the CEO as sponsor. I have the pleasure of chairing it and I am delighted to see how consciously our company is looking into all areas of sustainability. The topics are complex and difficult, but I can report that our management and the employees that are working on this are very knowledgeable and are continuously working on making us a more sustainable company.

## New employee representatives on board

I feel that our board is very stable and that we are working very well as a group and also working very close and well with Per Bank and his management team. We have 3 employee members on the board. They contribute with very valuable insights and are part of all the decisions that we take. During 2022 there was an election where one employee member was re-elected and two new employee members were welcomed to join. I would like to thank the two members that left the board for their excellent work and wish the two new members welcome to our future board.

Our board is now comprised of one representative of the owners, four further external members, including me as the chairman, and three employee representatives. The board assembled for five regular meetings in 2022 and we had 100% attendance, while the audit committee and the sustainability committee had two meetings respectively.

## Unique culture as the competitive advantage

I have to say that I am very proud to be the chairman of Salling Group. We have an excellent management that work extremely hard to make us one of the best retailers in Europe. They involve us in the board in a very constructive and timely manner. They have been extremely fast and agile to react to changes. To see BASALT be launched as a new format within 6 weeks was no less than impressive. The way they handled the terrible fire in our hypermarket in Vejle, the action they took after the horrific shooting in the shopping mall in Copenhagen, the way they have worked to raise awareness regarding dyslexia and invisible disabilities are all examples of a management that not only think about optimising operations and profitability, but a management that really care about our values and our people. I am very thankful for working with such a great group of leaders.

I would also like to thank our great employees in Denmark, Poland and Germany. You have all been through difficult times, but you have worked through them and made Salling Group an even stronger company. We have, thanks to you, a strong and unique culture and that is our most important competitive advantage.

A big thank you to all of you!

**Stay strong ... Stay healthy**

**Bjørn Gulden** // Chairman of the Board

# Highlights 2022

Allocation of DKK 2.4 billion to investments in green energy

Denmark's largest graduation party for retail students

Setting price cap on selected groceries


Decision to move Netto Headquarters in Germany and Poland to Berlin and Warsaw respectively



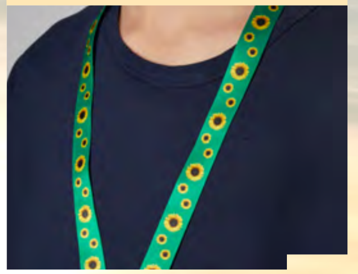
Opening of new format – BASALT

Voted Denmark's cheapest*


785 extra electric charging points in føtex, Bilka and Netto

Keep the good tone campaign

The Sunflower Lanyard is provided free of charge in all formats



WE SUPPORT

UN GLOBAL COMPACT

Salling Group endorses UN Global Compact

Implementation of improved automatic allocation system. Better for business, store efficiency and climate

Receiving Dyslexia Award 2022

Supporting the victims of war in Ukraine by donations, Russian goods removal and lowering of prices in stores close to Ukraine

Photographer: Antti Yrjönen / FinnChurchAid

* https://erhvervplus.dk/handel-og-service/pristjek-ny-discountbutik-er-billigst-i-test-men-den-haardeste-konkurrent-aander-den-i-nakken

# Financial 5-year summary

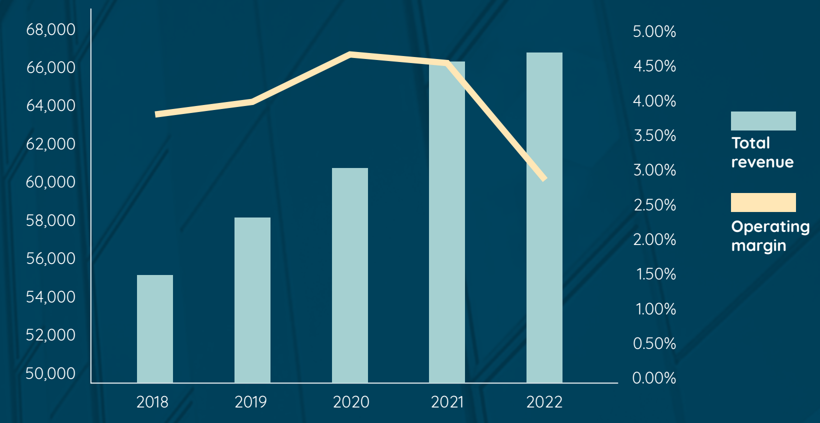
## Highlights for the Group 2018-2022

| DKK million | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total revenue | 66,521 | 66,202 | 60,855 | 56,689 | 55,851 |
| Operating profit before depreciation, amortisation and impairment losses and special items (EBITDA before special items) | 4,324 | 4,992 | 4,702 | 4,105 | 3,158 |
| Operating profit (EBIT) | 1,940 | 2,952 | 2,818 | 2,272 | 2,072 |
| Net financial items | -580 | -466 | -479 | -557 | -248 |
| Profit for the year from continuing operations | 972 | 1,942 | 1,852 | 1,322 | 1,413 |
| Profit/loss for the year from discontinued operations, net of tax | - | - | - | 969 | -46 |
| Total profit for the year | 972 | 1,942 | 1,852 | 2,291 | 1,367 |
| Net cash flows from operating activities | -587 | 3,719 | 4,285 | 2,759 | 3,786 |
| Investments in intangible assets, property, plant and equipment and investment properties | 1,993 | 2,270 | 2,182 | 1,676 | 1,384 |
| Total assets | 38,030 | 40,719 | 37,533 | 35,550 | 30,871 |
| Total equity | 10,400 | 9,401 | 7,610 | 6,190 | 3,981 |
| Net debt/EBITDA | 2.6 | 1.8 | 1.5 | 2.2 | 1.8 |
| Operating margin | 2.9% | 4.5% | 4.6% | 4.0% | 3.7% |
| Return on equity | 9.8% | 22.8% | 26.8% | 45.0% | 39.4% |

**Note:**
Salling Group introduces reporting according to IFRS 16 (regarding leases) from 2019 onward. Previous year figures have not been restated. Net Debt/EBITDA is thus calculated including lease liabilities from 2019 onward. For definitions of main and key figures please refer to note 2 in the notes to the consolidated financial statements. 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).

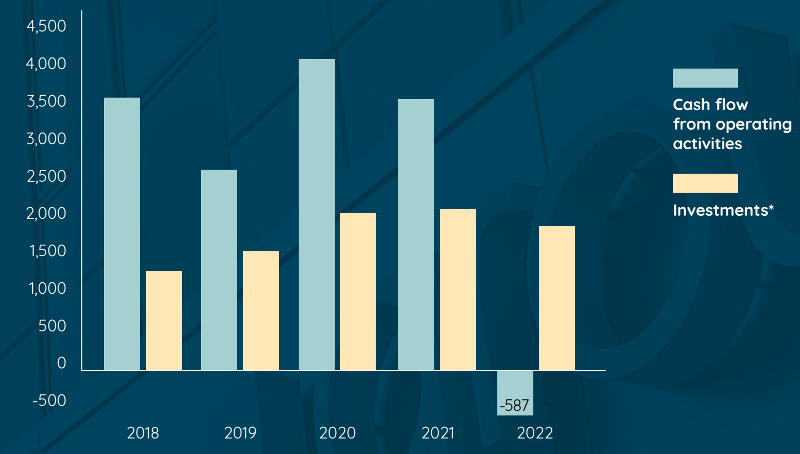
### Total revenue and operating margin, 2018 - 2022

In 2022, sales reached highest level ever. The operating margin, however, is negativly impacted by inflation and increased energy cost.



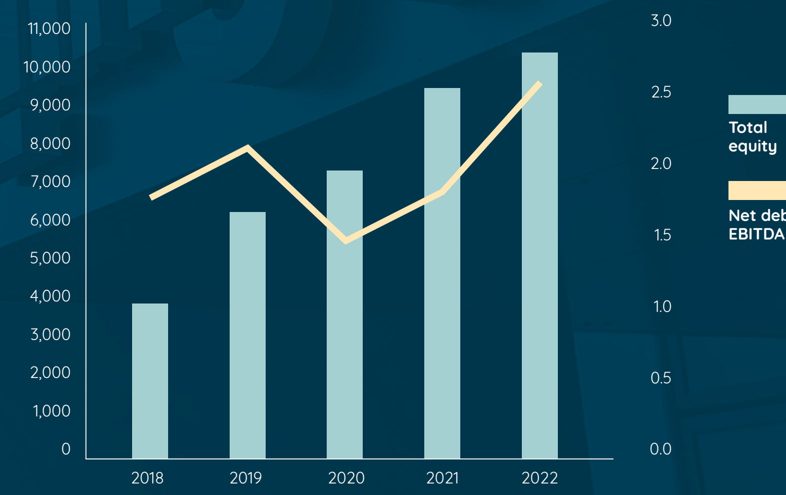

### Cash flow from operations and investments, 2018 - 2022

Cash flow from operations is negativly impacted by decrease in profit and implementation of the Unfair Trading Practice (UTP) Regulation in 2022 which have had a negative impact of DKK 3 billion.




### Equity and net debt/EBITDA, 2018 - 2022

Equity has in 2022 increased by DKK 1 billion to DKK 10.4 billion.
Net debt/EBITDA has increased due to decrease in profit.




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

# ESG 5-year summary

| Non-financial highlights for the Group 2018-2022 | | Units | 2022 | 2021 | 2020 | 2019* | 2018* |
|---|---|---|---|---|---|---|---|
| **Environment** | | | | | | | |
| GHG Inventory | Scope 1 | $tCO_2e$ | 45,962 | 76,731 | 41,541 | 44,852 | 38,444 |
| | Scope 2 | $tCO_2e$ | 282,032 | 290,103 | 217,380 | 218,259 | 257,425 |
| | Scope 3 | $tCO_2e$ | 6,330,752 | 6,412,373** | 90,450 | 108,364 | 79,030 |
| | Total emissions | $tCO_2e$ | 6,669,126 | 6,779,207 | 349,371 | 371,475 | 374,899 |
| | GHG intensity ratio (revenue) (scope 1+2) | % | 0.51 | 0.55 | 0.43 | 0.46 | 0.53 |
| | GHG intensity ratio (revenue) (total) | % | 9.59 | 9.69 | | | |
| | GHG intensity ratio ($m^2$) (scope 1+2) | % | 0.11 | 0.12 | 0.10 | 0.10 | 0.11 |
| Energy | Consumption | MWh | 662,171 | 714,675 | 564,403 | 610,241 | 630,721 |
| | Energy efficiency | $MWh/m^2$ | 0.21 | 0.23 | 0.22 | 0.22 | 0.23 |
| Waste | Recycling | % | 76.8 | 77.2 | 78.6 | 78.6 | 78.0 |
| | Food waste | tonnes | 44,438 | 40,817 | 39,226 | 39,162 | 40,554 |
| | Food waste percentage | % 1) | 2.01 | 1.93 | 1.89 | 1.92 | 1.94 |
| Water | Consumption (own) | $m^3/m^2$ | 0.175 | 0.174 | 0.176 | 0.183 | 0.184 |
| **Social** | | | | | | | |
| People | Headcounts | No. | 59,696 | 61,874 | 55,471 | 53,531 | 53,623 |
| | Diversity: Executive committee | % | 18 | 20 | 22 | 13 | - |
| | Diversity: Vice presidents | % | 13 | 13 | 17 | 16 | - |
| | Diversity: Directors+ | % | 21 | 19 | 17 | 16 | 16 |
| | Diversity: Managers+ | % | 54 | 53 | 50 | 50 | - |
| | Diversity: All employees | % | 56 | 57 | 56 | 56 | - |
| | Safety (LTIF) | % | 104 | 104 | 97 | 120 | - |
| | Sickness absence | % | 4.64 | 3.99 | 3.56 | 3.47 | 3.47 |
| | Employee turnover | % | 26.43 | 25.31 | 19.22 | 23.95 | 26.78 |
| Products | Food safety (DK only) | % | 90.3 | 90.4 | 89.8 | 89.2 | 90.8 |
| **Governance** | | | | | | | |
| | Diversity: Board | % | 20 | 20 | 20 | 17 | 17 |
| | Buyers trained in responsible procurement | % | 71 | 61 | 69 | 76 | 66 |
| | Employees trained in responsible products | % | 88 | 94 | 96 | 77 | 95 |
| | Vendor satisfaction score | Score | 4.3 | 4.2 | 4.2 | 4.0 | 4.0 |
| | Tax | DKK million | 8,198 | 8,533 | 7,308 | 7,349 | 7,711 |

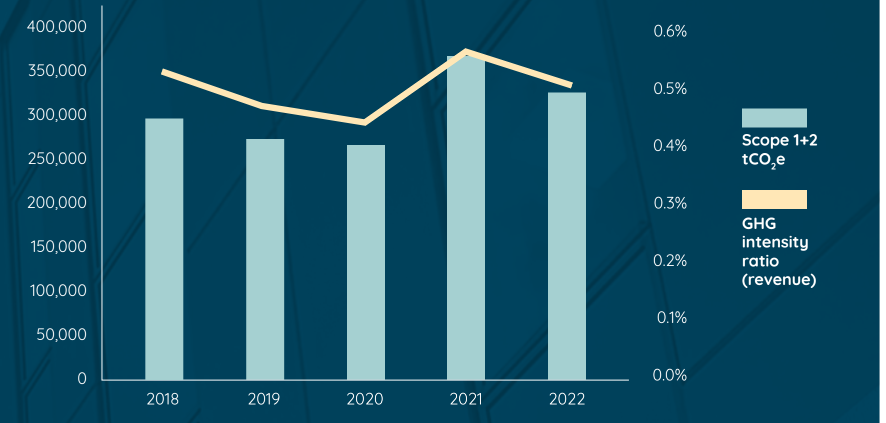
Figures have been restated. For definitions of main and key figures please refer to pages 105-111.

1) food waste tonnes/food sold tonnes

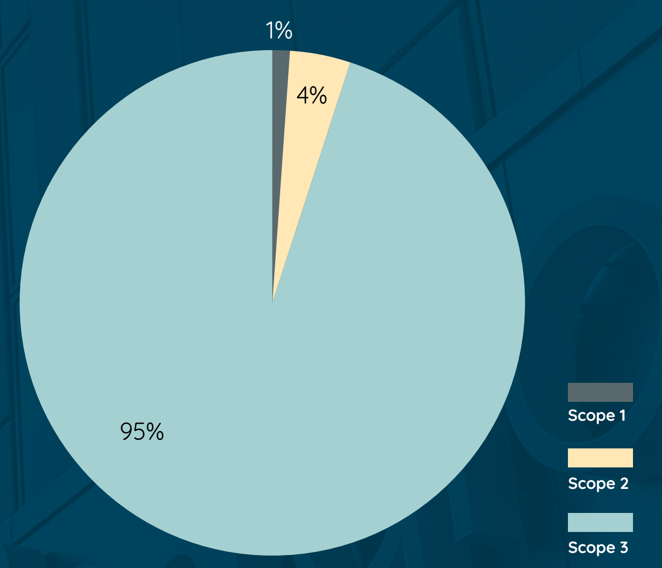
* Netto Sweden operations in 2018-2019 are not included in the GHG numbers in accordance with SBTi guiding principles.

** Full scope 3 reporting (previous years only covered cat. 4, 5 and 6).

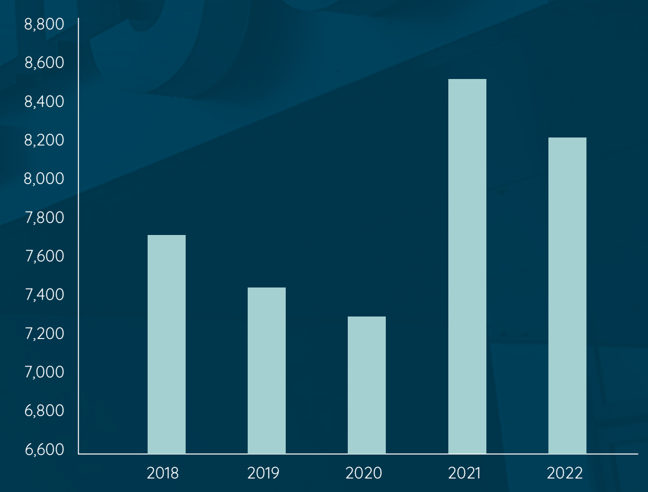
## Scope 1 & 2 emissions and GHG intensity ratio




## GHG emissions total




## Tax payment (DKK million)



# Our strategy


## Our purpose, strategy and values

In 2022 we kept focus on our growth drivers and sustainability priorities. Despite turbulent times these remained relevant and guiding for our strategic decisions during the year.

## Our purpose

It is our purpose to improve everyday lives for customers, employees and the societies in which we operate. With customers being the backbone of our business, we are continually striving to be better at creating value for our customers by making it easier for them to prioritise health and sustainability when shopping in our stores.

## Our growth drivers and sustainability priorities

A strong financial performance is a prerequisite for us to be able to invest in better shopping experiences and our sustainability priorities, and to improve everyday life. Our strategy will help ensure business growth and the maintenance of a strong position in Denmark, Poland, and Germany.

## Our values and foundation

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

### Our purpose

**Improving Everyday Life**

### Our drivers and priorities

**Our growth drivers**

**Poland**
Achieve position within top 5 as the fastest growing discounter

**Develop our strong foundation**
with current formats in Denmark and Germany

**Our sustainability priorities**

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

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

### Our values

Integrity | Passionate | Agile | Competitive | Efficient

### Our foundation

**People and Products**

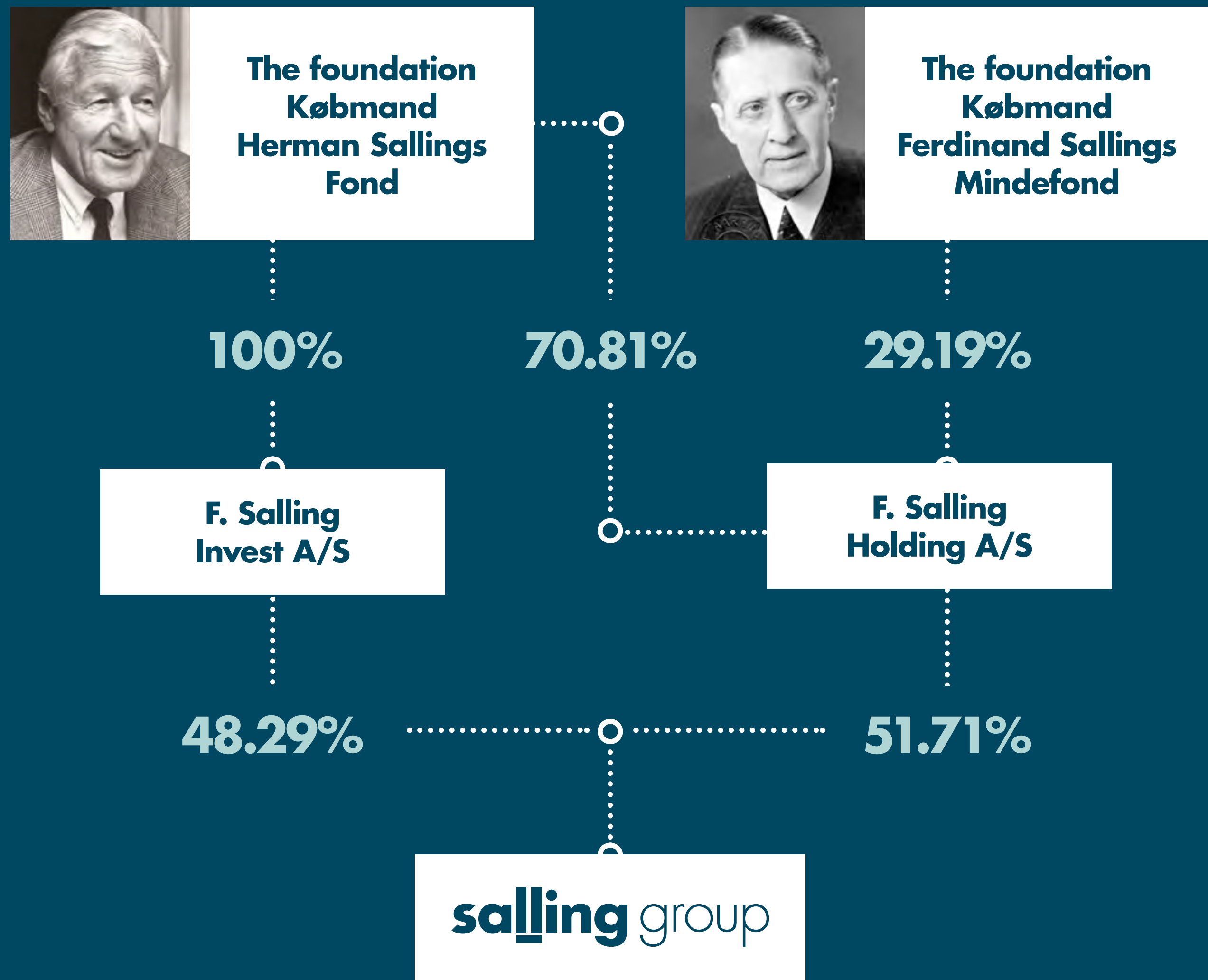
# Ownership


## Strengthening local communities through our ownership

Salling Group is 100% owned by the Salling Foundations, comprised of the two Danish foundations Købmand Herman Sallings Fond and Købmand Ferdinand Sallings Mindefond. Profits from Salling Group are used for two purposes: either invested back in the company to the benefit of customers, employees and partners or donated to worthy causes. Since 2012, the Salling Foundations have donated approximately DKK 1.9 billion to culture, sports, charity, church, education and research.

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

In 2022, the Salling Foundations donated a total of DKK 428.2 million to beneficiaries across Denmark, of which the most significant was DKK 250 million to Kongelunden, Aarhus - a conversion of the initial declaration of support to the establishment of a new, ground-breaking and splendid stadium.



# Customers first

## Fighting inflation

2022 was in every way an unpredictable and challenging year. On the back of the worldwide COVID epidemic, restrictions were eased and the belief in better times was on the rise. But Russia's invasion of Ukraine in February 2022 once again changed everyone's everyday lives, brought suffering to the Ukrainian people and created a world economy characterised by uncertainty and inflation.

Inflation took hold in customers' purchasing patterns, and price became an even more significant parameter. Therefore, the situation called for innovative solutions, also in Salling Group, which responded with a number of initiatives in the fight against inflation.

That's why 2022 saw an innovative price cap on hundreds of groceries, a strengthened loyalty programme, the launch of even more private label items and - not to forget - the new ultra discount chain, BASALT. All of which were initiatives to fight inflation.

The price cap was introduced in June and guaranteed throughout the year that the price of more than 300 items would not rise further. The price cap secured customers the possibility to be able to buy ordinary groceries in fruit, vegetables, meat, dairy products, flour, bread and a number of other groceries without having to worry that inflation would hit them further.

Another means of helping our customers is the loyalty programmes, also called the 'Plus' programmes in Netto, føtex and Bilka. The programme offers loyal customers discount on items they buy the most. The number of customers on the Plus programmes is growing and so is their use.

At the same time, in 2022, the development of our own brands, which are affordable quality alternatives to branded products and a means to help stretch the household economy a little further, was accelerated. The number of sold products under own brands such as Princip, Salling, Velsmag and ØGO has increased by 23.2% in 2022 compared to 2021, and the number of private label products is now about 13,000.


## BASALT – cheaper than discount

In 2022, as an active countermeasure to rising inflation, Salling Group brought in a new player to the Danish grocery market with BASALT.

In Danish, 'basalt' means the basics, and focusing on what is absolutely necessary for customers is the basic idea of the super discount chain BASALT: the price of basic groceries.

BASALT is Salling Group's test of the Danes' appetite for the super-basic shopping experience. The background for the chain is the rampant inflation, which has put pressure on customers' household finances, and which BASALT attacks head-on by being 15% cheaper* than discount stores.

The chain was launched in October after having arisen as an idea over the summer, and already on October 11 the first store was ready in Kastrup, and by Christmas the chain had reached 10 stores.

The basic idea was to cut out everything superfluous. Therefore, neither chillers nor frost were installed because it costs money for energy, and the supply of goods is kept at 1,000 very basic groceries, of which 80% do not cost more than DKK 20. At the same time, the number of deliveries per week has been reduced, and all items are put into the store on pallets and in boxes, which minimises the need for handling. Finally, opening hours are cut down and focused for daytime hours to keep costs as low as possible.

*https://www.bt.dk/forbrug/ny-supermarkedskaede-i-voldsom-offensiv-slaar-bunden-ud-af-priserne

# The formats

Innovation and new ways of running the business became keywords for Salling in 2022.

By strengthening its e-commerce platform as well as customer loyalty programme and warehouse automation systems, Salling managed to meet the challenges, while also developing the business with new partnerships and shop-in-shop experiences.

2022 also delivered numerous successes and highlights. In June, the new Salling RoofGarden opened. Salling RoofGarden invites visitors inside for a breathing space in the blooming oasis between trees, plants, architectural installations and works of art under the open sky. Not only can visitors enjoy the beautiful garden – the vegetation is also contributing to Aarhus' green transition.

And the summer offered even more successes for Salling's creative rooftops.

The acknowledged travel magazine Big7Travel named Salling RoofTop Europe's best rooftop bar. The list counts the 50 best rooftop attractions on top of the cities in Europe, and Aarhus became the big winner with Salling's sensational rooftop, which first opened in 2017.

Salling RoofTops in both Aarhus and Aalborg have in record time become two of the most popular tourist attractions in Denmark, attracting both national and international tourists to the regions and supporting the overall business.

## Salling

Salling was founded in Aarhus in 1906 and has since then grown into two leading department stores in key locations of Aarhus and Aalborg and an online business.

Salling offers a broad selection of premium brands across Beauty, Home & Fashion, a luxury foods department and numerous restaurants and cafés. Unique rooftops on both department stores and, in addition, a roof garden in Aarhus have become one of the top 5 most popular tourist destinations in Denmark and internationally recognised, too. They offer spectacular 360 degrees view over the cities and have also become buzzling event and art venues.


## føtex

føtex has 109 stores all over the country, including 23 under the name føtex food which differs by offering primarily food products unlike føtex which also offer non-food and clothing.

The first føtex opened in 1960 in Aarhus and offered the Danes a whole new way to shop with a type of supermarket, where customers could buy groceries, butcher's products, textiles and hardware in one and the same store.

Through 2022, føtex strengthened its market position through a number of measures, and as a result managed to gain market shares in the supermarket segment and close the year above pre-COVID revenues. Emphasising its healthy development, føtex opened two new stores in 2022, and continued strong collaborations in all areas of the business.

A total of 30 stores were upgraded with føtex' new convenience concept and the catering concept 'føtex ud af huset' was boosted which led to strong growth results. The customer experience was enhanced with 8 additional parcel robots to provide customers with easy fast parcel pick-up at stores. 18 electric super chargers from Clever were established at føtex stores, kickstarting the journey towards the 300 chargers target.

As part of føtex' strong CSR agenda, 3 føtex stores were fitted with roof top solar panels solutions with more to come in 2023. A think tank for young employees to help shape the future of business life - føtex Youth Board - saw the light of the day. Moreover, 8 local communities were supported with donations from the Salling Foundations.


## Bilka

The first Bilka hypermarket opened in Aarhus in 1970. Today's Bilka is the only hypermarket chain in Denmark and it comprises a total of 19 hypermarkets spread across the country, including an A-Z department store that focuses exclusively on non-food products. At Bilka, you can find everything under one roof. Bilka has Denmark's largest range in all product categories.

Following 2021, the historically best year ever for Bilka, customers returned to offices and pre-pandemic routines with less time for shopping, time in the kitchen and projects around the house. Furthermore, due to high inflation, customers turned to discount and special offers and held back on clothing, interior items and the like.

Bilka ToGo continued to be a success across the country, strengthening its offer by 13,000 new items, catering options and Bilka Business where local businesses can benefit from the pick-up-service.

In the city of Herning, Bilka was refurbished to a modern Bilka Future Store in 2022, and for the third year in a row, Bilka was named Plant Based Supermarket of the Year by the Vegetarian Society of Denmark. The title goes well in hand with Bilka's strengthened focus on climate initiatives, including setting up solar panels and installing electric heat pumps.

In Bilka, 2022 will, however, also be remembered for two sudden and severe incidents. One being a tragic gunshot episode in shopping centre Fields in Copenhagen where Bilka One Stop employs several hundreds of employees. The other being a large fire in Bilka Vejle that created massive damage, but fortunately no personal injury.

Bilka's employees in the two hypermarkets assisted the police, fire and rescue services in dealing with the situation, and the company is greatly indebted to them for their efforts.

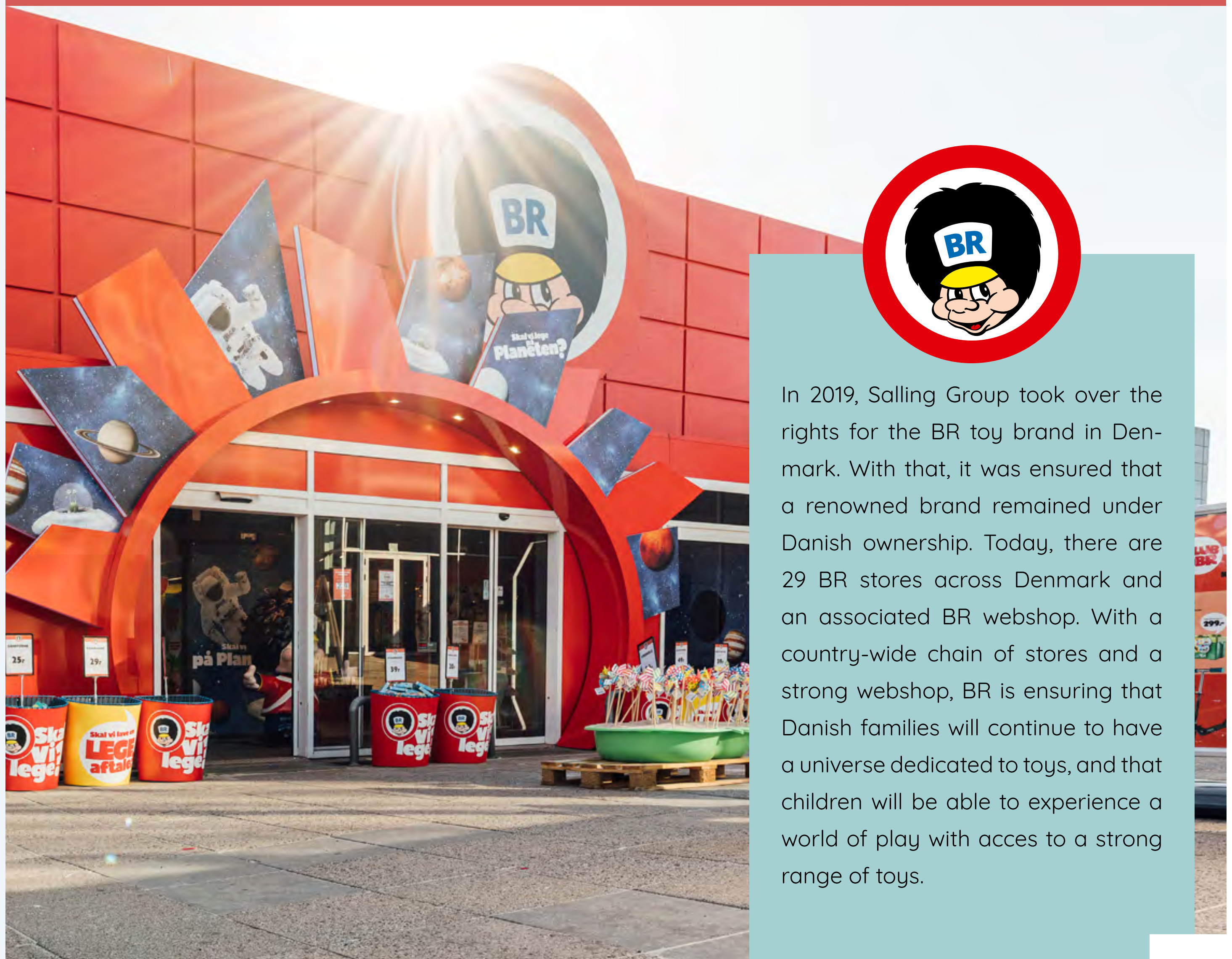
## Customers prioritise play

Play is in the DNA of Salling Groups toy store chain BR which throughout 2022 has invested in creating spaces for exactly that. Inspiring, playful universes and great store experiences are currently more important than store expansions, and BR continue to refine its DNA, which has taken shape since Salling Group took over the chain in 2019.

In BR in the Aarhus-suburb of Tilst, a large pirate ship forms the center of the store - complete with the sound of seagulls and rush of waves. Not to mention a princess castle, a challenging climbing area and a cycle track around the store - and much more. Customers love the playful universes, and for many families the stores are an excursion spot in itself, even in a year of high inflation.

BR too saw a change in shopping patterns in 2022, but nevertheless still had a good year and not least solid Christmas sales. In fact, BR closed the accounts in line with its forecasts which indicates that families, in spite of inflation, haven't been cutting back much on toys.

Looking ahead, BR will turn more attention to its webshop. On-line sale accounts for approximately 10% of the chain's revenue, and although on-line sales are going well, BR is planning to strengthen the link between store and online. Similar to the physical stores, on-line shopping should to be an adventure, too!




In 2019, Salling Group took over the rights for the BR toy brand in Denmark. With that, it was ensured that a renowned brand remained under Danish ownership. Today, there are 29 BR stores across Denmark and an associated BR webshop. With a country-wide chain of stores and a strong webshop, BR is ensuring that Danish families will continue to have a universe dedicated to toys, and that children will be able to experience a world of play with acces to a strong range of toys.


Netto is a discount chain in Denmark that offers a wide range of everyday products at low prices. The company was founded in 1981 and today has over 500 stores across Denmark.

Netto is known for its low prices on everyday needs with a particular great offering in fresh produce, convenience, and organic products. The concept is also well known for its spot-concept that offers new and exciting spot-deals week by week on both food and nonfood. Netto has a commitment to reduce its environmental impact, such as reducing food waste, investing in renewable energy sources and reducing the use of plastic.

## Netto Denmark

2022 was a year of high sales numbers driven by an increasing demand from customers for discount and Netto pricing. But also a year with staggering expenses throughout the year.

Netto has had great momentum on sales, driven by an increase in customers' demand for cheaper prices, discount and special deals.

However, like all other retailers and businesses, Netto has been greatly challenged by fluctuating prices and very high energy prices. Not to mention a sharp increase in purchasing prices across all categories.

Netto also saw a significant change in customer behaviour and preferences: Customers responded to inflation promptly by looking towards cheaper products and private label, sacrificing the more expensive high-end quality products in the process.

Moreover, shoplifting escalated significantly in the wake of the energy and economic crises.

Throughout 2022, Netto continuously gained market share, thus continuing the growth that has characterised the chain since its inception. At the same time the conversion of stores to Netto's 3.0 concept continued. Thus, a further 78 stores were converted in 2022. In Netto 3.0 extra has been made of the selection for the modern and busy family. There is a particular focus on organic, convenience and much more fresh fruit and vegetables.

# Automated warehouse with gentle handling and store-friendly pallets

## New robot system increases efficiency at Netto's goods terminal in Køge

The robot rises quickly along the 25-metre-high shelving systems and 'picks' a box on the top shelf. Lightly and easily, it transports its product down and places it on a pallet before rushing on on the rails to the next item on the list. Before long, the pallet is ready to be shipped to the store that needs the goods – packed with the same precision as a successful game of Tetris. The robot calculates which items should be packed at the bottom and which are best placed at the top of the pallet.

The robots pack much more efficiently than if we had to pack them manually. This means that there can be more goods on the same pallet, which in turn means fewer pallets to transport. At the same time, the pallets are packed stably, which reduces the risk of goods breaking on the way to the store.

The automated warehouse was completed for full commissioning in 2022 and is the latest expansion of Netto's goods terminal in Køge. The first year with the 'state-of-the-art' solution in Køge has been satisfactorily and, as expected, has proven to be a good investment in the business.

The warehouse is 25 meters high and represents 10,000 out of the total 50,000 square meters of warehouse in Køge. It has 12,000 pallet spaces, 43,000 checkout spaces and, not least, 6 robot cells that pack 16 hours a day - even though the warehouse is automated, it still takes employees to start the processes and supervise the system.

2022 was a busy year for Netto in Germany (est. 1990) and Poland (est. 1995) as the discount banner continued to strengthen its position. Not least so in the Polish market where Netto completed the store conversion following the acquisition of Tesco Poland in 2021, making it the largest format in Salling Group in terms of store count.

In both countries the conversion of existing stores to the brand new concept Netto 3.0 continued, providing customers with increased access to fruit and vegetables, organic and plant based products, convenience, locally produced items and quality at affordable prices. A strong combination that saw Netto gain further momentum in 2022

In order to harness their ability to attract and compete for future talent and improve admission to top experience and skill sets, the two organisations decided to relocate their headquarters from Szczecin and Stavenhagen/Wustermark respectively to the capital area of both countries.

Following significant effects of inflation throughout 2022 Netto Poland and Netto Germany finished the year with strong development in sales as customers continued to increase their preference for discounters.

**Netto**

### Highlights for 2022 in Netto Germany include:

- Refurbishment of additional 31 stores to new concept, end of 2022 conversion covering a total of 190 3.0 stores.
- Continued implementation of bake-off to strengthen the fresh bread profile and added bake-off in additional 33 stores
- Approx. 100 further private label products added to the assortment
- Group energy transformation undertaken, LED lighting implemented in further 70 stores, first heat pumps and glass doors in chillers implemented, and cooperation initiated on E-chargers set up on parking lots for +270 stores.

# Netto building momentum in Poland and Germany


### Highlights for 2022 in Netto Poland include:

- Since April 2021, 247 stores have been converted from Tesco to Netto.
- Leaflet changed from print to digital and more frequent distribution
- New line of poultry products with increased focus on animal welfare
- Online shopping launched through cooperation with global Q-commerce operator
- Group energy transformation initiated, over 100 stores equipped with solar panels
- In cooperation with the Salling Foundations launch of Sąsiedzka Pomoc, supporting Ukrainian refugees fleeing to Poland, more than 100 initiatives supported
- Removal of Russian and Belarussian products and engaging in humanitarian aid
- Increased cooperation with Food Banks and Caritas – 85% of stores covered, almost 4,800 tonnes of food donated.
- Launch of Sąsiedzka Moc, supporting local initiatives to strengthen neighborhood relations, 1,300 applications received

**>340**
**stores in Germany**

**>660**
**stores in Poland**

# Sustainability

## Responsible from the outset

Embracing our responsibility is far from anything new in Salling Group. In fact it has always been an integral part of how we do business.

Ever since our founder Ferdinand Salling opened his draper's shop in the heart of Aarhus in 1906, we have proudly and conscientiously taken responsibility for employees, customers and every single product on our shelves. While initiatives and headlines in our responsibility work may have changed over time, our emphasis on providing more than just good intentions has never wavered.

### Salling Group's Sustainability Strategy

| | | |
|---|---|---|
| Key priorities | Climate | Health |
| Foundation | People | Products |

To us, being accountable begins with running a financially sustainable and resilient business. Our robust financial approach goes hand in hand with assuming responsibility, because without resources to back our ambitions within climate change, health, food waste, and responsible procurement they remain mere objectives for the future. Our way has always been to back our goals financially and deliver on our ambitious targets. Even when it impacts the profitability of our business. 2022 was no exception to this approach.

Salling Group's sustainability strategy is based on two pillars and two key priorities.

> **Robust financial approach goes hand in hand with assuming responsibility**

Our foundation is the people we employ and the products we sell, as they combine to form the core of our business and are areas where we raise the bar and constantly seek to push our efforts further.

Our priorities are Climate and Health where we have the opportunity to make the most significant difference as a company.

Climate change is undoubtedly the biggest challenge in our time and we are fully committed to this shared agenda.

As a diverse retailer active across borders we have an obligation to offer healthy solutions to our customers and secure a safe and secure working environment for our associates. So we strive to promote a healthier future for all.

No single business can solve the complex challenges facing our Planet by itself and at Salling Group we aim to maximise our contribution by collaborating closely with our stakeholders. Going forward we will continue to contribute to our local communities and wherever we leave a footprint throughout our value chain. We maintain an active role in overcoming the challenges facing the World today. Not by ourselves, but in close collaboration with our customers, employees, suppliers, and partners.

# Environment

As Denmark's largest retailing Group, we embrace the responsibility we have to limit our footprint on the environment as much as possible. Whether it applies to biodiversity, $CO_2e$ emissions, food waste, water consumption or plastic waste. Ambitious targets within all these areas ensure that environment and climate is top of mind throughout the company in all of our decision making – from improved energy and logistics solutions, better waste management, less food waste to pertaining to our efforts to reduce plastic waste through minimising usage or recycling as much as possible thus avoiding that plastic ends up in nature where it doesn't belong.

Biodiversity and water consumption are two relatively recent focus areas. Around our headquarters untamed meadows are displacing lawns, allowing giant insect hotels to attract pollinators and aid local flora as a forerunner to the broad biodiversity efforts we will implement at warehouses and stores. Furthermore, we will work intensively with new targets for reduced water consumption in the years to come.

## GHG Scope 1 and scope 2 reductions

50% by 2030

95% by 2050

# Climate and energy investments

## Own operations

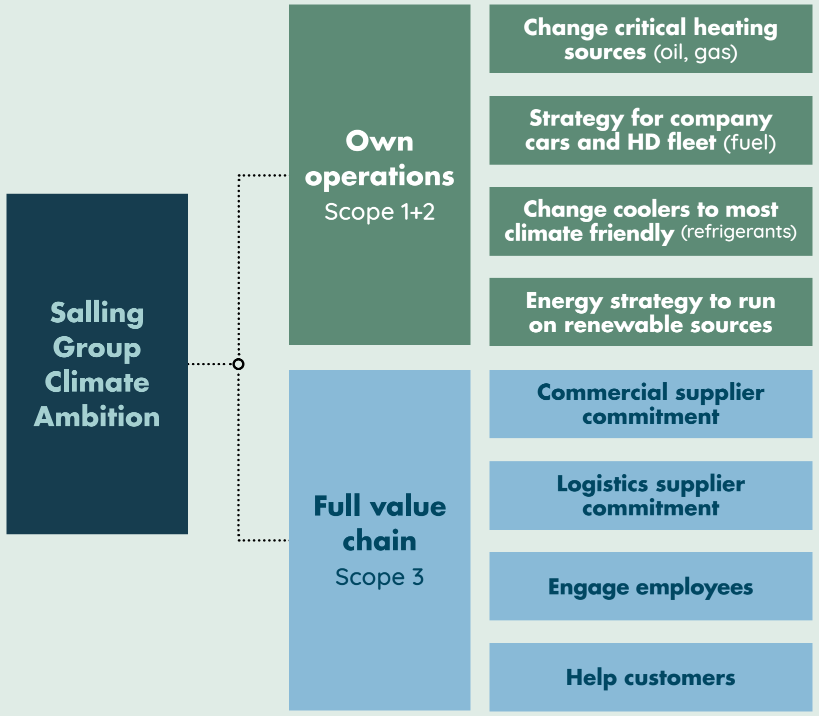
Through a materiality analysis we have chosen to focus by far the most intensely on energy consumption and energy usage this past year, allocating a highly significant part of our capex-spending for investments in energy reduction initiatives, benefitting both the climate and making our business less vulnerable to fluctuations in the energy market with 2022 being characterised by a regular crisis. The highly volatile, increasing prices made it both good business sense and climate sense to invest in a reduction of our consumption and a restructuring of our energy sources.

In 2022, Salling Group initiated the investment of DKK 2.4 billion in energy and climate transition and in becoming independent of Russian gas, speeding up energy and climate investments at an unparalleled pace that will significantly reduce the Group's energy consumption in Denmark, Germany and Poland.

Over the next three years, it is our ambition to remove gas boilers across the three countries and replace them with electrical heat pumps at 750 stores. At the same time, Salling Group plans to install solar panels on the roofs of a total of 570 Danish, German and Polish stores, warehouses and office buildings.

The investment is a direct extension of Salling Group's climate ambition but was accelerated heavily as a result of the current energy situation and a conscious policy to attain independence from Russian gas. Having already had a clear plan for reducing our energy consumption across markets in place, the massive investment will be spend on lowering energy spending and producing green energy ourselves across Denmark, Germany and Poland. In addition to replacing oil and gas-driven heat sources and integrating solar energy in all future construction, older refrigerators and freezers are being replaced by modern and more energy-efficient models equipped with glass doors in 725 stores, and new types of LED lighting is being introduced in stores that have already replaced their light sources in the past. With offices, warehouses and +1,700 stores spread over the three markets, one of Salling Group's challenges in the green transition has been the dependence on energy from fossil fuels and though not magically removing it from one day to the next, the investments constitute significant steps towards running fossil-free operations.

## Climate ambition road map




A total DKK 1.4 billion is invested in Scope 1 in decarbonisation, replacing gas with heat pumps and replacing remaining chillers while close to DKK 1 billion is invested in Scope 2 in solar panels, installing doors on all chillers in stores and replacing spots in føtex and Bilka with LED, leading to a reduction of almost 114,000 tonnes of $CO_2e$, a reduction of almost 30% of emissions from own operations across Scopes 1 and 2.

## Climate ambition

IMPROVING FUTURE CLIMATE. TODAY
salling group

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

# Breaking new ground with the Flex Platform


As the first food retailer on the pioneering Flex Platform, Salling Group provided 500 Netto stores with consumption flexibility as the stores will balance their electricity consumption based on the supply of green electricity in the network. Netto stores' electrical systems such as ventilation, cooling and heat pumps are integrated into one building management system which is connected to the Flex Platform and controlled via artificial intelligence with censors allowing us to utilise our energy data to reduce our consumption of electricity.

Through a test of the platform in føtex Greve, Salling Group learned among other things how long the store's ventilation system could be stopped at a time without it being noticeable in the store. The pilot proved to be feasible both in terms of shopping experience and economy and paved the way for roll-out in Netto.

Commercial buildings typically contain electrical systems such as ventilation, heating, cooling, freezing, which in total account for 40% of the total energy consumption. Around 30% of this consumption is considered to be flexible. As buildings retain heat and cold for a while, for example a ventilation system can be stopped or started based on how the wind is blowing outside without it affecting functionality or customers inside the buildings.

The Flex Platform is an innovative green, Danish solution - created in a partnership between IBM Denmark and the energy company Andel Energi. The solution is based on technologies such as AI, IoT and Blockchain and it works as an open ecosystem with several other suppliers. The platform can adapt buildings' total electricity consumption to the fluctuating production from renewable energy sources. This is done by storing energy in buildings.

## Value chain – Scope 3

In 2021, we committed to the internationally recognised Science Based Targets initiative (SBTi) thereby dedicating ourselves to the Paris Agreement's ambition to keep human caused climate changes below 1.5˚ C. In 2022 we formally applied, having committed to SBTi's Carbon Net Zero Standard and thus the goal of net zero emissions in the full value chain in 2050.

In our own operations across Scopes 1 and 2 emissions calculations are based on solid data. Scope 3 emissions calculations are based on generic emissions factors.

Through existing calculations of Scope 3, we already possess a strong overview of where in the value chain the largest emissions occur. Up to 95% of food retailing's $CO_2$e emissions occur in the production of the goods we sell, making it imperative to involve producers and suppliers in accordance with the Paris Agreement. Reductions in the full value chain require commercial supplier support.

Salling Group partnered up with the Carbon Disclosure Project (CDP) and went into dialogue with its largest suppliers about climate disclosure. CDP continuously monitors the progress of the suppliers' climate efforts. CDP can help our suppliers report on their emissions and climate efforts, thus ultimately securing real and objective reductions in the production of the goods we sell.

We have used CDP questionnaires in the dialogue with our suppliers to gain a concrete overview of which portion of their $CO_2$e emissions can be directly traced to the goods they produce to Salling Group and supply us with, thus allowing us in the future to base our actions on actuals in supply chain. We have asked our Top 140* suppliers to commit to CDP and will widen the scope to include a further 100 suppliers to Denmark, 100 to Germany and 100 to Poland in 2023 with the target of having 75% of our suppliers by emissions** to have set science based targets by 2027.

**46%**

**of invited suppliers submitted data.**

2022 was the first year that we got data from our suppliers regarding their $CO_2$e calculations and their work to reduce climate change. Getting closer to our suppliers´ data is vital to drive change throughout our value chain. Moving from generic life cycle assessments (LCAs) from databases to supplier specific $CO_2$e data will make our own value chain footprint more accurate, over time increasing the transparency of the full value chain and making the decarbonisation road ahead more clear.

* By spend
** Upstream

## Focus on water going forward

In our own operations water consumption is primarily tied to production and cleaning; either our own cleaning or through vendors. Our focus has primarily been to reduce volume in own operations but will switch to Salling Group's upstream activities where consumption is far greater at different stages. There, for instance, it can be related to wet processes within ready-made garment production or to irrigation within the agricultural industry. During the last few years, together with a long term supplier on fresh fruits and vegetables we have contributed to a relevant dialogue on the importance of responsible water management in regions where water is a scarcity. In connection with this initiative we have seen a positive development at producer level where several growers have implemented the water standard SPRING.

Our aim is to continue our efforts to identify production methods wherein water can be managed in a more optimal way. We want to implement good practices to save water where it matters the most.

## Battling deforestation in unity

90% of global deforestation is caused by expansion of agriculture. Two very essential raw commodities within this area are soy and palm oil. If conventionally produced they are potentially associated with increased GHG emissions, poor social conditions for workers, and violations in regards to indigenous people.

Salling Groups wants to reduce and remove these negative consequences and contribute to a healthy development aiming for 100% anti-deforestation and conversion-free supply chains of soy and palm oil. Additionally, it is equally important for us to tackle the related social challenges.

As both soy and palm oil appear as an ingredient in different food, nearfood and non-food products available in our stores, we are very focused on this agenda. In 2021 we joined the Danish Alliance for Responsible Palm Oil which, in addition to certain commitment points, provided us with a unique opportunity to discuss challenges and solutions among very dedicated stakeholders

For several years now, Salling Group has pursued RSPO certified palm oil and we have reached a stable level for our Danish sourced private label products. Our next step is to also implement our requirements across countries to include Germany and Poland.

As a Group-level target we are aiming for 100% physically certified palm oil supply chains for our private label products – and full transparency back to plantations by 2025.

For soy we experience that our footprint is linked primarily to indirect soy – this being soy as a protein source within animal feed. We need to take responsibility for products containing animal protein, and that counts for a varied assortment e.g., milk, meat, butter, cheese etc.

The cultivation of soy beans is equally linked to both environmental and social challenges such as deforestation, biodiversity loss, and harm to local communities. Salling Group is a founding member of the Danish Alliance for Responsible Soy and we aim to have 100% physically certified soy supply chains for our private label products across countries, including Germany and Poland, by 2025. In order to reach this goal we are actively inviting relevant stakeholders to dialogue as we aim collectively to find the best model and related tools to affect the market in a positive direction.

In connection with the forthcoming EU legislation on deforestation we are currently analysing the content and next step for us is to adjust our activities and initiatives accordingly. Our focus will be on data and management, as we will be reporting on a detailed level and will be creating comprehensive risk assessments in order to secure anti-deforestation and conversion-free supply chains for selected commodities.

Palm oil properties are unique as ingredients but come with a huge climate cost.

Palm oil may be certified organic. The organic certification requires no use of pesticides, chemical fertilisers and gene technology, but doesn't take deforestation and land-grabbing into account.

High increase in prices makes consumers give lower priority to sustainability issues such as climate and animal welfare when shopping.

# Social


## Our Purpose and values

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

Salling Group's values unite us as one company – across functions, chains and countries. The values express what we expect from each other and what others can expect from us.

Integrity

Passionate

Agile

Competitive

Efficient

## Our People strategy

2022-25 HR Strategy

**Passion for People**

**Leadership**
Take leadership to the next level

**The Young**
Win the young people

Strengthen Leadership Skills and Culture

Anchor Customer Centric Culture

Unfold Everyone's Potential

Secure Belonging and Well-being

Drive Remarkable Attraction

**Improving Everyday Life**

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


## Passion for people

Retail is a people business. And it is the people in our business that truly make the difference.

In the fast paced world of retail having the right people has always been important. However, attracting and retaining a work base with the right skills, values and mind set has never been quite as challenging as it is today.

Across the countries Salling Group operates in, recruiting new colleagues provided the dilemma in 2022 of a decreasing number of candidates as increasing inflation and a bleak outlook for the economy dampened the mobility in the job market while pressure on earnings across industries made the recruitment process even more trying. Far from discouraging us, the situation prompted us to focus even more on developing both our existing employees and our employer value proposition.

As one of Denmark's largest and most diverse companies we recognise that our employees are by far our greatest asset and the foundation of our continuous development – as they prove on an everyday basis. Home to almost 60,000 employees encompassing a total of 118 different nationalities we know that we are not only responsible for our own associates but indeed have a unique opportunity to impact our local communities positively.

## Anchoring our strategic people-priorities

In 2022 we adopted our new HR-strategy and began the application of it with a thorough walk-through for the Top 150 managers across the Group. Since then, concrete actions both centrally and locally have kick-started the implementation.

The strategy's headline 'Passion for People' underlines and captures our approach to our associates as we focus on Leadership and the next generation during the strategy period. Our foundation remains 'Improving Everyday Life' as our purpose continues to inspire and motivate us as the powerful driver of all our actions which in the coming years will centre on:

- Strengthen leadership skills and culture
- Anchor customer centric culture
- Unfold everyone's potential
- Secure belonging and well-being
- Drive remarkable attraction

## Taking diversity forward

In 2022 once again the Financial Times named Salling Group one of the best companies in Europe to promote diversity and inclusion in the workplace. Placed in the Top 3 of 75 European retailers we are genuinely proud to have been acknowledged for our efforts to create a working environment where everybody has the opportunity to make a difference and where the full realisation of one's potential is attainable for everyone. As the highest ranking Danish company in the Top 100 of the Financial Times ranking, Salling Group came in at number 30 overall, which is testament to our relentless focus on ensuring equal opportunities for all.

Encompassing around 15,000 companies, more than 100,000 employees participated in the survey assessing companies' inclusiveness and efforts to promote various aspects of diversity, including gender balance, openness to all forms of sexual orientation, race and ethnicity, disability and age.

**21%**
**women at director+ level***

**56%**
**of all employees are women***

*See table on page 109

## Speaking up about dyslexia

2022 saw Salling Group launch a nationwide effort in Denmark to put an end to prejudice about dyslexia and instead encourage colleagues, customers and the society in general to focus on dyslexics' strengths. Among many other initiatives as part of the initiative Salling Group made dyslexia-friendly reading and writing tools available to all interested employees on both PCs and smartphones in stores, made it mandatory for all managers to complete a course on dyslexia and will be offering job-seeking candidates non-verbal tests as an alternative to classic written personality and skills test in the recruitment process going forward.

A key component of the effort was formed by the inspiring Salling Group colleagues covering both store managers, coordinators, team leaders and management trainees, who chose to share their stories as ambassadors, highlighting that dyslexia doesn't have to be a barrier.

Following this sustained effort to become a reading and writing-friendly workplace for all employees in Denmark, Salling Group received the prestigious Dyslexia Award 2022 presented by the Dyslexia Association. The association emphasised in its motivation that the retailing group had worked to remove barriers that can make it difficult for dyslexics to develop their full potential and actively promoted the strengths that come with being dyslexic through an innovative and highly motivating approach.

Around seven percent of the Danish population is estimated to be dyslexic and studies* show that on average dyslexics are better at communicating, solving complex problems, thinking innovatively, creatively, visually and creating relationships but often unable to fulfil their full potential due to prejudice and barriers in the labour market.

As part of the Group's effort in 2022, Salling Group became the first company in Denmark to be certified as a reading and writing-friendly workplace by the company Vitec MV. Salling Group plans to broaden the scope of the initiative over the coming years to include Germany and Poland with preliminary ground work initiated in the latter.

*https://www.madebydyslexia.org/The-Dyslexic-Dynamic-Report.pdf

**Our employees are by far our greatest asset**

## Praising talent and togetherness

For a third time, Salling Group invited almost 45,000 employees in Denmark to an employee get-together in our own backyard as the outdoor area behind the head office outside Aarhus formed the setting for Denmark's largest company party with full catering and live music on a sunny June Sunday. The event named 'allin22' was organised in appreciation of the tremendous effort employees across the Group contributed with during COVID-19. allin22 acknowledged colleagues in Bilka, føtex, Netto, BR, Salling department stores, franchise, supply chain and logistics and all other central functions for a job well done working under two years of Corona-restrictions across more than 700 Danish stores, distributions centres, offices and restaurants.

To ensure that as many employees as possible could participate, allin22 took place on Whitsunday with the majority of Salling Group's stores closed the following day due to it being a public holiday.

In the Autumn, close to 400 apprentices and their families gathered for the inaugural celebration of Salling Group's graduating classes. Among other highlights our formats honoured their Graduates of the Year.

The Group trains as many as 500 bakers, gourmet butchers, sales assistants, buyers, management trainees and administrative and logistics students on a yearly basis and the event was the first time graduating apprentices from across the business were gathered for a joint celebration of their progress. Apart from delivering an essential contribution already, the graduates form a crucial pipeline for formats and shared formats alike.

The one day live musical festival and the celebratory graduate event were made possible by generous donations from Salling Group's owners, the Salling Foundations.

## In honour of Denmark's veterans

In 2022, the award as Veteran Company of the Year was presented to Salling Group for the extraordinary effort to help and include Denmark's war veterans. The award was handed over by the Minister of Defence who thanked Salling Group for a dedicated effort over several years and for leading the way, taking responsibility and breaking down barriers, as he emphasised that veterans possess characteristics and skills that are an asset to a company. Whether it is leadership qualities, logistical skills or a strong community spirit.

The award was presented in Bilka Næstved, where CEO Per Bank took the opportunity to thank the many Salling Group-employed veterans for their efforts to restore peace and promote democracy under extremely challenging conditions around the World.

Salling Group has been active in the veterans field for several years and offers veterans - including injured veterans - employment in, among other areas, retail, warehouse and logistics. Salling Group also helps veterans translate their military experience into civilian skills for employment in the civilian labour market in other companies.

2022 marked the third time that the award as Veteran Company of the Year has been awarded. The purpose of the award is to recognise companies that are open to veterans' special skills and retain them on the labour market to the benefit of both veterans and companies.

## Engaging colleagues in our shared work place

Salling Group introduced a new employee engagement survey called myVoice in 2021 to Danish employees and in 2022 rolled it out to include all colleagues in Poland and Germany, too. myVoice provides each employee with the opportunity to help make a strong workplace even better to the benefit of colleagues in stores, restaurants, warehouses and head offices. Through employee feedback and insights, myVoice provides valuable directions for what actions and behaviours should be continued or enhanced and what needs to be discontinued or worked on to improve.

The 2022 engagement survey was met with a high participation share of 64% and included as a new feature a section on psychological security as this correlates with well-being and sense of belonging to a significant degree. The ability to express oneself freely and receive honest feedback has been a focus area in Salling Group for an extended period due to the connection between psychological well-being and performance, security and satisfaction as the Group places great emphasis on managers who create a team environment with a focus on the company's IPACE values.

**64%**
**response rate**

## Celebrating diversity with Sunflowers

In 2022, Salling Group entered into partnership with the Hidden Disabilities Sunflower Scheme as the Group handed out free Sunflower-strings to customers across more than 700 Danish stores and to colleagues in stores, warehouses and head offices to highlight and champion accessibility for people with invisible disabilities. The yellow sunflower on a green background hanging on a string around the neck tells an individual's surroundings that the person wearing it may need extra assistance or understanding, for example if it is difficult to identify an item, remember the code for the payment card or if he or she may need extra distance or time during checkout.

The Sunflower string gives people with hidden disabilities and invisible diagnoses the opportunity, in a discreet way, to signal a need for special consideration and extra help. In addition to distributing the Sunflower string, Salling Group employees and managers were trained to handle the situations that may arise when they meet people wearing the sunflower string.

It may appear to be just a string but the pride our associates have taken in the initiative has been heart-warming and the collaboration with the Hidden Disabilities Sunflower Scheme impeccable. Going forward, Salling Group hopes to be able to help raise awareness and understanding of hidden disabilities in Germany and Poland while continuing the push in Denmark.


# Manners, please!

While the vast majority of customers shop with consideration towards employees and fellow customers, an increasing number of incidents proving the opposite blemished the workdays and shopping trips throughout 2022 and led to Salling Group and the trade union HK launching a joint campaign to restore order and make the working environment safe and enjoyable for all.

The unfortunate development took off during the stress and insecurity of the Corona pandemic and seems to have intensified its untimely spiral during inflation and economic hardship in 2022. A study conducted by HK Handel showed that almost 80% of the union's members employed in shop areas across retailers had experienced foul language or worse from customers within the past 12 months.

The campaign was launched leading up to the busy Christmas period when tempers traditionally flare and emotions get the better of some customers. The parties will evaluate and assess the joint effort to see if similar initiatives should be conducted or if other next steps are required to improve manners on the shop floor.

**59,696**
**employees**

**118**
**nationalities**

# Health

## We want to inspire and make it easier for everyone to make healthier choices

Customers are the backbone of our business, and we continuously strive to be better at creating value for our customers by making it easier to prioritise health and sustainability when shopping in our stores.

Health is more important than ever to our customers, and an ongoing dialogue with customers has shown an increasing demand for healthier products but also shown the complexity, leaving us with three main customer pain points:

- fulfilment of health needs and inspiration by new healthy options
- navigation to find healthy alternatives on the shelves
- promotion of healthy alternatives through campaigns and communication

Germany, France and England have schemes which rank foods according to their nutritional content, while Denmark has 'the Keyhole label', an official nutrition label that helps the customer make healthier choices and live by the 'Official Dietary Guidelines'.

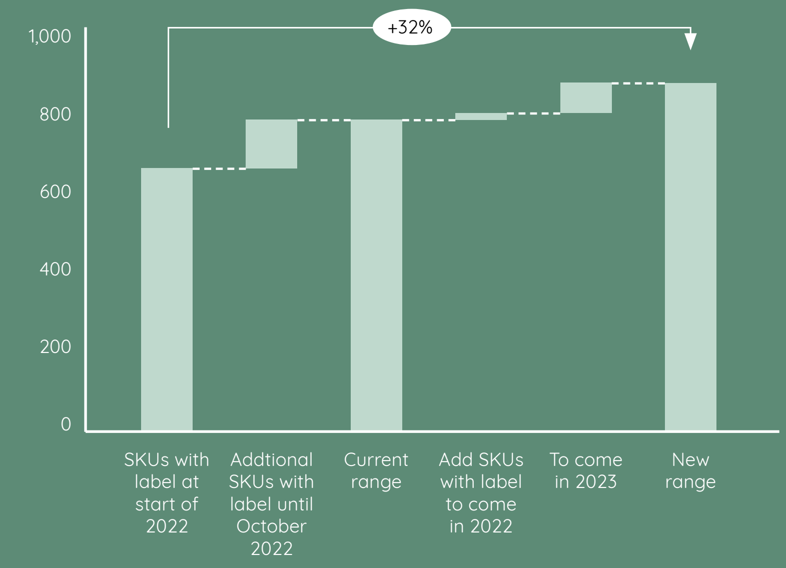
Salling Group wants to meet customer demands by making healthier products more available and visible in stores. Working with 'the Keyhole label' as well as 'the Whole Grain label' are great examples of how retailers can guide customers to make healthier choices.

We are making it easier for customers to identify the Keyhole and Whole Grain labelled products in our stores. As an example føtex and Bilka are highlighting the Keyhole and Whole Grain labels in their leaflets, explaining what they mean.

Salling Group wants even more Keyhole and Whole Grain labelled products, focusing on health and inspiring customers to make healthier choices in 2023. By the end of 2023, there will be 32% more products having the Keyhole label and 16% more with the Whole Grain label compared to the beginning of 2022.

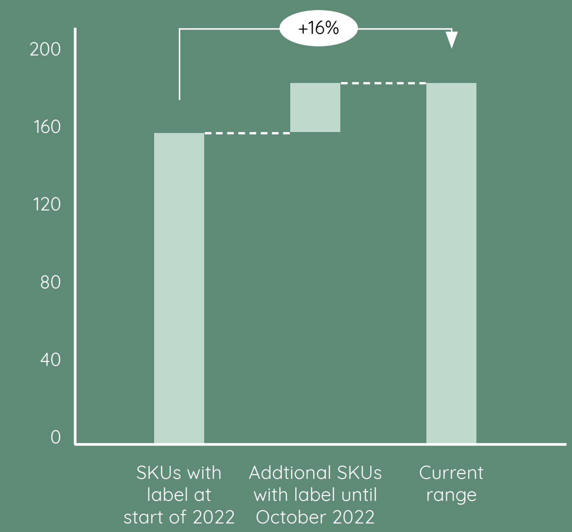
## The Keyhole label

At the beginning of 2022, Salling Group had a total of 673 products with the official Keyhole label in our assortment. For a product to receive the Keyhole label, it must live up to requirements such as a high share of dietary fibres but also less fat, saturated fat, sugar and salt – exactly as the official dietary guidelines recommend.




## The Whole Grain Partnership

We are part of the Whole Grain Partnership, which aims to promote public health by helping Danes to eat more whole grains. The Whole Grain logo guides our customers to choose products with lots of whole grains. In whole grain products all parts of the grain are included – including germ and shell parts, where most of the fibres, vitamins and minerals are present.



# Governance

Testament to the importance we attach to our responsibility efforts, we have aligned our organisation to match the governance structure of the financial side of the business.

## Anchoring responsibility at the top

With the establishment of Salling Group's Sustainability Committee, overarching responsibility is anchored with the Group's Board of Directors who comprise the committee which has the company's CEO as sponsor.

Not only does the Sustainability Committee function as an overall advisory body that can support strategy development and monitor compliance. It also seeks to continually challenge the level of ambition and push for development, having equated the Board's responsibility for the company's financial performance with the responsibility Salling Group continues to take in society.

The responsibility for securing our correct annual reporting has for many years been anchored with Salling Group´s Audit Committee.

**Salling Group's Sustainability Committee is composed of:**

- **Bjørn Gulden**, Chairman of the Board (Committee Chair)
- **Thomas Tochtermann**, Board member
- **Per Bank**, CEO (Sponsor)
- **Jo Ottow Svendsen**, Vice President, Business Support & ESG Reporting
- **Henrik Vinther Olesen**, Group Vice President, Communication, CSR & Public Affairs

**Salling Group's Sustainability Committee will continue to:**

- Provide overall advice and support on the Group's sustainability strategy
- Follow up, challenge and approve initiatives for fulfilling the ambitions
- Monitor compliance with local, national and international laws and regulations

**Salling Group's Audit Committee is composed of**

- **Jens Bjerg Sørensen,** Deputy chairman (Committee Chair)
- **Marianne Kirkegaard,** Board member
- **Freddy Sobin,** Board member
- **Anders Hagh,** CFO
- **Randi Toftlund,** Senior Vice President, Corporate Finance

**The Audit Committee's primary function is to secure an independent and objective supervision of**

- The process for the Group´s presentation of the Annual Report
- Policy compliance
- Internal controls and risk management

### Due Diligence

Salling Group respects all international human rights declarations and act diligently by implementing policies and procedures that contribute to the prevention and mitigation of identified adverse human and labour rights or environmental risks in our value chain.

Our primary preventive measure is third party auditing according to international recognised social and environmental standards. Through audit reports we are able to get a snapshot of the controlled production unit and thereafter start an essential and thorough conversion on how to optimise procedures, management and practices. The main goal is to help lift our upstream partners and ensure that they can live up to our Code of Conduct.

Discovered non-compliances are acted upon with the timescale for remediation depending on the severity of the finding. Remediation is a collective task and Salling Group contributes with guidance and capacity building in order to strengthen our production partners for the good of both people and the environment.

# The Board

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

**Bjørn Gulden**
Chairman
CEO, Adidas

Born 1965 – male
Appointed 2020

**Professional experience:**
Member of the Board of Directors at Essity AB and the Supervisory Board at Tchibo Gmbh.

Former CEO of PUMA SE and member of the Executive Committee of Kering, CEO of Pandora, Vice President at Deichmann, and various positions at Adidas including Vice President of Apparel and Accessories.

Former member of the Supervisory Board of Borussia Dortmund and a former professional footballer.

Mr. Gulden has extensive international experience in the sports lifestyle and footwear Industry.

**Jens Bjerg Sørensen**
Deputy chairman
CEO, Schouw & Co. A/S

Born 1957 – male
Appointed 2015

**Professional experience:**
Holds a number of board positions in leading international companies and foundations. He is a.o.t. Chairman of F. Salling Invest A/S and F. Salling Holding A/S, Chairman of Købmand Herman Sallings Fond, Chairman of Fibertex Nonwovens A/S and Chairman of Danfoss A/S.

Mr. Sørensen has long experience with board work, management and innovation and has in-depth knowledge of Salling Group´s activities.

**Marianne Kirkegaard**
President and CEO,
CSM Bakery Solutions

Born 1968 – female
Appointed 2014

**Professional experience:**
Executive Chairman at Baker & Baker, member of the Board of Directors at Pandora, Faerch, AAK, Biomar and Wahoo Fitness, and the Advisory Board of ATP LDK.

Former Commercial Director of Unilever Hungary, Market Manager/Sales Director at Coca Cola and Senior Marketing Manager at Unilever.

Mrs. Kirkegaard possesses a broad knowledge of various consumer goods brand categories and has great international experience

**Freddy Sobin**
CEO, Kicks AB

Born 1981 – male
Appointed 2014

**Professional experience:**
CEO of Consortio Fashion Group, Chairman of the Board at Skincity and New Bubbleroom Sweden, First Vice Chairman in the Swedish Trade Federation and Board Member of the Confederation of Swedish Enterprise.

Mr. Sobin makes a special contribution to the board with his knowledge and long experience of e-commerce, omni channel strategies and digital transformation.

# The Board – continued

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

**Thomas Tochtermann**
Director Emeritus & Senior Advisor, McKinsey & Co.

Born 1960 – male
Appointed 2016

**Professional experience:**
Chairman of the Board of Momox Holding SE, Member of the Advisory Committee of Jahr Holding GmbH & Co. KG, Chairman of Board of Hirmer Hospitality, Vice Chairman of the Board of Global Fashion Agenda.

Mr. Tochtermann has extensive experience in corporate and business strategy, marketing and sales, organisation and corporate governance and works with key industrial players and circular economy investors.

**Lasse Lippert Laursen**
Chairman of Landsklubben Salling Group

Born 1961 – male
Appointed 2018

**Jonas-Tobias Andersen**
Head of Service Unit, Bilka Kolding

Born 1978 – male
Appointed 2022

**Samuel Rützou**
Store Manager, føtex Vesterbrogade

Born 1982 – male
Appointed 2022


# Tax payment

## Contributing to society

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

Underlining the importance we attach to an open and fair tax practice, overarching responsibility for Salling Group's tax policy is placed within the company's Board of Directors. Our tax policy is presented to the audit committee and aligned at least on a yearly basis before sign off by the Board. Operating companies in Germany and Poland as well as in Denmark, where by far the largest activities take place, Salling Group focuses on complying with the tax legislation in all countries, just as we strive to communicate transparently regarding tax.

Salling Group does not operate businesses in low tax jurisdictions, nor do we apply special tax optimisation models designed for tax avoidance. As a company, we strive to contribute through constructive participation in national and international dialogue with governments, authorities and business groups to support the development of transparent tax systems and effective tax administration.

In addition to collaborating internationally, we are an active partner in the Danish tax governance cooperation with The Danish Customs and Tax Administration as a part of our risk management set up. Our role in this dialogue forum provides us the opportunity to clarify questions in advance as part of a pre-review to avoid inaccuracies and speed up tax processes. As one of the highly significant domestic tax contributors and as part of the 100 largest corporations in Denmark we were among the initial members of the set up with the aim of securing smooth processes through a voluntary approach. We regard our participation as a form of compliance stamp on our practice.

Salling Group's tax policy is based on four main priorities:

- Compliance with tax legislation
- Transparency in tax policy and payment
- Tax risk management
- Responsible tax structure and planning

Our strategy enables us to monitor various taxes and duties and to act quickly, reliably and efficiently in an often complex area, so that the company can ensure the most accurate payment of taxes and duties related to our overall activities at all times.

According to the published corporate tax record for 2021[2], F. Salling Holding A/S, which is the administrative tax unit for Salling Group, was the 17th largest corporate income tax payer in Denmark in 2021 with a total corporate tax payment of DKK 515 million. Our 2022 total corporate tax contribution is DKK 432 million in Denmark. F. Salling Holding A/S is responsible for paying all corporate tax to the authorities on behalf of the Danish companies in the Group.

## Total tax payment

In 2022, the total tax contribution[3] from the Group amounted to DKK 8,198 million, compared to DKK 8,533 million in 2021. This includes both taxes paid indirectly by our company (taxes collected), such as VAT and employee income tax, and taxes paid directly (taxes borne), such as corporate income tax and property taxes.

## Taxes and duties collected

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

## Taxes and duties borne

The company's own taxes and fees consist of corporate tax, energy tax, environmental tax and property tax. The largest share of own taxes and levies being corporate tax (68%). The Danish entities in the Group delivered a total corporate tax of DKK 432 million. In addition, company taxes totalling DKK 247 million were paid abroad.

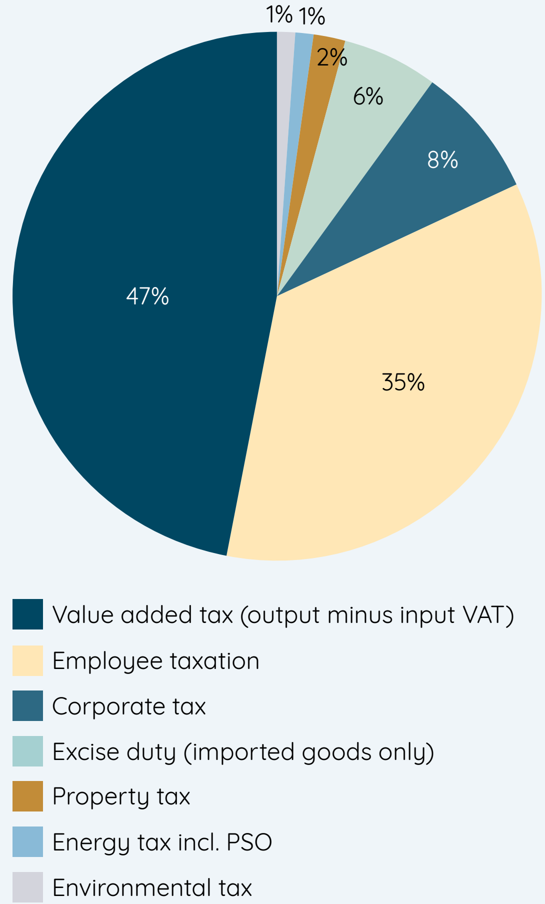
[1] https://storage.sallinggroup.com/media/2622/tax.pdf

[2] Press release February 1st 2023 on 2021 corporate tax payments from The Danish Ministry of Taxation

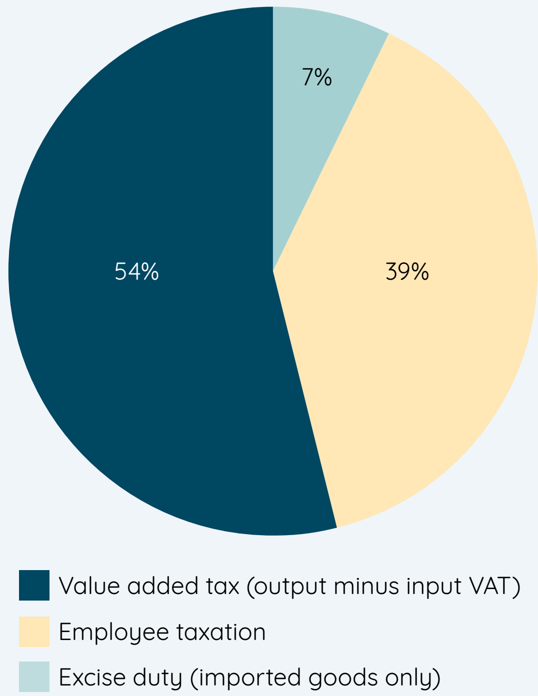
[3] The presentation is made in accordance with the standardised Total Tax Contribution methodology

# Tax 2022

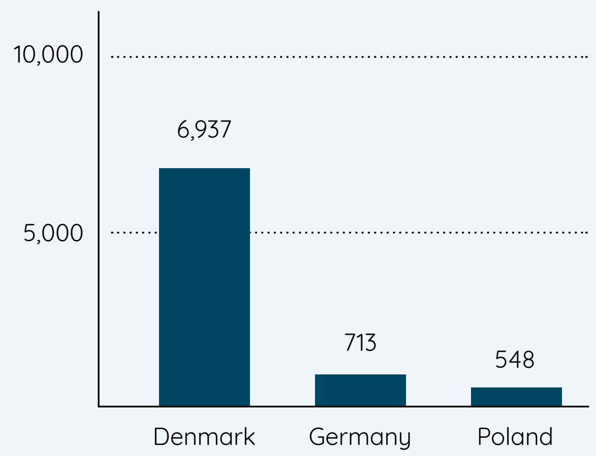
### Total tax contribution - divided into categories
Total DKK 8,198 million



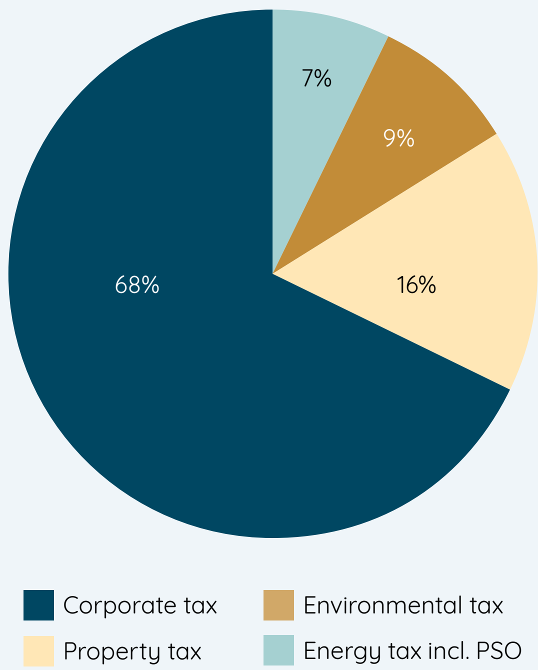

### Taxes and duties collected
Total DKK 7,204 million




### Total tax contribution - divided by countries
Total DKK 8,198 million

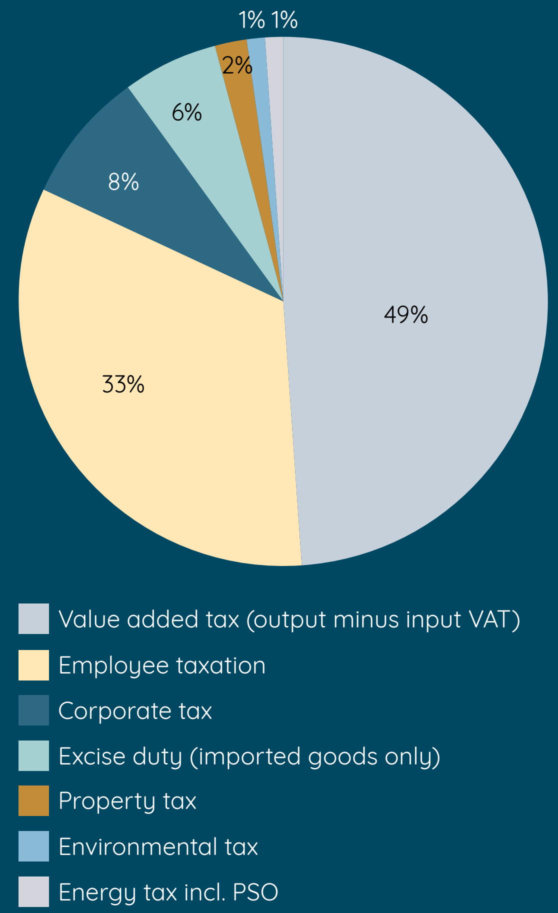



### Taxes and duties borne
Total DKK 994 million

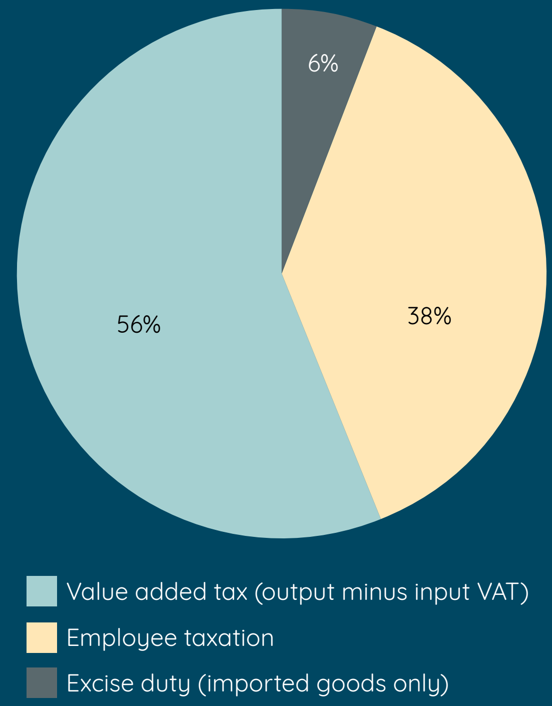



# Tax 2021

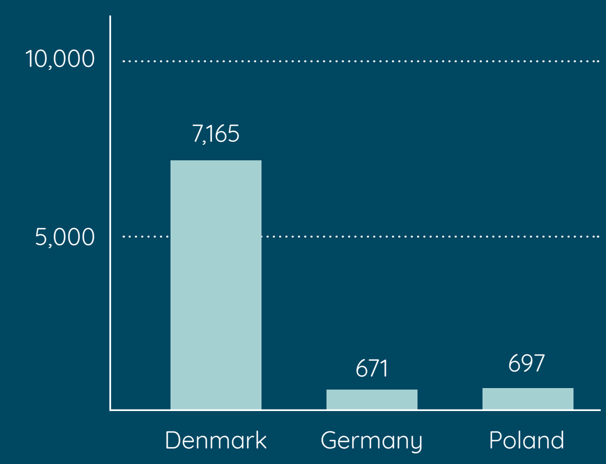
### Total tax contribution - divided into categories
Total DKK 8,533 million



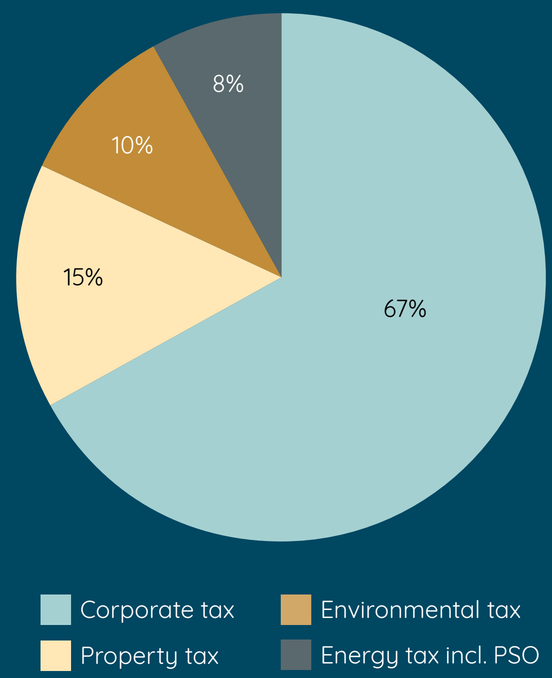

### Taxes and duties collected
Total DKK 7,506 million

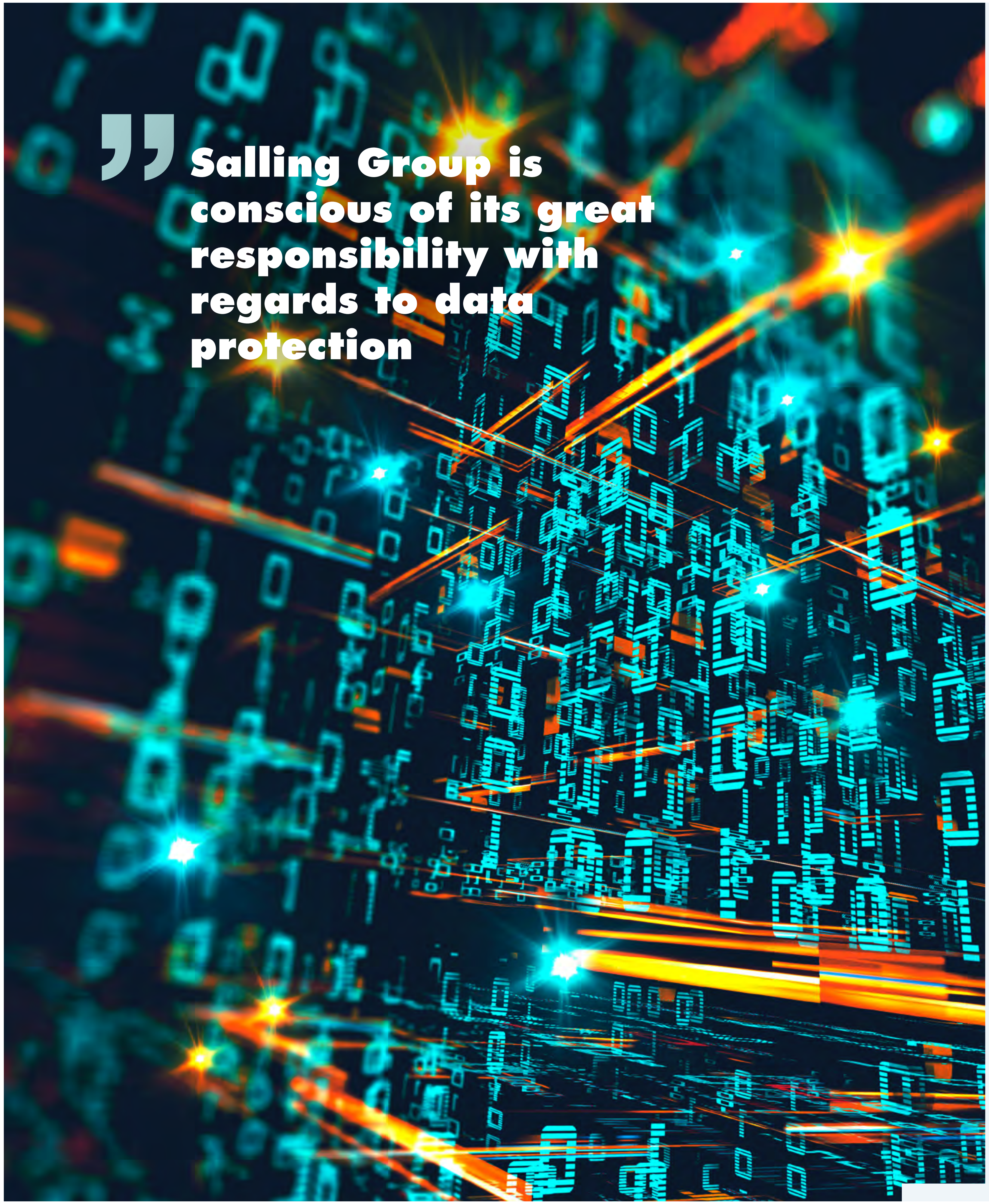



### Total tax contribution - divided by countries
Total DKK 8,533 million




### Taxes and duties borne
Total DKK 1,027 million






# Data ethics policy

## Improving everyday life

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

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

## Responsibility

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

## Transparent and safe processing of personal data

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

## Data security

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

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

https://projectsunshineprod.blob.core.windows.net/media/3033/data-ethics-policy.pdf

# Group Performance

# Group performance

Salling Group operates six different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, BASALT, Salling and BR are operated as physical stores, while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl´s Jr. as franchises in Denmark. At the beginning of 2022 wupti.com was closed.

The parent company's activities include all retail activities in Denmark, except for the sale of meal boxes that takes place through Skagenfood A/S.

In late 2022 it was decided to expand home delivery of groceries to a wider geographical area in Denmark. Beginning later in 2023, home delivery will be anchored in selected Bilka stores with shorter transport between fulfilment and customers and provides a larger assortment and even stronger promotions. As a consequence føtex home delivery was closed down in January 2023. The financial result for 2022 includes a one-off charge of DKK 100 million to cover costs for closing down the activities including impairment of intangible and tangible assets, severance pay and other provisions.

## Market development

The significant rise in inflation caused a shift in customer behaviour in all our markets which led to a shift towards the discount segments and an increase in promotion share.

During 2022, Netto rolled out more of the new Netto 3.0 store concept through refurbishment of existing stores and expansion with new locations in all three markets. In total during 2022, 219 Netto stores were refurbished as 3.0 stores including conversion of remaining Tesco stores in Poland, and the customer response to the new concept continues to be promising. In Denmark the number of 3.0 conversions was 78, and in Germany the number of 3.0 conversions was 31 stores. In Poland, 110 stores was converted in total where 58 was former Tesco stores.

Furthermore, a new ultra-discount format BASALT was launched as a test in Denmark in Autumn 2022 with 10 stores end of 2022. The performance and customer adaption will be evaluated in 1H 2023 in order to make a decision on whether to continue the test.

Salling Group has in 2022 continued to gain market share on food in Denmark and increase the gap to number two in the Danish grocery market.

The expansion continued in all countries in 2022 with the opening of 81 new stores of which 58 were former Tesco stores in Poland. During the year Salling Group closed 1 store and 10 Netto stores in Denmark were converted to the new BASALT format.

## Financial result

**Revenue**

The total revenue for 2022 amounts to DKK 66,521 million, an increase of DKK 319 million compared to 2021. In March 2021, Salling Group acquired Tesco's operation in Poland, in total 301 stores. In 2021, the total revenue was positively impacted by old Tesco stores trading with the Tesco banner which have been closed down and converted during 2021 and 2022. The conversion to Netto stores was finalised in March 2022, and in total 247 previous Tesco have reopened as Netto. For the remaining locations the lease agreement have been terminated and freeholds are either sold or held for sale.

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

The total revenue for 2022 amounts to DKK 66,521 EBITDA before special items is DKK 4,324 million, which is a decrease of DKK 668 million compared to 2021. The result for 2022 is impacted by changed consumer behaviour following the significant rise in inflation during 2022. Further, increased cost for gas and electricity had an impact of more than DKK 500 million on fixed cost.

**Impairment**

Impairment amount to DKK 140 million which mainly relates to impairment of 12 Danish stores, 28 Polish stores and 8 German stores.

**Operating profit (EBIT)**

Operating profit (EBIT) is DKK 1,940 million, which is a decrease of DKK 1,012 million compared to 2021. The decrease is mainly driven by lower EBITDA and higher impairment losses.

**Profit for the year**

Profit for the year is DKK 972 million, which is DKK 970 million lower than in 2021. The decrease was mainly due to lower operating profit.

## Cash flow

Net cash flows from operating activities amount to DKK -587 million compared to DKK 3,719 million in 2021. The decrease is mainly impacted by:

- Decrease in profit for the year due to higher purchase prices as a consequence of the inflation and increasing energy prices.
- Implementation of the Unfair Trading Practice (UTP) Regulation in 2022 had a negative impact on the trade payable balance end of the year comparing to 2021 of more than DKK 3,000 million.

## Investments

Investments in intangible assets, properties, plant and equipment and investment properties amount to DKK 1,993 million in 2022 comparing to DKK 2,270 million in 2021.

In March 2022, Salling Group announced an ambitious plan to invest DKK 2.4 billion in energy reducing initiatives benefiting also our $CO_2e$ emissions.

The first phase of the investments was initiated in 2022 and will continue in the years ahead.

## Dividend

Net cash flows from financing activities include dividend paid out of DKK 200 million which is same level as in 2021.

## Employees

As at 31 December 2022 Salling Group employed 59,696 employees (61,874 as at 31 December 2022). The average number of full-time employees in Salling Group equals 30,334 in 2022 (32,899 in 2021).

## Particular risks

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

## Expected development

Salling Group expects higher turnover in 2023 compared to 2022 primarily due to inflation. The profit for the year 2023 is expected to be a slight improvement compared to 2022.

## Subsequent events

No subsequent events have occurred that affect the annual report for 2022.

# Financial statements

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# Consolidated financial statements

## Consolidated income statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Revenue from contracts with customers | 66,026 | 65,759 |
| | Other revenue | 495 | 443 |
| 4 | Total revenue | 66,521 | 66,202 |
| | Cost of sales | -47,579 | -47,285 |
| | Gross profit | 18,942 | 18,917 |
| 5 | Staff expenses | -8,619 | -8,688 |
| 6 | External expenses | -5,999 | -5,237 |
| | Operating profit before depreciation, amortisation and impairment losses and special items (EBITDA before special items) | 4,324 | 4,992 |
| | Depreciation and amortisation | -2,343 | -2,220 |
| | Impairment losses, net | -140 | -85 |
| | Net gain on disposal of investment properties, property, plant and equipment and intangible assets | 99 | 64 |
| 7 | Special items | - | 201 |
| | Operating profit (EBIT) | 1,940 | 2,952 |
| 8 | Financial income | 65 | 98 |
| 9 | Financial expenses | -645 | -564 |
| | Profit before tax | 1,360 | 2,486 |
| 10 | Income tax | -388 | -544 |
| | **Profit for the year** | 972 | 1,942 |

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

## Consolidated statement of other comprehensive income

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | **Profit for the year** | 972 | 1,942 |
| | **Other comprehensive income, net of tax** | | |
| | **Items that will not be reclassified to the consolidated income statement** | | |
| 10 | Remeasurement of defined benefit plans | 8 | -3 |
| | | 8 | -3 |
| | **Items that subsequently are or may be reclassified to the consolidated income statement** | | |
| 10 | Exchange rate differences on translating foreign operations | -122 | -68 |
| 10 | Cash flow hedges, value adjustment for the year | 281 | 42 |
| 10 | Cash flow hedges, reclassified to financial expenses | 60 | 78 |
| | | 219 | 52 |
| | **Other comprehensive income for the year, net of tax** | 227 | 49 |
| | **Comprehensive income for the year** | 1,199 | 1,991 |

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

# Consolidated financial statements

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Assets | 2022 | 2021 |
|---|---|---|---|
| | **Non-current assets** | | |
| 11 | **Intangible assets** | | |
| | Goodwill | 57 | 57 |
| | Software | 697 | 844 |
| | Software development in progress | 51 | 84 |
| | Brands | 75 | 84 |
| | Other intangible assets | 31 | 38 |
| | Total intangible assets | 911 | 1,107 |
| 12 | **Property, plant and equipment** | | |
| | Land and buildings | 18,434 | 18,606 |
| | Fixtures and fittings, tools and equipment | 2,908 | 2,668 |
| | Leasehold improvements | 695 | 705 |
| | Assets under construction and prepayments | 68 | 285 |
| | Total property, plant and equipment | 22,105 | 22,264 |
| 13 | **Right-of-use assets** | | |
| | Land and buildings | 5,206 | 5,803 |
| | Fixtures and fittings, tools and equipment | 86 | 69 |
| | Total right-of-use assets | 5,292 | 5,872 |
| 14 | **Investment properties** | 568 | 304 |
| | **Financial assets** | | |
| 15 | Other non-current financial assets | 103 | - |
| | Total financial assets | 103 | - |
| 16 | **Deferred tax assets** | 84 | 88 |
| | **Total non-current assets** | **29,063** | **29,635** |

## Consolidated balance sheet at 31 December

*DKK million*

| Notes | Assets - continued | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | 29,063 | 29,635 |
| | **Current assets** | | |
| 17 | **Inventories** | 5,892 | 5,322 |
| | **Receivables** | | |
| 15 | Trade receivables | 81 | 85 |
| | Income tax receivables | 51 | 10 |
| 15 | Other receivables | 686 | 599 |
| | Prepayments | 143 | 140 |
| 15 | Other current financial assets | 97 | 7 |
| | Total receivables | 1,058 | 841 |
| 15 | **Securities** | 1,114 | 2,766 |
| 15 | **Cash and short-term deposits** | 847 | 2,139 |
| 18 | **Assets classified as held for sale** | 56 | 16 |
| | **Total current assets** | **8,967** | **11,084** |
| | **Total assets** | **38,030** | **40,719** |

# Consolidated financial statements

## Consolidated balance sheet at 31 December

*DKK million*

**Equity and liabilities**

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | **Equity** | | |
| | Share capital | 524 | 524 |
| | Retained earnings | 10,041 | 9,261 |
| | Cash flow hedge reserve | 157 | -184 |
| | Foreign currency translation reserve | -522 | -400 |
| | Proposed dividends | 200 | 200 |
| | **Total equity** | **10,400** | **9,401** |

## Consolidated balance sheet at 31 December

*DKK million*

**Equity and liabilities - continued**

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | 10,400 | 9,401 |
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| 19 | Pensions | 210 | 243 |
| 16 | Deferred tax liabilities | 556 | 589 |
| 20 | Provisions | 132 | 158 |
| 15 | Mortgage loans | 7,283 | 7,462 |
| 13, 15 | Lease liabilities | 5,102 | 5,689 |
| 15 | Other non-current financial liabilities | 16 | 155 |
| | **Total non-current liabilities** | 13,299 | 14,296 |
| | **Current liabilities** | | |
| 20 | Provisions | 68 | 44 |
| 15 | Mortgage loans | 150 | 150 |
| 13, 15 | Lease liabilities | 821 | 701 |
| 15 | Bank loans | 534 | 2 |
| 15 | Other current financial liabilities | 367 | 637 |
| 15 | Trade payables | 9,733 | 12,611 |
| | Income tax payable | 56 | 63 |
| 15 | Other payables | 2,598 | 2,801 |
| | Deferred income | 4 | 13 |
| | **Total current liabilities** | 14,331 | 17,022 |
| | **Total liabilities** | **27,630** | **31,318** |
| | **Total equity and liabilities** | **38,030** | **40,719** |

# Consolidated financial statements

## Consolidated cash flow statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Profit before tax | 1,360 | 2,486 |
| 21 | Adjustments | 2,923 | 2,280 |
| 22 | Change in working capital | -3,746 | -91 |
| | Net cash flows from operating activities before financial items and tax | 537 | 4,675 |
| | Financial income received | 81 | 78 |
| | Financial expenses paid | -642 | -564 |
| | Income tax paid | -563 | -470 |
| | **Net cash flows from operating activities** | **-587** | **3,719** |
| 11 | Purchase of intangible assets | -109 | -175 |
| 12 | Purchase of property, plant and equipment | -1,884 | -2,080 |
| 14 | Purchase of investment properties | - | -15 |
| | Proceeds from sale of investment properties, property, plant and equipment and intangible assets | 312 | 148 |
| 23 | Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries | -1 | -192 |
| | Purchase of securities | -254 | -1,214 |
| | Sale of securities | 1,906 | 2,900 |
| | **Net cash flows from investment activities** | **-30** | **-628** |

## Consolidated cash flow statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | -617 | 3,091 |
| | Net repayments to related parties | -183 | -54 |
| | Net repayments from related parties | 2 | 5 |
| 13 | Payment of lease liabilities | -637 | -631 |
| | Net payments bank loans | 501 | - |
| | Repayment of borrowings | -179 | -1,601 |
| | Dividends paid to the shareholders of the parent | -200 | -200 |
| | **Net cash flows from financing activities** | **-696** | **-2,481** |
| | Net change in cash and cash equivalents | -1,313 | 610 |
| | Cash and cash equivalents at 1 January | 2,137 | 1,527 |
| | Net foreign exchange difference | -10 | - |
| 24 | **Cash and cash equivalents at 31 December** | **814** | **2,137** |

# Consolidated financial statements

## Consolidated statement of changes in equity

*DKK million*

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

## Consolidated statement of changes in equity

*DKK million*

| *2021:* | Share capital | Retained earnings | Cash flow hedge reserve | Foreign currency translation reserve | Proposed dividends | Total equity |
|---|---|---|---|---|---|---|
| Equity at 1 January 2021 | 524 | 7,522 | -304 | -332 | 200 | 7,610 |
| Profit for the year | - | 1,742 | - | - | 200 | 1,942 |
| Remeasurement of defined benefit plans | - | -3 | - | - | - | -3 |
| Exchange rate differences on translating foreign operations | - | - | - | -68 | - | -68 |
| Cash flow hedges, value adjustment for the year | - | - | 42 | - | - | 42 |
| Cash flow hedges, reclassified to financial expenses | - | - | 78 | - | - | 78 |
| Other comprehensive income | - | -3 | 120 | -68 | - | 49 |
| **Total comprehensive income for the year** | **-** | **1,739** | **120** | **-68** | **200** | **1,991** |
| Payment of dividends | - | - | - | - | -200 | -200 |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-200** | **-200** |
| **Equity at 31 December 2021** | **524** | **9,261** | **-184** | **-400** | **200** | **9,401** |

# Consolidated financial statements

## Summary of notes to the consolidated financial statements


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## Notes to the consolidated financial statements

*DKK million*

### 1 General information

The primary business area of Salling Group is the running of six different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, BASALT, Salling and BR are operated as physical stores while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl's Jr. as franchises in Denmark. In the beginning of 2022 wupti.com was closed.

The parent company's activities include all retail activities in Denmark, except for the sale of meal boxes that takes place through Skagenfood A/S.

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

### 2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2022 comprises the consolidated financial statements of Salling Group A/S and its subsidiaries (the Group) and the separate parent company financial statements.

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

***Changes to accounting policies***

Several amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2022. 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 2022, and no significant impact on future periods from the changes is expected. Salling Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

***Basis of preparation***

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

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

***Basis of consolidation***

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

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

As at 16 March 2021 the subsidiary Netto Indygo Sp. Z o.o. and the company's subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., were acquired. In 2022 Netto Indygo Sp. Z o.o., Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o. were merged with Netto Indygo Sp. Z o.o. as the continuing company.

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. Two call options exist, according to which Skagenfood A/S can purchase the 10% of Bodebjerg ApS, which is owned by the co-owner Søren Juel Jensen. The call options can be exercised in 2023 and 2025.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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.

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

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

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

***Accounting policies, income statement***

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

The Group provides customers with a right to return the goods within a specified period, and a refund liability and a right of return asset will be recognised if not immaterial. The Group uses historical return data to estimate the expected return percentages. These percentages are applied to determine the expected value of the variable consideration related to returns.

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - 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 e.g. sale of cardboard. 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.

*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 and amortisation*
Depreciation and amortisation comprise depreciation of property, plant and equipment, right-of-use assets and investment properties and amortisation of intangible assets, unless it is included in the carrying amount of another asset.

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

*Special items*
Special items comprise non-recurring items secondary to the principal activities of the Group. Among others, special items comprise acquired and liabilities assumed exceed the aggregate of the consideration transferred.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - 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.

*Share of profit/loss from subsidiaries, net of tax*
Investments in subsidiaries are measured in the parent company's balance sheet using the equity method. The share of profit/loss from subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries and including the effect of depreciation of fair value adjustments recognised as part of business combinations is recognised in the parent company's income statement.

*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.

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

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

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - 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 not amortised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the combination.

*Software and software development in progress*

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

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

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

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

*Brands and other separately acquired intangible assets*

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

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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

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

*Property, plant and equipment*

Property, plant and equipment comprises land and buildings, fixtures and fittings, tools and equipment, leasehold improvements and assets under construction and prepayments. Property, plant and equipment is measured initially at cost comprising purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use. Government grants related to assets are deducted in arriving at the carrying amount of the asset. Subsequent to initial recognition property, plant and equipment is measured at cost net of accumulated depreciation and accumulated impairment losses, if any.

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

| | |
|---|---|
| Land | No depreciation |
| Buildings, including investment properties: | |
| Technical installations within the property | 10 - 30 years |
| Foundation and bearing structure | 80 years |
| Remaining property | 40 years |
| Fixtures and fittings, tools and equipment | 3 - 25 years |

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

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

*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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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

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

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

*Investment properties*

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

*Borrowing costs*

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

*Investments in subsidiaries*

Investments in subsidiaries are measured in the parent company's balance sheet using the equity method. The share of profit/loss from subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries and including the effect of depreciation of fair value adjustments recognised as part of business combinations is recognised in the parent company's income statement.

*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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

If indications of impairment exist, tests are performed to determine whether recognition of impairment losses is necessary for individual assets as well as groups of assets. If the recoverable amount is lower than an asset's carrying amount, an impairment loss is recognised so that the carrying amount is reduced to the recoverable amount.

The recoverable amount is the higher value of an asset's net sales price and its value in use. The value in use is assessed as the present value of the expected net cash flow from utilisation of the asset or the group of assets and the expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

*Non-current assets held for sale*

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered primarily through a sales transaction rather than through continuing use. Such non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale is expected to occur within one year from the date of the classification. Non-current assets are not depreciated or amortised once classified as held for sale.

*Inventories*

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

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

*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.

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

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

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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

*Prepayments*
Prepayments are measured at cost price.

*Cash and short-term deposits*
Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits.

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

*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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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

*Provisions*

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

A provision for onerous contracts is recognised when the expected benefits to be obtained by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

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

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

*Loans, trade payables and other financial liabilities*

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

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

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

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

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

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - 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.

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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of other comprehensive income or directly in equity.

***Accounting policies, cash flow statement***

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

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

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

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

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

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

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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

***Accounting policies, other***

*Consolidated financial statements*

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

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

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

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

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

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.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

*Foreign currency translation*

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

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange 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.

*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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

*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.

*Discontinued operations*

Discontinued operations represent a separate major line of business, that has been disposed of. The results of discontinued operations are presented separately in the income statement as profit/loss for the year from discontinued operations, net of tax. Assets and liabilities related to the discontinued operations disposed of are not presented as separate line items in the comparative figures in the balance sheet unless the criteria for held for sale classification is regarded as met.

## Notes to the consolidated financial statements

*DKK million*

**2 Summary of significant accounting policies - continued**

*Main and key figures in the 5-year summary*

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

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

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).

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management perform its estimates and judgements based on historical experience, independent advice, external data sources and in-house specialists.

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

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

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

## Notes to the consolidated financial statements

*DKK million*

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

*Valuation of intangible assets, property, plant and equipment, right-of use assets and investment properties*
Intangible assets, property, plant and equipment, right-of-use assets and investment properties are tested for 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.

*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.

*Recognition of business combination (the acquisition of the UK retailer Tesco's Polish business in 2021)*
As part of the recognition of the acquisition of the UK retailer Tesco's Polish business the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. As part of this process, the Group has cooperated with an external, Polish real estate expert, who has prepared market valuations of all of the acquired land and buildings, and as part of the recognition of the business combination the land and buildings have been measured using these market valuations. The external, Polish real estate expert has also assessed all external leases of properties to assess whether or not the terms of the leases are favourable or unfavourable when compared with market terms, and the favourable and unfavourable terms are reflected as part of the measurement of the right-of-use assets. Please refer to note 23 and note 27 for further information.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

*The war in Ukraine*

Salling Group is not impacted directly by the war in Ukraine as we are not operating stores or other activities in Ukraine. Indirectly the war has led to increased inflation and higher energy prices which impacts Salling Group.

*Increasing interest rates*

The increasing interest have had an impact on the WACC used for e.g. Impairment tests. The WACC used for the activities in Denmark and Germany is 7.0% in 2022 compared to 6.0% in 2021. For Poland the WACC is 10.4% in 2022 compared to 6.0% in 2021.

Salling Groups funding is based on mortgage loans with fixed and variable interest rates. The variable interest rates are hedged using interest rate swaps. Therefore the increasing interest rate has had a very limited impact on the financial results in 2022.

*Increasing energy prices*

The increasing energy prices have had a negative impact on the result for 2022. Estimated additional costs are more than DKK 500 million.

*Inflation*

The increasing inflation rate has caused a shift in costumer behaviours in all our markets with a growth in promotion share, and a boost to the discount segment.

The increasing inflation have caused higher inventory values at the end of 2022 compared to 2021.

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **4 Total revenue** | | |
| Revenue from contracts with customers, retail and e-commerce activities | 66,026 | 65,759 |
| Total revenue from contracts with customers | 66,026 | 65,759 |
| Rental revenue, investment properties | 73 | 59 |
| Other rental revenue | 247 | 228 |
| Other revenue | 175 | 156 |
| Total other revenue | 495 | 443 |
| Total revenue | 66,521 | 66,202 |
| **Geographical split** | | |
| Denmark | 47,202 | 47,410 |
| Abroad | 19,319 | 18,792 |
| Total revenue | 66,521 | 66,202 |

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, and in accordance with the practical expedient information about the amount of the transaction price related to unsatisfied or partially unsatisfied performances is not provided. The amount relates to the limited number of orders, where the order is received before year end and the delivery takes place after year end.

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

No material contract assets and liabilities or right of return assets and refund liabilities are recognised as at 31 December 2022 or 31 December 2021.

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **5 Staff expenses** | | |
| Wages and salaries incl. termination benefits | 7,537 | 7,559 |
| Post-employment benefits – defined contribution plans | 381 | 434 |
| Post-employment benefits – defined benefit plans | -7 | 1 |
| Social security costs | 449 | 449 |
| Other staff expenses | 259 | 245 |
| Total staff expenses | 8,619 | 8,688 |
| Average number of full-time employees | 30,334 | 32,899 |

For a description of the key management personnel and an overview of their remuneration please refer to note 26.

**6 External expenses**

Fees paid to the auditors appointed at the annual general meeting:

| | 2022 | 2021 |
|---|---|---|
| Fee regarding statutory audit | 3.2 | 3.4 |
| Tax assistance | 0.1 | 0.1 |
| Assurance engagements | 0.6 | 0.6 |
| Other assistance | 1.3 | 1.3 |
| Total fee paid to the auditors appointed at the annual general meeting | 5.2 | 5.4 |

In 2022 fee regarding statutory audit includes DKK 0.3 million (DKK 0.3 million in 2021) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Forsikring A/S). All other fees mentioned above are paid to EY.

## Notes to the consolidated financial statements

*DKK million*

**7 Special items**

As a consequence of the business combination, that was finalised in 2021, a number of items of a non-recurring nature were recognised in 2021. The items contained the gain, that was recognised on the discounted purchase, and different restructuring and advisory expenses and all other acquisition related costs.

| | 2022 | 2021 |
|---|---|---|
| Gain on discounted purchase | - | 419 |
| Severance pay | - | -85 |
| Expenses related to assistance in connection with the sale of surplus assets | - | -63 |
| Expenses related to termination of leases | - | -53 |
| Expenses related to other advisors in connection with the business combination | - | -9 |
| Capital duty, Poland | - | -8 |
| Total special items | - | 201 |

| | 2022 | 2021 |
|---|---|---|
| **8 Financial income** | | |
| Interest income on loans and receivables | 5 | 5 |
| Net gain on derivatives not designated as hedging instruments | 3 | 27 |
| Net foreign exchange gain | 34 | 66 |
| Other financial income | 23 | - |
| Total financial income | 65 | 98 |
| **9 Financial expenses** | | |
| Interest expense on mortgage loans | 69 | 42 |
| Interest expense on lease liabilities | 352 | 353 |
| Interest expense paid to banks | 10 | 23 |
| Interest expense on loans from entities with significant influence | 1 | - |
| Cash flow hedges reclassified from other comprehensive income | 77 | 100 |
| Net loss on financial instruments held for trading | 122 | 34 |
| Other financial expenses | 14 | 12 |
| Total financial expenses | 645 | 564 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **10 Income tax** | | |
| Current income tax | -494 | -636 |
| Adjustment regarding prior years, current income tax | -21 | 5 |
| Change in deferred tax | 29 | 55 |
| Adjustment regarding prior years, deferred tax | - | -1 |
| Total income tax | -486 | -577 |
| Income tax recognised in the income statement | -388 | -544 |
| Income tax recognised in other comprehensive income | -98 | -33 |
| Total income tax | -486 | -577 |

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Tax on result for the year at the Danish income tax rate | -299 | 22.0% | -547 | 22.0% |
| Non-deductible costs | -45 | 3.3% | -38 | 1.5% |
| Non-taxable income | 74 | -5.4% | 103 | -4.1% |
| Deviating tax rates in foreign operations | -15 | 1.1% | 12 | -0.5% |
| Adjustment to prior periods | -21 | 1.5% | 4 | -0.1% |
| Not capitalised tax loss carry forwards | -82 | 6.0% | -78 | 3.1% |
| Income tax recognised in the income statement | -388 | 28.5% | -544 | 21.9% |

## Notes to the consolidated financial statements

*DKK million*

**10 Income tax - continued**

Divided on countries, where Salling Group has operating activities, the effective tax rate of 28.5% (21.9% in 2021) shown above can be specified as follows:

| | 2022 | 2021 |
|---|---|---|
| Denmark | 20.4% | 22.6% |
| Germany | 45.4% | 20.2% |
| Poland: | | |
| Netto Sp. Z o.o. | 21.8% | 20.5% |
| Netto Indygo Sp. Z.o.o and subsidiaries | 1.0% | 7.8% |

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 2022 and 2021 Netto Indygo Sp. Z o.o. has been unprofitable, and the deferred tax asset related to the tax loss carryforward was only partially recognised. At the same time the acquisition was a discounted purchase, and no taxes were recognised related to the gain on the acquisition.

In 2021 Salling Group Sverige AB was liquidated, and the effective tax rate was 0%.

**Tax on other comprehensive income**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax | Net of tax | Before tax | Tax | Net of tax |
| Remeasurement of defined benefit plans | 10 | -2 | 8 | -4 | 1 | -3 |
| Exchange rate differences on translating foreign operations | -122 | - | -122 | -68 | - | -68 |
| Cash flow hedges, value adjustment for the year | 360 | -79 | 281 | 54 | -12 | 42 |
| Cash flow hedges, reclassified to financial expenses | 77 | -17 | 60 | 100 | -22 | 78 |
| | 325 | -98 | 227 | 82 | -33 | 49 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

### 11 Intangible assets

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

## Notes to the consolidated financial statements

*DKK million*

### 11 Intangible assets - continued

| *2021:* | Goodwill | Software | Software development in progress | Brands | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at 1 January 2021 | 309 | 2,092 | 155 | 192 | 73 | 2,821 |
| Additions | - | 134 | 38 | - | 3 | 175 |
| Acquisitions through business combinations | - | 13 | - | - | - | 13 |
| Reclassifications | - | 104 | -109 | - | - | -5 |
| Disposals | - | -13 | - | - | - | -13 |
| Balance at 31 December 2021 | 309 | 2,330 | 84 | 192 | 76 | 2,991 |
| Accumulated amortisation and impairment losses | | | | | | |
| Balance at 1 January 2021 | -178 | -1,250 | - | -99 | -31 | -1,558 |
| Amortisation | - | -242 | - | -9 | -7 | -258 |
| Impairment losses recognised in the income statement | -74 | -4 | - | - | - | -78 |
| Disposals | - | 10 | - | - | - | 10 |
| Balance at 31 December 2021 | -252 | -1,486 | - | -108 | -38 | -1,884 |
| Carrying amount at 31 December 2021 | 57 | 844 | 84 | 84 | 38 | 1,107 |

# Consolidated financial statements

## 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. The goodwill amounts in the Group relate to the Danish and the German retail activities.

Carrying amount of goodwill within the Group:

| | 2022 | 2021 |
|---|---|---|
| Danish retail activities | 18 | 18 |
| German retail activities | 39 | 39 |
| | 57 | 57 |

The recoverable amount of the remaining goodwill has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The discount rate applied to the cash flow projections is 7% (6% in 2021), 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 2021). As a result of the impairment test management did not identify any impairment losses regarding goodwill 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. Development in turnover and gross margins is based on expectations of an average growth for 2023 - 2027.

## Notes to the consolidated financial statements

*DKK million*

**11 Intangible assets - continued**

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

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

In January 2022 wupti.com was closed, and as a consequence an impairment loss of DKK 74 million was recognised in 2021 in order to reduce the carrying amount of the the part of the goodwill related to the Danish retail activities that was related to synergies between wupti.com and other parts of the Danish retail activities to zero.

*Software*

In late 2022 it was decided to expand home delivery of groceries to a wider geographical area in Denmark. As a consequence føtex home delivery was closed in January 2023. As described in Group Performance the financial result for 2022 includes a one-off charge of DKK 100 million to cover the cost of closing down the activities, which includes an impairment loss of DKK 30 million regarding software related to føtex home delivery activities.

In 2021 an impairment loss of DKK 4 million was recognised regarding the remaining carrying amount of software related to wupti.com.

*Other intangible assets*

No other impairment losses have been recognised regarding intangible assets in 2022 or 2021.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**12 Property, plant and equipment**

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

## Notes to the consolidated financial statements

*DKK million*

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

| *2021:* | Land and buildings | Fixtures and fittings, tools and equipment | Leasehold improve-ments | Assets under construction and prepayments | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balance at 1 January 2021 | 24,497 | 7,004 | 1,392 | 274 | 33,167 |
| Foreign currency translation | -62 | -9 | -1 | - | -72 |
| Additions | 618 | 1,110 | 248 | 104 | 2,080 |
| Acquisitions through business combinations | 2,538 | 32 | 51 | - | 2,621 |
| Reclassifications | 68 | 4 | 24 | -93 | 3 |
| Reclassified as held for sale | -23 | - | - | - | -23 |
| Disposals | -73 | -247 | -25 | - | -345 |
| Balance at 31 December 2021 | 27,563 | 7,894 | 1,689 | 285 | 37,431 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January 2021 | -8,604 | -4,780 | -894 | - | -14,278 |
| Foreign currency translation | 11 | 5 | - | - | 16 |
| Depreciation | -430 | -689 | -77 | - | -1,196 |
| Impairment losses recognised in the income statement | -3 | - | -13 | - | -16 |
| Reversals of impairment losses recognised in the income statement | 21 | - | - | - | 21 |
| Reclassifications | 2 | - | - | - | 2 |
| Reclassified as held for sale | 10 | - | - | | 10 |
| Disposals | 36 | 238 | - | - | 274 |
| Balance at 31 December 2021 | -8,957 | -5,226 | -984 | - | -15,167 |
| Carrying amount at 31 December 2021 | 18,606 | 2,668 | 705 | 285 | 22,264 |

# Consolidated financial statements

## 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, buildings and leasehold improvements has been determined based on a value in use calculation using cash flow projections from the financial three-year plan approved by management. The discount rate applied to the cash flow projections for land, buildings and leasehold improvements in Denmark and Germany is 7% (6% in 2021) and 10.4% for land, buildings and leasehold improvements in Poland (6% in 2021), and cash flows beyond the three-year period are extrapolated using a 2% growth rate, which is the expected long-term inflation rate (2% in 2021).

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 - 2025.

During 2022 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, buildings and leasehold improvements. In total impairment losses was recognised regarding 12 Danish stores, 28 Polish stores and 8 German stores in 2022. At the same time, impairment losses have been reversed regarding 2 Danish stores, where the profitability has increased sufficiently to cover the investments.

*Fixtures and fittings, tools and equipment*

In late 2022 it was decided to expand home delivery of groceries to a wider geographical area in Denmark. As a consequence føtex home delivery was closed in January 2023. As described in Group Performance the financial result for 2022 includes a one-off charge of DKK 100 million to cover the cost of closing down the activities, which includes an impairment loss of DKK 19 million related to fixtures and fittings, tools and equipment.

## Notes to the consolidated financial statements

*DKK million*

**13 Leases**

**Right-of-use assets**

*2022:*

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**13 Leases - continued**

**Right-of-use assets**

*2021:*

| | Land and buildings | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January 2021 | 6,330 | 163 | 6,493 |
| Foreign currency translation | -5 | - | -5 |
| Additions | 224 | 38 | 262 |
| Acquisitions through business combinations | 1,199 | - | 1,199 |
| Remeasurement of lease liabilities | 214 | 1 | 215 |
| Disposals | -181 | -2 | -183 |
| Balance at 31 December 2021 | 7,781 | 200 | 7,981 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 January 2021 | -1,307 | -81 | -1,388 |
| Foreign currency translation | 1 | - | 1 |
| Depreciation | -707 | -52 | -759 |
| Impairment losses recognised in the income statement | -13 | - | -13 |
| Reversals of impairment losses recognised in the income statement | 1 | - | 1 |
| Disposals | 47 | 2 | 49 |
| Balance at 31 December 2021 | -1,978 | -131 | -2,109 |
| Carrying amount at 31 December 2021 | 5,803 | 69 | 5,872 |

## Notes to the consolidated financial statements

*DKK million*

**13 Leases - continued**

**Lease liabilities**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Undis-counted payments | Present value of payments | Undis-counted payments | Present value of payments |
| Within 1 year | 1,028 | 821 | 988 | 701 |
| 1 to 5 years | 3,739 | 2,432 | 3,630 | 2,717 |
| After 5 years | 3,309 | 2,670 | 3,598 | 2,972 |
| Total | 8,076 | 5,923 | 8,216 | 6,390 |

| | 2022 | 2021 |
|---|---|---|
| **Amounts recognised in the consolidated income statement** | | |
| Interest expense on lease liabilities | 352 | 353 |
| Expenses related to leases of low value assets | 39 | 35 |
| Income from subleasing of right-of-use assets | 76 | 70 |

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2022 and 2021.

In 2022 the Group has paid DKK 989 million related to lease contracts (DKK 984 million in 2021), of which DKK 352 million relate to interest payments regarding recognised lease liabilities (DKK 353 million in 2021) and DKK 637 million relate to payment of recognised lease liabilities (DKK 631 million in 2021).

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **14 Investment properties** | | |
| Cost | | |
| Balance at 1 January | 975 | 967 |
| Additions | - | 15 |
| Reclassifications | 336 | 2 |
| Reclassified as held for sale | -56 | -7 |
| Disposals | -32 | -2 |
| Balance at 31 December | 1,223 | 975 |
| Accumulated depreciation and impairment losses | | |
| Balance at 1 January | -671 | -668 |
| Depreciation | -18 | -7 |
| Impairment losses recognised in the income statement | -32 | - |
| Reclassifications | 35 | -2 |
| Reclassified as held for sale | 3 | 4 |
| Disposals | 28 | 2 |
| Balance at 31 December | -655 | -671 |
| Carrying amount at 31 December | 568 | 304 |

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

During 2022 an impairment loss has been recognised regarding 1 Danish and 7 Polish investment properties where the expected sales price of the investment property is lower than the carrying amount of the investment property. During 2021 no impairment loss was recognised.

The estimated fair value of investment properties amounted to DKK 1,482 million at 31 December 2022 (DKK 1,250 million at 31 December 2021). The fair value is not based on a valuation by an independent valuer.

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

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **14 Investment properties - continued** | | |
| Rental income from investment properties | 73 | 59 |
| Direct operating expenses from investment properties that generated rental income | -34 | -25 |
| Direct operating expenses from investment properties that did not generate rental income | -3 | -2 |
| Profit arising from investment properties | 36 | 32 |

**15 Financial assets and financial liabilities**

*Financial assets comprise the following:*

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Derivatives designated as hedging instruments (cash flow hedges) | 103 | - | 103 | - |
| Other non-current financial assets | 103 | - | 103 | - |
| Trade receivables | 81 | 85 | 81 | 85 |
| Other receivables | 686 | 599 | 686 | 599 |
| Derivatives designated as hedging instruments (cash flow hedges) | 92 | - | 92 | - |
| Other current financial assets | 5 | 7 | 5 | 7 |
| Other current financial assets | 97 | 7 | 97 | 7 |
| Securities | 1,114 | 2,766 | 1,114 | 2,766 |
| Cash and short-term deposits | 847 | 2,139 | 847 | 2,139 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

*Financial liabilities comprise the following:*

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Mortgage loans - non-current | 7,283 | 7,462 | 6,995 | 7,499 |
| Mortgage loans - current | 150 | 150 | 150 | 150 |
| Mortgage loans | 7,433 | 7,612 | 7,145 | 7,649 |
| Lease liabilities - non-current | 5,102 | 5,689 | | |
| Lease liabilities - current | 821 | 701 | | |
| Lease liabilities | 5,923 | 6,390 | | |
| Bank loans - current | 534 | 2 | 534 | 2 |
| Bank loans | 534 | 2 | 534 | 2 |
| Derivatives designated as hedging instruments (cash flow hedges) | - | 138 | - | 138 |
| Other non-current financial liabilities | 16 | 17 | 16 | 17 |
| Other non-current financial liabilities | 16 | 155 | 16 | 155 |
| Payables to entities with controlling influence | 64 | 62 | 64 | 62 |
| Payables to entities with significant influence | 288 | 471 | 288 | 471 |
| Derivatives not designated as hedging instruments | 15 | 1 | 15 | 1 |
| Derivatives designated as hedging instruments (cash flow hedges) | - | 103 | - | 103 |
| Other current financial liabilities | 367 | 637 | 367 | 637 |
| Trade payables | 9,733 | 12,611 | 9,733 | 12,611 |
| Other payables | 2,598 | 2,801 | 2,598 | 2,801 |

## Notes to the consolidated financial statements

*DKK million*

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

**Financial instruments by category**

| | 2022 | 2021 |
|---|---|---|
| Financial assets at amortised cost: | | |
| Trade receivables | 81 | 85 |
| Other receivables | 686 | 599 |
| Other financial assets excluding derivatives | 5 | 7 |
| Cash and short-term deposits | 847 | 2,139 |
| Financial assets at fair value through profit or loss: | | |
| Securities | 1,114 | 2,766 |
| Financial assets at fair value through other comprehensive income: | | |
| Cash flow hedges | 195 | - |
| Financial liabilities measured at amortised cost: | | |
| Mortgage loans | 7,433 | 7,612 |
| Lease liability | 5,923 | 6,390 |
| Bank loans | 534 | 2 |
| Other non-current financial liabilities excluding derivatives | 16 | 17 |
| Other current financial liabilities excluding derivatives | 352 | 533 |
| Trade payables | 9,733 | 12,611 |
| Other payables | 2,598 | 2,801 |
| Financial liabilities at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments | 15 | 1 |
| Financial liabilities at fair value through other comprehensive income: | | |
| Derivatives designated as hedging instruments (cash flow hedges) | - | 241 |

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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

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

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

**Financial liabilities: Interest-bearing mortgage loans including hedges**

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

| 31 December 2022 | Carrying amount | *Next interest rate fixing* Within 1 year | 1 to 5 years | After 5 years |
|---|---|---|---|---|
| 0 - 2% | 7,433 | 1,698 | 3,600 | 2,135 |
| Total | 7,433 | 1,698 | 3,600 | 2,135 |
| Of which: | | | | |
| Bearing fixed interests | 77% | | | |
| Bearing floating interests | 23% | | | |

| 31 December 2021 | Carrying amount | *Next interest rate fixing* Within 1 year | 1 to 5 years | After 5 years |
|---|---|---|---|---|
| 0 - 2% | 7,612 | 332 | 5,200 | 2,080 |
| Total | 7,612 | 332 | 5,200 | 2,080 |
| Of which: | | | | |
| Bearing fixed interests | 95% | | | |
| Bearing floating interests | 5% | | | |

## Notes to the consolidated financial statements

*DKK million*

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

**Hedging activities and derivatives**

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

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

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

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

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

| 31 December 2021 | Notional amount | Carrying amount | Line item in the balance sheet |
|---|---|---|---|
| CIBOR-based mortgage loans (hedged items) | 6,165 | 6,165 | Mortgage loans |
| Interest rate swap contracts | 5,900 | 241 | 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:

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | 92 | -103 |
| 1 to 5 years | 98 | -129 |
| After 5 years | 5 | -9 |
| Total | 195 | -241 |

The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the income statement. The amount accumulated in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income statement. There was no ineffectiveness recognised in 2022 or 2021.

**Fair value**

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

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

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

## Notes to the consolidated financial statements

*DKK million*

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

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

**Risks arising from financial instruments**

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There has been no structural changes in the Group's risk exposure or risks compared to 2021. The policies for managing risk are explained below.

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

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

*Market risk*

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

The sensitivity analysis in the following sections relate to the positions as at 31 December 2022 and 2021. 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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

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

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

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

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

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

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

## Notes to the consolidated financial statements

*DKK million*

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

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

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

| 31 December 2021 | EUR/DKK | GBP/DKK | PLN/DKK | SEK/DKK | USD/DKK |
|---|---|---|---|---|---|
| Financial assets | 304 | 13 | 769 | 1 | 60 |
| Known USD purchase orders | - | - | - | - | -950 |
| Net exposures before derivatives | 304 | 13 | 769 | 1 | -890 |
| Derivatives | 350 | - | 81 | - | 787 |
| Net exposures after derivatives | 654 | 13 | 850 | 1 | -103 |
| The net exposures relate to: | | | | | |
| Hedging of expected commercial cash flows, where hedge accounting is not used | 654 | 13 | 850 | 1 | -103 |
| Applied sensitivity | 1% | 5% | 5% | 5% | 5% |
| Impact on the consolidated income statement | 7 | 1 | 43 | - | -5 |

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

*Interest rate risks*

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

Having a longer-term perspective for the mortgage loan portfolio, it is the Group policy to keep an overall duration target for the mortgage loan portfolio in the range of 3 to 7. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

## Notes to the consolidated financial statements

*DKK million*

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

As at 31 December 2022, after taking into account the effect of interest rate swaps, approximately 77% of the Group's mortgage loan portfolio are at a fixed rate, compared to 95% as at 31 December 2021.

A general increase of 1%-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK 4 million (DKK - 32 million in 2021), and pre-tax equity by DKK 53 million (DKK 76 million in 2021). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

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

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

| 31 December 2021 | Carrying amount | Sensitivity | Profit before tax | Pre-tax equity |
|---|---|---|---|---|
| Securities | 2,766 | 1% | -30 | -30 |
| Mortgage loans | 7,612 | 1% | -35 | -35 |
| Derivatives | 241 | 1% | 36 | 144 |
| Other financial liabilities | 533 | 1% | -3 | -3 |
| Impact | | | -32 | 76 |

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

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

# Consolidated financial statements

## 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 2022 | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Mortgage loans | 150 | 1,396 | 5,887 | 7,433 |
| Lease liabilities | 1,028 | 3,739 | 3,309 | 8,076 |
| Bank loans | 534 | - | - | 534 |
| Trade and other payables* | 12,683 | 16 | - | 12,699 |
| Total | 14,395 | 5,151 | 9,196 | 28,742 |

| 31 December 2021 | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Mortgage loans | 203 | 1,397 | 6,743 | 8,343 |
| Lease liabilities | 988 | 3,630 | 3,598 | 8,216 |
| Bank loans | 2 | - | - | 2 |
| Trade and other payables* | 15,945 | 17 | - | 15,962 |
| Derivatives | 102 | 170 | 18 | 290 |
| Total | 17,240 | 5,214 | 10,359 | 32,813 |

*As at 31 December 2022 the Group has utilised the SCF facility by DKK 3.1 billion (DKK 6.7 billion in 2021).

## 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 throughout the year subject to approval of management. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group is exposed to credit risks from trade and other receivables, balances with banks in the form of deposits and other financial instruments. The majority of the Group's sales are made in cash, and therefore, the credit risks are very low. The Group reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of Salling Group's bond portfolio must be below 4.

The table below summarises the ageing analysis of trade receivables:

| | 2022 | 2021 |
|---|---|---|
| Not due | 68 | 73 |
| < 30 days past due | 11 | 10 |
| 30 to 90 days past due | 1 | 1 |
| > 90 days past due | 1 | 1 |
| Total trade receivables | 81 | 85 |

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 2022 the provision amounts to DKK 19 million (31 December 2021: DKK 18 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.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

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

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

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

| *2021:* | 1 January 2021 | Cash flows | Other | 31 December 2021 |
|---|---|---|---|---|
| Other financial assets excluding derivatives | -41 | - | 41 | - |
| Mortgage loans | 7,789 | -177 | - | 7,612 |
| Lease liabilities | 5,466 | -631 | 1,555 | 6,390 |
| Other financial liabilities excluding derivatives | 601 | -1,473 | 1,422 | 550 |
| Total change in assets and liabilities from financing activities | 13,815 | -2,281 | 3,018 | 14,552 |

## Notes to the consolidated financial statements

*DKK million*

**16 Deferred tax**

**Specification of deferred tax**

| | Consolidated income statement | | Consolidated balance sheet | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Intangible assets | 32 | 10 | -171 | -203 |
| Property, plant and equipment | -24 | -47 | -616 | -592 |
| Investment properties | 3 | -2 | 10 | 7 |
| Financial assets | 6 | 2 | 13 | 7 |
| Other assets | 5 | -4 | -1 | -6 |
| Provisions | -9 | -2 | 77 | 86 |
| Other liabilities | -2 | 22 | 58 | 60 |
| Leases | 18 | 25 | 107 | 89 |
| Tax loss carryforward | -1 | 51 | 50 | 51 |
| Other | 1 | -2 | 1 | - |
| Deferred tax income/expense / Net deferred tax | 29 | 53 | -472 | -501 |

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

| | 2022 | 2021 |
|---|---|---|
| Deferred tax assets | 84 | 88 |
| Deferred tax liabilities | -556 | -589 |
| Net deferred tax | -472 | -501 |

**Reconciliation of net deferred tax**

| | 2022 | 2021 |
|---|---|---|
| Opening balance at 1 January | -501 | -449 |
| Adjustment of deferred tax recognised in the income statement | 29 | 53 |
| Adjustment of deferred tax recognised in other comprehensive income | - | 1 |
| Deferred tax acquired in business combinations | - | -106 |
| Closing balance at 31 December | -472 | -501 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|

**16 Deferred tax - continued**

In the Group an unrecognised deferred tax asset of DKK 870 million exists as at 31 December 2022 related to Netto Indygo Sp. Z o.o. (in 2021 DKK 831 million related to Netto Indygo Sp. Z o.o. ). The deferred tax asset is unrecognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised. A significant part of the unrecognised deferred tax asset in Netto Indygo Sp. Z o.o. relates to tax losses. Tax losses may be carried forward for 5 consecutive tax years with restrictions on the utilization. Netto Indygo Sp. Z o.o. has suffered a loss in both 2022 and 2021.

**17 Inventories**

| | 2022 | 2021 |
|---|---|---|
| Goods held for resale | 5,754 | 5,231 |
| Consumables | 138 | 91 |
| Total inventories | 5,892 | 5,322 |

In the income statement as part of Cost of sales an income of DKK 2 million has been recognised regarding write-downs of inventories to net realisable value (an expense of DKK 23 million in 2021).

**18 Assets classified as held for sale**

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

| | 2022 | 2021 |
|---|---|---|
| Land and buildings | 3 | 13 |
| Investment properties | 53 | 3 |
| Assets classified as held for sale | 56 | 16 |

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.

## Notes to the consolidated financial statements

*DKK million*

**19 Pensions**

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

Changes in the present value of the defined benefit obligation:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligation at 1 January | 243 | 254 |
| Interest expenses recognised as part of Staff expenses | -7 | 1 |
| Actuarial gains / losses, demographic assumptions | 4 | - |
| Actuarial gains / losses, financial assumptions | -33 | -4 |
| Actuarial gains / losses, experience adjustments | 19 | 8 |
| Payments from the plan | -16 | -16 |
| Defined benefit obligation at 31 December | 210 | 243 |

The following significant actuarial assumptions are applied:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 2.7% | -0.2% |
| Price inflation | 1.9% | 1.1% |

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

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**19 Pensions - continued**

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

| | 2022 | 2021 |
|---|---|---|
| *Discount rate:* | | |
| Increase of 0.5% point | -8 | -11 |
| Decrease of 0.5% point | 9 | 12 |
| *Price inflation:* | | |
| Increase of 0.5% point | 9 | 12 |
| Decrease of 0.5% point | -8 | -11 |

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 2022 is 28 years (29 years in 2021). DKK 17 million is expexted to be paid from the plans in 2023.

## Notes to the consolidated financial statements

*DKK million*

**20 Provisions**

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

| *2021:* | Insurance | Other | Total |
|---|---|---|---|
| Balance at 1 January 2021 | 148 | 42 | 190 |
| Acquisitions through business combinations | - | 8 | 8 |
| Provisions made during the year | 39 | 21 | 60 |
| Provisions utilised during the year | -22 | -9 | -31 |
| Reversals during the year | -19 | -6 | -25 |
| Balance at 31 December 2021 | 146 | 56 | 202 |
| Non-current | 110 | 48 | 158 |
| Current | 36 | 8 | 44 |
| Balance at 31 December 2021 | 146 | 56 | 202 |

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 21 million is expected to fall due after more than 5 years (DKK 44 million in 2021).

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

### 20 Provisions - continued

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 18 million is expected to fall due after more than 5 years (DKK 19 million in 2021). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

### 21 Adjustments

| | 2022 | 2021 |
|---|---|---|
| Financial income | -65 | -98 |
| Financial expenses | 645 | 564 |
| Amortisation and impairment of intangible assets | 292 | 336 |
| Depreciation and impairment of property, plant and equipment | 1,373 | 1,191 |
| Depreciation and impairment of right-of-use assets | 768 | 771 |
| Depreciation and impairment of investment properties | 50 | 7 |
| Net gain on sale of non-current assets etc. | -99 | -64 |
| Gain on discounted purchase | - | -419 |
| Other adjustments | -41 | -8 |
| Adjustments | 2,923 | 2,280 |

### 22 Change in working capital

| | 2022 | 2021 |
|---|---|---|
| Change in trade and other receivables and prepayments | -86 | 58 |
| Change in inventories | -570 | 216 |
| Change in trade and other payables | -3,090 | -365 |
| Change in working capital | -3,746 | -91 |

## Notes to the consolidated financial statements

*DKK million*

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

For a description of the acquisition of subsidiaries please refer to note 27.

In March 2021 the acquisition of the UK retailer Tesco's Polish business was finalised, and Netto Indygo Sp. Z o.o. and its then subsidiaries were included in the Group from this point in time. The fair value of the net assets acquired in the business combination is specified below. During 2020 a prepayment of DKK 41 million was made related to the acquisition of UK retailer Tesco's Polish business.

| | 2022 | 2021 |
|---|---|---|
| Software | - | 13 |
| Land and buildings | - | 2,538 |
| Fixtures and fittings, tools and equipment | - | 32 |
| Leasehold improvements | - | 51 |
| Right-of-use assets: Land and buildings | - | 1,199 |
| Inventory | - | 462 |
| Trade receivables | - | 48 |
| Income tax receivables | - | 2 |
| Other receivables | - | 112 |
| Cash and bank balances | - | 46 |
| Total assets | - | 4,503 |
| Deferred tax liability | - | 106 |
| Provisions | - | 8 |
| Lease liabilities | - | 1,233 |
| Bank loans | - | 124 |
| Other current financial liabilities | - | 1,300 |
| Trade payables | - | 486 |
| Other payables | - | 394 |
| Deferred income | - | 25 |
| Total liabilities | - | 3,676 |
| Total identifiable net assets at fair value | - | 827 |
| Gain on discounted purchase | - | -419 |
| Total | - | 408 |

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries - continued**

| | 2022 | 2021 |
|---|---|---|
| Cash payment during the financial year | - | 238 |
| Prepayment related to the Netto Indygo Sp. Z o.o. acquisition in 2020 | - | 41 |
| Net payable related to the Netto Indygo Sp. Z o.o. acquisition as at 31 December 2021 | - | 129 |
| Net payable related to the Bodebjerg ApS acquisition as at 31 December 2022 | 1 | - |
| Total amount to be paid | 1 | 408 |
| Cash acquired with the subsidiary | - | 46 |
| Cash paid | -1 | -238 |
| Net cash flow on acquisition | -1 | -192 |

Of the total purchase price for Netto Indygo Sp. Z o.o. and its subsidiaries DKK 41 million was paid in 2020 as a prepayment. As at 31 December 2022 DKK 191 million (2021 DKK 129 million) had not yet been paid, as the final payment would not take place until the outcomes of the sale of 2 buildings and a lawsuit are known.

**24 Cash and cash equivalents**

| | 2022 | 2021 |
|---|---|---|
| Cash and short-term deposits | 847 | 2,139 |
| Current liabilities - bank loans | -33 | -2 |
| Cash and cash equivalents available to the Group | 814 | 2,137 |

## Notes to the consolidated financial statements

*DKK million*

**25 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:

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | 200 | 198 |
| 1 to 5 years | 298 | 259 |
| After 5 years | 99 | 102 |
| Total | 597 | 559 |

**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 392 million (DKK 1,382 million in 2021).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 5 million (DKK 14 million in 2021).

As security for mortgage loans, land and buildings with a carrying amount of DKK 5,778 million have been provided as collateral (DKK 5,689 million in 2021).

The company has security for interest rate swap contracts with a positive carrying amount of DKK 131 million as collateral in 2022. In 2021 security was provided as collateral by the parent company for interest rate swap contracts with a negative carrying amount of DKK 168 million.

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|

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

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 553 million at 31 December 2022 (DKK 519 million in 2021).

The Danish companies in Købmand Herman Sallings Fond Group are jointly taxed. As jointly taxed companies, which are not wholly owned, the companies in the Salling Group A/S subgroup have limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. However, Salling Group A/S' subsidiaries have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Salling Group A/S subgroup. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the companies' liability will increase.

Guarantees of DKK 245 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 247 million in 2021).

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 121 million (DKK 114 million in 2021).

**26 Related party disclosures**

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

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

| Entities with controlling or significant influence over the Group: | 2022 | 2021 |
|---|---|---|
| Sales of services | 5 | 3 |
| Lease payments | -29 | -28 |
| Dividends paid | -200 | -200 |
| Donations from Købmand Herman Sallings Fond | 61 | 1 |

## Notes to the consolidated financial statements

*DKK million*

**26 Related party disclosures - continued**

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

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2022 (DKK 0 in 2021). No expense has been recognised in 2022 or 2021 for bad or doubtful debts.

**Key management personnel**

Key management personnel includes the Board of Directors, the Executive Board and other executive employees. For 2022 and 2021 other executive employees comprise 9 persons. The key management personnel remuneration is shown below:

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | 80 | 85 |
| Post-employment benefits - defined contribution plans | 3 | 4 |
| Other long-term benefits | 8 | 25 |
| Termination benefits | 8 | - |
| Total remuneration | 99 | 114 |

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

*Long-term incentive plan*
For the periods 2020 - 2022, 2021 - 2023 and 2022 - 2024 long-term incentive plans have been granted to the Executive Board and other executive employees. The estimated provision expensed in 2022 amounts to DKK 8 million (DKK 25 million in 2021).

The total remuneration of the Board of Directors amounts to DKK 5.2 million (DKK 5.0 million in 2021).

Anders Hagh joined the Executive Board in November 2021 and is hence only included with 2 months compensation in 2021 versus 12 months in 2022. In 2022 the total remuneration of the Executive Board amounts to DKK 36.3 million of which DKK 4.6 million relates to other long-term benefits and DKK 0 million relates to post-employment benefits (in 2021 DKK 33.0 million of which DKK 8.2 million relates to other long-term benefits and DKK 0.1 million relates to post-employment benefits).

# Consolidated financial statements

## Notes to the consolidated financial statements

*DKK million*

**27 Business combinations**

During 2022 no business combinations have taken place.

In 2021 Salling Group's acquisition of the UK retailer Tesco's Polish business was finalised. On 16 March 2021 Salling Group A/S acquired 100% of the share capital and the voting rights of Netto Indygo Sp. Z o.o. and its subsidiaries.

Netto Indygo Sp. Z o.o. and the subsidiaries were acquired in order to strengthen the position of the Netto format in Poland. During 2021 in the period from the acquisition date Netto Indygo Sp. Z o.o. and the subsidiaries realised revenue from contracts with customers in the amount of DKK 3,806 million and a loss after tax in the amount of DKK 549 million.

The business combination was a discounted purchase, and resulted in the recognition of a gain of DKK 419 million, which was recognised in the consolidated income statement as part of Special items. There were 2 main reasons for the business combination being a discounted purchase. The first reason was the fact that Netto Indygo Sp. Z o.o. for a number of years had not be able to run the retail business in Poland on a profitable manner. The second reason was the fact that Salling Group A/S as a consequence of the acquisition had to carry out a number of restructuring initiatives in order to dispose of the unprofitable parts of the previous retail business resulting in considerable restructuring costs. The purchase price was fixed considering these necessary restructuring costs.

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 2022. Two call options exist, according to which Skagenfood A/S can purchase the remaining 10% of Bodebjerg ApS. The call options can be exercised in 2023 and 2025. As the call options give Skagenfood A/S present access to the returns associated with the ownership interest, the non-controlling interests, that are comprised by the call options, are considered to be purchased at the point in time, when the call options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. Rather a liability of DKK 1 million related to the call options is recognised in the Group as at 31 December 2022 (DKK 4 million in 2021).

In 2017 Salling Group A/S acquired controlling interests in Skagenfood A/S, as 80% of the issued share capital and voting rights in the company were acquired. Salling Group A/S entered into a contractual commitment to purchase the remaining 20% of the shares in Skagenfood A/S, and in 2019 an additional 10% of Skagenfood A/S were acquired. 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 2022 (DKK 13 million in 2021).

## Notes to the consolidated financial statements

*DKK million*

**28 Capital management**

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

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

The Group has no covenants in relation to bank facilities or other financing activities, hence as at 31 December 2022 or 2021 no covenants exist.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

**29 Events after the reporting period**

No subsequent events have occurred that affect the annual report for 2022.

**30 Standards issued but not yet effective**

The following Amendments to IFRS becomes effective as of 1 January 2023:
• Amendment to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies”
• Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”
• Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
• Amendments to IFRS 17 “Insurance Contracts” and “Initial application of IFRS 17" and IFRS 9 “Comparative Information”

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 2022.

# Parent company financial statements

# Parent company financial statements

## Parent company income statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Revenue from contracts with customers | 46,816 | 47,012 |
| | Other revenue | 297 | 241 |
| 4 | Total revenue | 47,113 | 47,253 |
| | Cost of sales | -32,687 | -32,612 |
| | Gross profit | 14,426 | 14,641 |
| 5 | Staff expenses | -6,652 | -6,705 |
| | External expenses | -4,091 | -3,614 |
| | Operating profit before depreciation, amortisation and impairment losses and special items (EBITDA before special items) | 3,683 | 4,322 |
| | Depreciation and amortisation | -2,088 | -2,067 |
| | Impairment losses, net | -26 | -83 |
| | Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets | -8 | 13 |
| 6 | Special items | - | -9 |
| | Operating profit (EBIT) | 1,561 | 2,176 |
| 14 | Share of profit from subsidiaries, net of tax | 327 | 785 |
| 7 | Financial income | 75 | 108 |
| 8 | Financial expenses | -828 | -776 |
| | Profit before tax | 1,135 | 2,293 |
| 9 | Income tax | -163 | -351 |
| | **Profit for the year** | 972 | 1,942 |
| | Proposal for distribution of profit for the year: | | |
| | Proposed dividends | 200 | 200 |
| | Equity reserves | 772 | 1,742 |
| | **Profit for the year** | 972 | 1,942 |

## Parent company statement of other comprehensive income

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | **Profit for the year** | 972 | 1,942 |
| | **Other comprehensive income, net of tax** | | |
| | **Items that will not be reclassified to the income statement** | | |
| 9 | Remeasurement of defined benefit plans | 8 | -3 |
| | | 8 | -3 |
| | **Items that subsequently are or may be reclassified to the income statement** | | |
| 14 | Exchange rate differences on translating foreign operations | -122 | -68 |
| 14 | Other comprehensive income to be reclassified in subsidiaries | 341 | 120 |
| | | 219 | 52 |
| | **Other comprehensive income for the year, net of tax** | 227 | 49 |
| | **Comprehensive income for the year** | 1,199 | 1,991 |

# Parent company financial statements

## Parent company balance sheet at 31 December

*DKK million*

| Notes | Assets | 2022 | 2021 |
|---|---|---|---|
| | **Non-current assets** | | |
| 10 | **Intangible assets** | | |
| | Goodwill | 18 | 18 |
| | Software | 686 | 829 |
| | Software development in progress | 51 | 81 |
| | Brands | 19 | 21 |
| | Other intangible assets | - | 2 |
| | Total intangible assets | 774 | 951 |
| 11 | **Property, plant and equipment** | | |
| | Land and buildings | 421 | 430 |
| | Fixtures and fittings, tools and equipment | 1,762 | 1,687 |
| | Leasehold improvements | 169 | 169 |
| | Assets under construction and prepayments | 1 | 71 |
| | Total property, plant and equipment | 2,353 | 2,357 |
| 12 | **Right-of-use assets** | | |
| | Land and buildings | 10,415 | 11,378 |
| | Fixtures and fittings, tools and equipment | 60 | 56 |
| | Total right-of-use assets | 10,475 | 11,434 |
| 13 | **Investment properties** | 181 | 123 |
| | **Financial assets** | | |
| 14 | Investments in subsidiaries | 14,592 | 12,910 |
| 15 | Other non-current financial assets | 103 | 138 |
| | Total financial assets | 14,695 | 13,048 |
| 16 | **Deferred tax assets** | 104 | 25 |
| | **Total non-current assets** | **28,582** | **27,938** |

## Parent company balance sheet at 31 December

*DKK million*

| Notes | Assets - continued | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | 28,582 | 27,938 |
| | **Current assets** | | |
| 17 | **Inventories** | 4,244 | 4,028 |
| | **Receivables** | | |
| 15 | Trade receivables | 52 | 42 |
| 15 | Other receivables | 353 | 406 |
| | Prepayments | 86 | 84 |
| 15 | Other current financial assets | 666 | 1,042 |
| | Total receivables | 1,157 | 1,574 |
| 15 | **Securities** | 815 | 2,456 |
| 15 | **Cash and short-term deposits** | 508 | 1,396 |
| | **Total current assets** | **6,724** | **9,454** |
| | **Total assets** | **35,306** | **37,392** |

# Parent company financial statements

## Parent company balance sheet at 31 December

*DKK million*

**Equity and liabilities**

| Notes | | 2022 | 2021 |
|---|---|---|---|
| 18 | **Equity** | | |
| | Share capital | 524 | 524 |
| | Reserve for net revaluation under the equity method | 1,912 | 1,654 |
| | Foreign currency translation reserve | -522 | -400 |
| | Development projects reserve | 468 | 497 |
| | Retained earnings | 7,818 | 6,926 |
| | Proposed dividends | 200 | 200 |
| | **Total equity** | **10,400** | **9,401** |

## Parent company balance sheet at 31 December

*DKK million*

**Equity and liabilities - continued**

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | 10,400 | 9,401 |
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| 19 | Pensions | 210 | 243 |
| 20 | Provisions | 35 | 39 |
| 15 | Mortgage loans | 188 | 193 |
| 12, 15 | Lease liabilities | 10,495 | 11,342 |
| 15 | Other non-current financial liabilities | 118 | 151 |
| | **Total non-current liabilities** | 11,046 | 11,968 |
| | **Current liabilities** | | |
| 20 | Provisions | 8 | 7 |
| 15 | Mortgage loans | 5 | 5 |
| 12, 15 | Lease liabilities | 1,218 | 1,156 |
| 15 | Bank loans | 501 | - |
| 15 | Other current financial liabilities | 2,173 | 2,351 |
| 15 | Trade payables | 7,779 | 10,202 |
| | Income tax payable | 39 | 19 |
| 15 | Other payables | 2,135 | 2,275 |
| | Deferred income | 2 | 8 |
| | **Total current liabilities** | 13,860 | 16,023 |
| | **Total liabilities** | **24,906** | **27,991** |
| | **Total equity and liabilities** | **35,306** | **37,392** |

# Parent company financial statements

## Parent company cash flow statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Profit before tax | 1,135 | 2,293 |
| 21 | Adjustments | 2,518 | 2,012 |
| 22 | Change in working capital | -2,744 | -69 |
| | Net cash flows from operating activities before financial items and tax | 909 | 4,236 |
| | Financial income received | 91 | 88 |
| | Financial expenses paid | -826 | -779 |
| | Income tax paid | -222 | -298 |
| | **Net cash flows from operating activities** | **-48** | **3,247** |
| 10 | Purchase of intangible assets | -107 | -167 |
| 11 | Purchase of property, plant and equipment | -610 | -607 |
| | Proceeds from sale of investment properties, property, plant and equipment and intangible assets | 3 | 20 |
| 23 | Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries | - | -238 |
| | Capital contribution to subsidiaries | -1,546 | -2,446 |
| 14 | Dividends received from subsidiaries | 410 | 650 |
| | Purchase of securities | -234 | -1,184 |
| | Sale of securities | 1,875 | 2,887 |
| | **Net cash flows from investment activities** | **-209** | **-1,085** |

## Parent company cash flow statement

*DKK million*

| Notes | | 2022 | 2021 |
|---|---|---|---|
| | Amount transferred | -257 | 2,162 |
| | Net repayments from related parties | 390 | 445 |
| | Net repayments to related parties | -208 | -1,244 |
| | Repayment of borrowings | -5 | -5 |
| 12 | Net payment of lease liabilities | -1,109 | -1,046 |
| | Net payments bank loans | 501 | - |
| | Dividends paid | -200 | -200 |
| | **Net cash flows from financing activities** | **-631** | **-2,050** |
| | Net change in cash and cash equivalents | -888 | 112 |
| | Cash and cash equivalents at 1 January | 1,396 | 1,284 |
| 24 | **Cash and cash equivalents at 31 December** | **508** | **1,396** |

# Parent company financial statements

## Parent company statement of changes in equity

*DKK million*

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

## Parent company statement of changes in equity

*DKK million*

| *2021:* | Share capital | Reserve for net revaluation under the equity method | Foreign currency translation reserve | Develop-ment projects reserve | Retained earnings | Proposed dividends | Total equity, parent company |
|---|---|---|---|---|---|---|---|
| Equity at 1 January 2021 | 524 | 1,360 | -332 | 465 | 5,393 | 200 | 7,610 |
| Profit for the year | - | 785 | - | 32 | 925 | 200 | 1,942 |
| Remeasurement of defined benefit plans | - | - | - | - | -3 | - | -3 |
| Exchange rate differences on translating foreign operations | - | - | -68 | - | - | - | -68 |
| Other comprehensive income to be reclassified in subsidiaries | - | 120 | - | - | - | - | 120 |
| Other comprehensive income | - | 120 | -68 | - | -3 | - | 49 |
| **Total comprehensive income for the year** | **-** | **905** | **-68** | **32** | **922** | **200** | **1,991** |
| Dividends received from subsidiaries | - | -650 | - | - | 650 | - | - |
| Reclassification related to liquidation of subsidiary | - | 39 | - | - | -39 | - | - |
| Payment of dividends | - | - | - | - | - | -200 | -200 |
| **Total transactions with owners** | **-** | **-611** | **-** | **-** | **611** | **-200** | **-200** |
| **Equity at 31 December 2021** | **524** | **1,654** | **-400** | **497** | **6,926** | **200** | **9,401** |

# Parent company financial statements

## Summary of notes to the parent company financial statements


1 General information
2 Summary of significant accounting policies
3 Significant accounting judgements, estimates and assumptions

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5 Staff expenses
6 Special items
7 Financial income
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**Notes to the parent company balance sheet**
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11 Property, plant and equipment
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**Notes to the parent company cash flow statement**
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25 Contingent assets and liabilities and other financial commitments
26 Related party disclosures
27 Business combinations
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## Notes to the parent company financial statements

*DKK million*

**1 General information**

The primary business area of Salling Group A/S is operating six different formats of retail stores in addition to a number of e-commerce platforms. In Denmark Salling Group is operating physical stores under the brands Bilka, føtex, Netto, BASALT, Salling and BR. Online Salling Group A/S operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk and flowr.dk. Furthermore Salling Group A/S operates Starbucks and Carl's Jr. as franchises in Denmark. In the beginning of 2022 wupti.com was closed.

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

**2 Summary of significant accounting policies**

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

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

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **4 Total revenue** | | |
| Revenue from contracts with customers, retail and e-commerce activities | 46,816 | 47,012 |
| Total revenue from contracts with customers | 46,816 | 47,012 |
| Rental revenue, investment properties | 34 | 33 |
| Other revenue | 263 | 208 |
| Total other revenue | 297 | 241 |
| Total revenue | 47,113 | 47,253 |

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

| | 2022 | 2021 |
|---|---|---|
| **5 Staff expenses** | | |
| Wages and salaries incl. termination benefits | 5,936 | 5,968 |
| Post-employment benefits – defined contribution plans | 381 | 385 |
| Post-employment benefits – defined benefit plans | -6 | 1 |
| Social security costs | 154 | 154 |
| Other staff expenses | 187 | 197 |
| Total staff expenses | 6,652 | 6,705 |
| Average number of full-time employees | 18,058 | 18,649 |

**Key management personnel**

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 26 in the consolidated financial statements.

## Notes to the parent company financial statements

*DKK million*

**6 Special items**

As a consequence of the business combination, that was finalised in 2021, a number of items of a non-recurring nature were recognised in 2021. In the parent company the items contain different advisory expenses and gain on discounted purchase.

| | 2022 | 2021 |
|---|---|---|
| **7 Financial income** | | |
| Interest income on loans to related parties | 15 | 6 |
| Interest income on other loans and receivables | 4 | 3 |
| Net gain on derivatives not designated as hedging instruments | 3 | 27 |
| Net foreign exchange gain | 51 | 71 |
| Other financial income | 2 | 1 |
| Total financial income | 75 | 108 |

| | 2022 | 2021 |
|---|---|---|
| **8 Financial expenses** | | |
| Interest expense on mortgage loans | 10 | 2 |
| Interest expense on lease liabilities | 689 | 726 |
| Interest expense paid to banks | 6 | 9 |
| Interest expense on loans from related parties | 18 | 1 |
| Net loss on financial instruments held for trading | 100 | 34 |
| Other financial expenses | 5 | 4 |
| Total financial expenses | 828 | 776 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **9 Income tax** | | |
| Current income tax | -244 | -418 |
| Adjustment regarding prior years, current income tax | - | 2 |
| Change in deferred tax | 79 | 67 |
| Adjustment regarding prior years, deferred tax | - | -1 |
| Total income tax | -165 | -350 |
| Income tax recognised in the income statement | -163 | -351 |
| Income tax recognised in other comprehensive income | -2 | 1 |
| Total income tax | -165 | -350 |

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Tax on result for the year at the Danish income tax rate | -250 | 22.0% | -505 | 22.0% |
| Non-deductible costs | -12 | 1.1% | -28 | 1.2% |
| Non-taxable income | 99 | -8.7% | 181 | -7.9% |
| Adjustment to prior periods | - | 0.0% | 1 | 0.0% |
| Income tax recognised in the income statement | -163 | 14.4% | -351 | 15.3% |

**Tax on other comprehensive income**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax | Net of tax | Before tax | Tax | Net of tax |
| Remeasurement of defined benefit plans | 10 | -2 | 8 | -4 | 1 | -3 |
| | 10 | -2 | 8 | -4 | 1 | -3 |

## Notes to the parent company financial statements

*DKK million*

**10 Intangible assets**

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

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

**10 Intangible assets - continued**

| *2021:* | Goodwill | Software | Software development in progress | Brands | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at 1 January 2021 | 270 | 2,076 | 148 | 102 | 14 | 2,610 |
| Additions | - | 127 | 37 | - | 3 | 167 |
| Reclassifications | - | 104 | -104 | - | - | - |
| Disposals | - | -1 | - | - | - | -1 |
| Balance at 31 December 2021 | 270 | 2,306 | 81 | 102 | 17 | 2,776 |
| Accumulated amortisation and impairment losses | | | | | | |
| Balance at 1 January 2021 | -178 | -1,244 | - | -79 | -13 | -1,514 |
| Amortisation | - | -228 | - | -2 | -2 | -232 |
| Impairment losses recognised in the income statement | -74 | -5 | - | - | - | -79 |
| Balance at 31 December 2021 | -252 | -1,477 | - | -81 | -15 | -1,825 |
| Carrying amount at 31 December 2021 | 18 | 829 | 81 | 21 | 2 | 951 |

## Notes to the parent company financial statements

*DKK million*

**11 Property, plant and equipment**

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

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

*2021:*

| | Land and buildings | Fixtures and fittings, tools and equipment | Leasehold improve-ments | Assets under construction and prepayments | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balance at 1 January 2021 | 924 | 5,365 | 770 | 53 | 7,112 |
| Additions | 3 | 543 | 43 | 18 | 607 |
| Disposals | -2 | -213 | -4 | - | -219 |
| Balance at 31 December 2021 | 925 | 5,695 | 809 | 71 | 7,500 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January 2021 | -486 | -3,709 | -622 | - | -4,817 |
| Depreciation | -11 | -506 | -22 | - | -539 |
| Disposals | 2 | 207 | 4 | - | 213 |
| Balance at 31 December 2021 | -495 | -4,008 | -640 | - | -5,143 |
| Carrying amount at 31 December 2021 | 430 | 1,687 | 169 | 71 | 2,357 |

## Notes to the parent company financial statements

*DKK million*

**12 Leases**

**Right-of-use assets**

*2022:*

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

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

The parent company has also entered into leases regarding stores with Salling Group Ejendomme A/S and F. Salling Invest A/S.

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

**12 Leases - continued**

**Right-of-use assets**

*2021:*

| | Land and buildings | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January 2021 | 14,443 | 139 | 14,582 |
| Additions | 307 | 31 | 338 |
| Remeasurement of lease liabilities | 519 | 1 | 520 |
| Disposals | -8 | - | -8 |
| Balance at 31 December 2021 | 15,261 | 171 | 15,432 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 January 2021 | -2,633 | -69 | -2,702 |
| Depreciation | -1,246 | -46 | -1,292 |
| Impairment losses recognised in the income statement | -4 | - | -4 |
| Balance at 31 December 2021 | -3,883 | -115 | -3,998 |
| Carrying amount at 31 December 2021 | 11,378 | 56 | 11,434 |

## Notes to the parent company financial statements

*DKK million*

**12 Leases - continued**

**Lease liabilities**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Undis-counted payments | Present value of payments | Undis-counted payments | Present value of payments |
| Within 1 year | 1,790 | 1,218 | 1,769 | 1,156 |
| 1 to 5 years | 6,927 | 5,060 | 6,864 | 4,691 |
| After 5 years | 6,231 | 5,435 | 7,671 | 6,651 |
| Total | 14,948 | 11,713 | 16,304 | 12,498 |

| | 2022 | 2021 |
|---|---|---|
| **Amounts recognised in the parent company income statement** | | |
| Interest expense on lease liabilities | 689 | 726 |
| Expenses related to leases of low value assets | 18 | 21 |
| Income from subleasing of right-of use assets | 2 | 3 |

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2022 and 2021.

In 2022 the parent company has paid DKK 1,798 million related to lease contracts (DKK 1,772 million in 2021), of which DKK 689 million relate to interest payments regarding recognised lease liabilities (DKK 726 million in 2021) and DKK 1,109 million relate to payment of recognised lease liabilities (DKK 1,046 million in 2021).

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **13 Investment properties** | | |
| Cost | | |
| Balance at 1 January | 474 | 474 |
| Reclassifications | 66 | - |
| Balance at 31 December | 540 | 474 |
| Accumulated depreciation and impairment losses | | |
| Balance at 1 January | -351 | -347 |
| Depreciation | -8 | -4 |
| Balance at 31 December | -359 | -351 |
| Carrying amount at 31 December | 181 | 123 |

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

The estimated fair value of the investment properties amounted to DKK 962 million at 31 December 2022 (DKK 931 million at 31 December 2021). The fair value is not based on a valuation by an independent valuer.

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

| | 2022 | 2021 |
|---|---|---|
| Rental income from investment properties | 34 | 33 |
| Direct operating expenses from investment properties that generated rental income | -15 | -16 |
| Profit arising from investment properties | 19 | 17 |

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **14 Investments in subsidiaries** | | |
| Cost | | |
| Balance at 1 January | 11,656 | 8,839 |
| Additions | 1,546 | 2,856 |
| Disposals | - | -39 |
| Balance at 31 December | 13,202 | 11,656 |
| Value adjustments | | |
| Balance at 1 January | 1,254 | 1,028 |
| Dividends | -410 | -650 |
| Foreign currency translation | -122 | -68 |
| Other comprehensive income for the year | 341 | 120 |
| Profit for the year | 327 | 785 |
| Disposals | - | 39 |
| Balance at 31 December | 1,390 | 1,254 |
| Carrying amount at 31 December | 14,592 | 12,910 |

For information about business combinations please refer to note 27.

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

**15 Financial assets and financial liabilities**

*Financial assets comprise the following:*

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Derivatives not designated as hedging instruments | 103 | 138 | 103 | 138 |
| Other non-current financial assets | 103 | 138 | 103 | 138 |
| Trade receivables | 52 | 42 | 52 | 42 |
| Other receivables | 353 | 406 | 353 | 406 |
| Receivables from subsidiaries | 569 | 932 | 569 | 932 |
| Derivatives not designated as hedging instruments | 97 | 110 | 97 | 110 |
| Other current financial assets | 666 | 1,042 | 666 | 1,042 |
| Securities | 815 | 2,456 | 815 | 2,456 |
| Cash and short-term deposits | 508 | 1,396 | 508 | 1,396 |

## Notes to the parent company financial statements

*DKK million*

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

*Financial liabilities comprise the following:*

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Mortgage loans - non-current | 188 | 193 | 145 | 186 |
| Mortgage loans - current | 5 | 5 | 5 | 5 |
| Mortgage loans | 193 | 198 | 150 | 191 |
| Lease liabilities - non-current | 10,495 | 11,342 | | |
| Lease liabilities - current | 1,218 | 1,156 | | |
| Lease liabilities | 11,713 | 12,498 | | |
| Bank loans - current | 501 | - | 501 | - |
| Bank loans | 501 | - | 501 | - |
| Derivatives not designated as hedging instruments | 103 | 138 | 103 | 138 |
| Other non-current financial liabilities | 15 | 13 | 15 | 13 |
| Other non-current financial liabilities | 118 | 151 | 118 | 151 |
| Payables to entities with controlling influence | 64 | 62 | 64 | 62 |
| Payables to entities with significant influence | 261 | 471 | 261 | 471 |
| Payables to subsidiaries | 1,741 | 1,714 | 1,741 | 1,714 |
| Derivatives not designated as hedging instruments | 107 | 104 | 107 | 104 |
| Other current financial liabilities | 2,173 | 2,351 | 2,173 | 2,351 |
| Trade payables | 7,779 | 10,202 | 7,779 | 10,202 |
| Other payables | 2,135 | 2,275 | 2,135 | 2,275 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **15 Financial assets and financial liabilities - continued** | | |
| **Financial instruments by category** | | |
| Financial assets at amortised cost: | | |
| Trade receivables | 52 | 42 |
| Other receivables | 353 | 406 |
| Other financial assets excluding derivatives | 569 | 932 |
| Cash and short-term deposits | 508 | 1,396 |
| Financial assets at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments | 200 | 248 |
| Securities | 815 | 2,456 |
| Financial liabilities measured at amortised cost: | | |
| Mortgage loans | 193 | 198 |
| Lease liabilities | 11,713 | 12,498 |
| Other non-current financial liabilities excluding derivatives | 15 | 13 |
| Other current financial liabilities excluding derivatives | 2,066 | 2,247 |
| Trade payables | 7,779 | 10,202 |
| Other payables | 2,135 | 2,275 |
| Financial liabilities at fair value through profit or loss: | | |
| Derivatives not designated as hedging instruments | 210 | 242 |

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

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

## Notes to the parent company financial statements

*DKK million*

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

**Financial liabilities: Interest-bearing mortgage loans**

Overview of borrowings by interest rate levels:

| | | *Next interest rate fixing* | | |
|---|---|---|---|---|
| 31 December 2022 | Carrying amount | Within 1 year | 1 to 5 years | After 5 years |
| 0 - 2% | 193 | 29 | - | 164 |
| Total | 193 | 29 | - | 164 |
| Of which: | | | | |
| Bearing fixed interest | 85% | | | |
| Bearing floating interest | 15% | | | |

| | | *Next interest rate fixing* | | |
|---|---|---|---|---|
| 31 December 2021 | Carrying amount | Within 1 year | 1 to 5 years | After 5 years |
| 0 - 2% | 198 | 29 | - | 169 |
| Total | 198 | 29 | - | 169 |
| Of which: | | | | |
| Bearing fixed interest | 85% | | | |
| Bearing floating interest | 15% | | | |

**Hedge accounting and derivatives**

Cash flow hedging is used on Group level to ensure that part of Group's interest rate risk exposure is at a fixed rate. In the parent company hedge accounting is not used. For further information about the use of hedge accounting please refer to note 15 in the notes to the consolidated financial statements.

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

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

**Fair value**

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

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

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

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

**Risks arising from financial instruments**

The parent company's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the parent company's financial counterparties. There has been no structural changes in the risk exposure or risks compared to 2021.

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

*Currency risks*

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

For a description of the FX risk management please refer to note 15 in the notes to the consolidated financial statements.

## Notes to the parent company financial statements

*DKK million*

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

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

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

| 31 December 2021 | EUR/DKK | GBP/DKK | PLN/DKK | SEK/DKK | USD/DKK |
|---|---|---|---|---|---|
| Financial assets | 304 | 13 | 769 | 1 | 60 |
| Known USD purchase orders | - | - | - | - | -760 |
| Net exposures before derivatives | 304 | 13 | 769 | 1 | -700 |
| Derivatives | 350 | - | 81 | - | 787 |
| Net exposures after derivatives | 654 | 13 | 850 | 1 | 87 |
| The net exposure relates to: | | | | | |
| Hedging of expected commercial cash flows, where hedge accounting is not used | 654 | 13 | 850 | 1 | 87 |
| Applied sensitivity | 1% | 5% | 5% | 5% | 5% |
| Impact on the income statement | 7 | 1 | 43 | - | 4 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

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

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

*Interest rate risks*

The parent company's exposure to risk of changes in market interest rates relates to mortgage loans, internal loans and intercompany balances and its bond holdings. For further descriptions regarding the overall interest rate risk management please refer to note 15 in the notes to the consolidated financial statements.

A general increase of 1%-points in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by DKK -1 million (DKK -34 million in 2021).

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

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

| 31 December 2021 | Carrying amount | Sensitivity | Profit before tax | Pre-tax equity |
|---|---|---|---|---|
| Securities | 2,456 | 1% | -26 | -26 |
| Other financial assets | 932 | 1% | 9 | 9 |
| Mortgage loans | 198 | 1% | -1 | -1 |
| Other financial liabilities | 2,247 | 1% | -16 | -16 |
| Impact | | | -34 | -34 |

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.

## Notes to the parent company financial statements

*DKK million*

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

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

*Liquidity risks*

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

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

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

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

| 31 December 2021 | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Mortgage loans | 7 | 34 | 196 | 237 |
| Lease liabilities | 1,769 | 6,864 | 7,671 | 16,304 |
| Trade and other payables* | 14,724 | 13 | - | 14,737 |
| Derivatives | 102 | 170 | 18 | 290 |
| Total | 16,602 | 7,081 | 7,885 | 31,568 |

*As at 31 December 2022 the parent company has utilised the SCF facility by DKK 2.8 billion (DKK 6.4 billion as at 31 December 2021).

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

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

*Credit risks*

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

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

The parent company is exposed to credit risks from trade and other receivables, balances with banks in the form of deposits and other financial instruments. The majority of the parent company's sales are made in cash, and therefore, the credit risks are very low. The parent company reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of the bond portfolio must be below 4.

The table below summarises the ageing analysis of trade receivables:

| | 2022 | 2021 |
|---|---|---|
| Not due | 50 | 39 |
| > 30 days past due | 2 | 3 |
| Total | 52 | 42 |

## Notes to the parent company financial statements

*DKK million*

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

The parent company recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2022 the provision amounts to DKK 6 million (31 December 2021: DKK 6 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The parent company does not hold collateral or other forms of credit insurance as security. The parent company assesses the concentration of credit risk with respect to receivables as low.

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

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

| | 1 January 2021 | Cash flows | Other | 31 December 2021 |
|---|---|---|---|---|
| Other financial assets excluding derivatives | -218 | -749 | 35 | -932 |
| Mortgage loans | 203 | -5 | - | 198 |
| Lease liabilities | 12,686 | -1,046 | 858 | 12,498 |
| Other financial liabilities excluding derivatives | 2,313 | -50 | -3 | 2,260 |
| Total change in assets and liabilities from financing activities | 14,984 | -1,850 | 890 | 14,024 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

### 16 Deferred tax

**Specification of deferred tax**

| | Parent company income statement | | Parent company balance sheet | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Intangible assets | 37 | 15 | -168 | -205 |
| Property, plant and equipment | - | -4 | -54 | -54 |
| Investment properties | - | -1 | -13 | -13 |
| Provisions | -9 | - | 46 | 55 |
| Leases | 46 | 58 | 241 | 195 |
| Other | 5 | -1 | 52 | 47 |
| Deferred tax income / Net deferred tax | 79 | 67 | 104 | 25 |

Deferred tax is recognised in the parent company balance sheet as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred tax assets | 104 | 25 |
| Net deferred tax | 104 | 25 |

**Reconciliation of net deferred tax**

| | 2022 | 2021 |
|---|---|---|
| Opening balance at 1 January | 25 | -41 |
| Adjustment of deferred tax recognised in the income statement | 79 | 67 |
| Adjustment of deferred tax recognised in other comprehensive income | - | -1 |
| Closing balance at 31 December | 104 | 25 |

## Notes to the parent company financial statements

*DKK million*

### 17 Inventories

| | 2022 | 2021 |
|---|---|---|
| Goods held for resale | 4,133 | 3,953 |
| Consumables | 111 | 75 |
| Total inventories | 4,244 | 4,028 |

In the income statement as part of Cost of sales an expense of DKK 12 million has been recognised regarding write-downs of inventories to net realisable value (an expense of DKK 4 million in 2021).

### 18 Equity

**Share capital**

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

| | 2022 | 2021 |
|---|---|---|
| 1,048,223 shares of DKK 500 | 524 | 524 |
| Total share capital | 524 | 524 |

There has been no changes to the share capital during 2018 - 2022. All shares have been fully paid.

**Retained earnings**

During the 2022 financial year an ordinary dividend of DKK 200 million has been paid (DKK 200 million in 2021). A dividend for the 2022 financial year of DKK 200 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|
| **19 Pensions** | | |

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

Changes in the present value of the defined benefit obligation:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligation at 1 January | 243 | 254 |
| Interest expenses recognised as part of Staff expenses | -7 | 1 |
| Actuarial gains / losses, demographic assumptions | 4 | - |
| Actuarial gains / losses, financial assumptions | -33 | -4 |
| Actuarial gains / losses, experience adjustments | 19 | 8 |
| Payments from the plan | -16 | -16 |
| Defined benefit obligation at 31 December | 210 | 243 |

The following significant actuarial assumptions are applied:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 2.7% | -0.2% |
| Price inflation | 1.9% | 1.1% |

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

## Notes to the parent company financial statements

*DKK million*

**19 Pensions - continued**

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

| | 2022 | 2021 |
|---|---|---|
| *Discount rate:* | | |
| Increase of 0.5% point | -8 | -11 |
| Decrease of 0.5% point | 9 | 12 |
| *Price inflation:* | | |
| Increase of 0.5% point | 9 | 12 |
| Decrease of 0.5% point | -8 | -11 |

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 2022 is 28 years (29 years in 2021). DKK 17 million is expexted to be paid from the plans in 2023.

**20 Provisions**

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 46 | 40 |
| Provisions made during the year | 7 | 16 |
| Provisions utilised during the year | -7 | -7 |
| Reversals during the year | -3 | -3 |
| Balance at 31 December | 43 | 46 |
| Non-current | 35 | 39 |
| Current | 8 | 7 |
| Balance at 31 December | 43 | 46 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|

**20 Provisions - continued**

The provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the parent company is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concerns the Danish employees, and is estimated based on the expected jubilees for current employees. Of the provision DKK 18 million is expected to fall due after more than 5 years (DKK 19 million in 2021). No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.

**21 Adjustments**

| | 2022 | 2021 |
|---|---|---|
| Financial income | -75 | -108 |
| Financial expenses | 828 | 776 |
| Amortisation and impairment of intangible assets | 277 | 311 |
| Depreciation and impairment of property, plant and equipment | 546 | 539 |
| Depreciation and impairment of right-of-use assets | 1,283 | 1,296 |
| Depreciation and impairment of investment properties | 8 | 4 |
| Net gain/loss on sale of non-current assets etc. | 8 | -13 |
| Share of profit from subsidiaries, net of tax | -327 | -785 |
| Other adjustments | -30 | -8 |
| Adjustments | 2,518 | 2,012 |

**22 Change in working capital**

| | 2022 | 2021 |
|---|---|---|
| Change in trade and other receivables and prepayments | 41 | -48 |
| Change in inventories | -216 | 123 |
| Change in trade and other payables | -2,569 | -144 |
| Change in working capital | -2,744 | -69 |

## Notes to the parent company financial statements

*DKK million*

| | 2022 | 2021 |
|---|---|---|

**23 Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries**

In March 2021 Salling Group's acquisition of the UK retailer Tesco's Polish business was finalised. Of the total purchase price a prepayment of DKK 41 million was paid in 2020, DKK 238 million was paid in 2021, and the remaining amount of DKK 129 million had not yet been paid as at 31 December 2021.

For further information please refer to note 23 in the notes to the consolidated financial statements.

**24 Cash and cash equivalents**

| | 2022 | 2021 |
|---|---|---|
| Cash and short-term deposits | 508 | 1,396 |
| Cash and cash equivalents available to the parent company | 508 | 1,396 |

**25 Contingent assets and liabilities and other financial commitments**

**Operating leases, the parent company is lessor**

The parent company leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 2 months and 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:

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | 25 | 22 |
| 1 to 5 years | 31 | 30 |
| After 5 years | 46 | 45 |
| Total | 102 | 97 |

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

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

**Contingent liabilities and financial commitments**

The parent company has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 37 million (DKK 20 million in 2021).

As security for mortgage loans land and buildings with a carrying amount of DKK 259 million have been provided as collateral (DKK 264 million in 2021).

The company has security for interest rate swap contracts with a carrying amount of DKK -131 million as collateral in 2022. In 2021 security was provided as collateral by the parent company for interest rate swap contracts with a carrying amount of DKK 168 million.

The company is jointly taxed with the Danish companies in Købmand Herman Sallings Fond Group. As a jointly taxed company, which is not wholly owned, the company has limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the company's liability will increase.

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 553 million at 31 December 2022 (DKK 519 million in 2021).

Guarantees of DKK 7,529 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 7,705 million in 2021).

Guarantees of DKK 199 million have been provided to external parties regarding subsidiaries' lease obligations (DKK 197 million in 2021).

The parent company has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 121 million (DKK 114 million in 2021).

## Notes to the parent company financial statements

*DKK million*

**26 Related party disclosures**

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

| | 2022 | 2021 |
|---|---|---|
| Entities with controlling or significant influence over the parent company: | | |
| Sales of services | 5 | 3 |
| Lease payments | -29 | -28 |
| Dividends paid | -200 | -200 |
| Donations from Købmand Herman Sallings Fond | 61 | 1 |
| Subsidiaries: | | |
| Sales of goods and services | 143 | 105 |
| Purchase of goods and services | -37 | -46 |
| Lease payments | -1,621 | -1,575 |
| Interests received/paid | -2 | 5 |
| Dividends received | 410 | 650 |

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

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2022 (DKK 0 million in 2021). No expense has been recognised in 2022 or 2021 for bad or doubtful debts.

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

# Parent company financial statements

## Notes to the parent company financial statements

*DKK million*

**27 Business combinations**

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

**28 Capital management**

For a description of the capital management please refer to note 28 in the notes to the consolidated financial statements.

**29 Events after the reporting period**

No subsequent events have occurred that affect the annual report for 2022.

**30 Standards issued but not yet effective**

For a description of standards issued but not yet effective please refer to note 30 in the notes to the consolidated financial statements.

# Sustainability reporting

As the largest retail company in Denmark our primary focus will always be on continuing the development of a sustainable business. The global climate challenges are so complex and immense that there is no clear solution to them. Therefore, a sustainable strategy must be revisited and continuously adjusted as we learn more to assess what needs to be prioritised and where we can make the biggest difference, bearing in mind what constitutes our foundation: Our customers, our employees and the products we sell.

We are continually defining a number of focus areas that support our strategic priorities and the four aspects of sustainability: Human rights, social and employee conditions, climate and the environment, and anti-corruption.

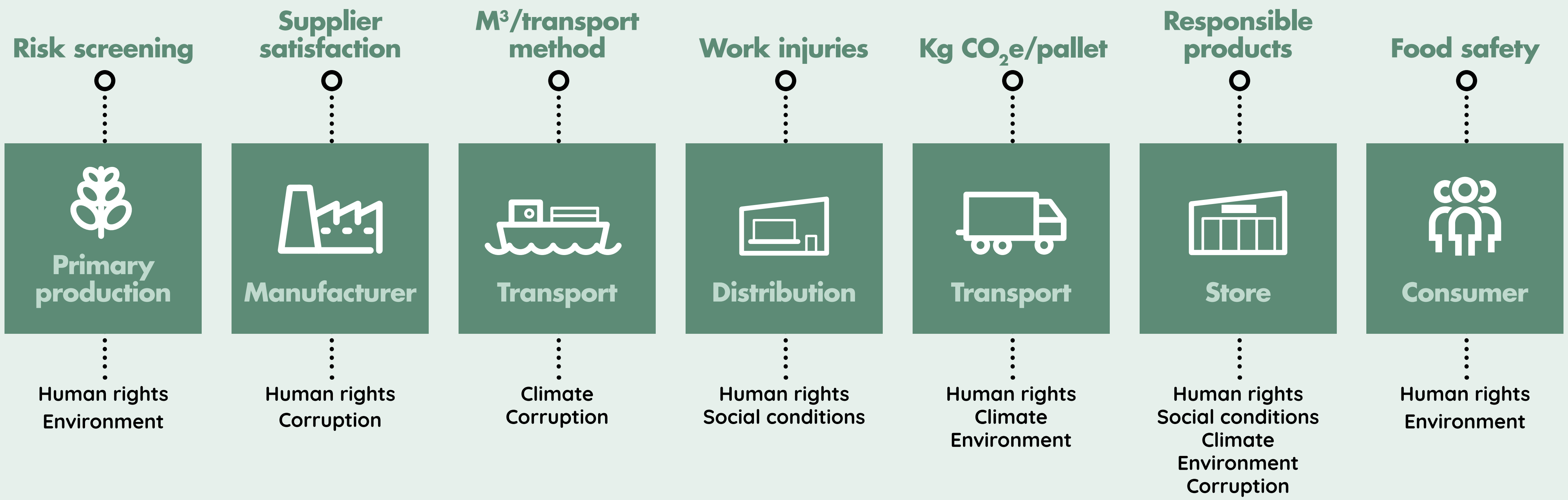
To ensure that relevant policies are in place, and to identify and address primary risks to the company we are supported not only by the Board, but also by our Sustainability Committee and our Audit Committee.

In 2022, Salling Group joined the United Nations Global Compact, the world's largest initiative to promote ethical business practices. The UN Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour rights, environment, and anti-corruption. As a member of the UN Global Compact, we are committed to acknowledge and integrate the ten principles into our daily business – and to communicate our efforts to our stakeholders.

Salling Group owns Netto in Denmark, Poland and Germany, the føtex and Bilka supermarket chains, the BASALT discount stores as well as the Salling department stores, the BR toy store chain and associated online stores in Denmark. In addition, the company operates the Starbucks and Carl's Jr. franchise chains on the Danish market, making Salling Group Denmark's largest retail group, with 10m customers visiting our stores and restaurants every week.

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

As we offer all kinds of products in our stores and source these products not only locally, but from all over the world, we have a risk of potential negative impact throughout our whole value chain.



# Respect for humans rights

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

| Area | Risks | Action taken in 2022 | Expectations |
|---|---|---|---|
| **Food safety** | Improper food handling may pose a risk to food safety. Food safety includes food origin, including compliance with practices regarding food labelling and hygiene, additives and pesticide residues in order to avoid making consumers ill. Poor food safety can affect a lot of people, and in some cases food poisoning (from e.g., listeria and salmonella) can lead to deaths. Foreign bodies in food can also endanger consumers. | Third-party and internal checks of food, hygiene, food preparation and storage practices in our stores and distribution centres. | Increased reporting availability in Poland.<br>We had hoped this would be in place during 2022, but the acquisition of Tesco Poland in 2021 with subsequent organisational changes and translocation of HQ from Szczecin to Warsaw in 2022 became an obstruction. |
| **Workers´ rights, health and safety** | Key risks include forced and child labour, minimum wage, overtime in the textile and non-food sector, discrimination and migrant worker rights in the agricultural sector. We consider high-risk countries, among other things, according to amfori BSCI's high-risk country index, and certain high-risk industries (e.g., fruit and vegetables) in other countries. | Continuous implementation of the amfori BSCI Code of Conduct, Salling Group's responsible procurement policy, as well as follow-up and monitoring of them.<br><br>Mandatory courses in responsible procurement practices for all buyers.<br><br>Endorsement of the UN Global Compact. | That our suppliers comply with our requirements and make continuous changes that can help eliminating human rights issues.<br><br>As a member of the UNGP we expect relevant people in the Group to participate in The Business and Human Rights Accelerator Programme. |

Salling Group continuously seeks to improve its comprehensive risk assessment tool for more efficiency in identifying any human rights risks stemming from our company's activities. We also expect the tool to better identify how these risks may affect Salling Group's operations.

The procurement of a very wide and deep product range presents us with many potential challenges across different supply chains. The identification therefore focuses on several parameters such as:

- Areas of impact – for example forced labour, overtime, renumeration, etc. based on the amfori BSCI Code of Conduct
- Type of workers – for example migrant workers, home and seasonal workers
- Countries – high-risk/low-risk classifications based on political stability and corruption index
- Industry – for example textiles, agricultural products, and fish
- Supply chain stages – for example packing facility, finished production, and raw materials

Because Salling Group is a member of amfori BSCI, GlobalG.A.P., and now also the UN Global Compact, we will increasingly utilise and incorporate data and insights about human rights risks in the supply chains from these organisations combined with input from other important stakeholders.

**28m**

**modern slavery workers globally***

*International Labour Organization (ILO))

# Social and employee conditions

Our employees are our most important asset. As a result, it is important to us to ensure fair and safe employment conditions in every respect

| Area | Risks | Action taken in 2022 | Expectations |
|---|---|---|---|
| **Invisible disabilities** | Employees with hidden disabilities and invisible diagnoses may be subject to stigma which may negatively affect a person's work ability and quality of life. | We introduced a number of initiatives targeted towards colleagues with dyslexia and other reading- and writing disabilities, e.g., making digital reading and writing tools available for all employees.<br>Furthermore we introduced the Sunflower lanyard which helps create awareness of hidden disabilities and individual needs for individual considerations. | We wish to put an end to prejudice about dyslexia and instead focus on the strengths. With the Sunflower lanyard we wish to remove stigmatisation and promote openminded and psychologically safe working environments. |
| **Stress** | Our employees are at risk of suffering from stress. Stress can affect the health of staff, reduce productivity and lead to employees taking time off or being on sick leave. | We seek to adapt the workload and the demands placed on our employees to their capacity and abilities. | A stronger focus on the importance of early intervention, including PFA Early Care for employees who have joined PFA Pension, is expected to lead to fewer and shorter periods of stress-related absence. |
| **Employee accidents** | In our warehouses and in our stores, there is a risk of sudden accidents occurring due to the physical work involved in lifting boxes, slippery floors, operating forklifts, knives, machines and tools. | Thorough instruction to prevent accidents. Thorough and regular investigations into work accidents from the top level down to section level in each store and in all warehouses in order to prevent recurrences. | The LTIF number stayed at the same level as in 2021. We expect the number to decrease in coming years. |
| **Physical attrition** | Physical attrition due to heavy lifting and moving or too much sedentary work may lead to a poorer quality of life, more frequent sick leave and higher employee turnover. | In 2022 we started the roll-out of an internal health project comprising preventive training, healthier food in the canteens and easier access to fresh water.<br>The collective agreement for our stores also makes it possible to convert current pension contributions and use the flexible spending account to pay for days off for senior employees. | With increased focus and knowledge, as well as better aids and workstations, we expect to see a small reduction in the level of physical attrition. |
| **Prevention of illness** | Restrictions, improved hygiene, less socialising, etc. due to COVID-19 in the past years have lowered the hardening of our immune system. With restrictions being cancelled in 2022, the risk of non-resistance in relation to a potential flu epidemic has grown. | All employees of our Danish entities have been offered free shots at work during working hours. | Expectation of low levels of illness over the winter. |
| **Sexual harassment** | Salling Group does not tolerate abusive behaviour, but in light of the past year´s #metoo debate, we recognise the risk of sexist or sexually offensive behaviour. | Salling Group encourages anyone who may have been a victim of or have witnessed inappropriate behaviour or language while at work to report it, either to their immediate manager, HR, the whistle-blower portal or to the CEO directly. | Everyone is expected to contribute to creating a workplace and a culture which is characterised by mutual respect – across gender, age, abilities and origin. |

# Environmental conditions
## including climate impact

Climate change is a global concern shared by Salling Group. We recognise the danger posed by climate change and we recognise the responsibility we have for protecting the environment. As a result, we are committed to continuously reducing our potential negative impact on both the climate and the environment.

| Area | Risks | Action taken in 2022 | Expectations |
|---|---|---|---|
| **Resource scarcity** | Climate change, population growth and increased consumption due to improved living standards are leading to resource scarcity. | We are continuously working to reduce our energy and water consumption and increase waste recycling rates. | The focus on improved resource efficiency and highlighting our measurable value chain footprint are expected to promote initiatives to further reduce our environmental impact. |
| **Deforestation** | Palm oil and soya are directly and indirectly used in many of our private label products. The production of these raw materials impacts the environment and the living conditions in local communities and leads to biodiversity loss in high conservation value areas, especially in South East Asia and South America. | In 2022, we have revised our action plans for palm oil and soya, and in 2023 we will include suppliers to Netto Germany and Poland.<br><br>99.6% of the palm oil found in our DK private label products is certified (2021)[1]. | We expect that our participation in the palm oil and soya alliances can contribute to increasing the certified share of imported palm oil and soya. |
| **Biodiversity** | Loss of biodiversity undermines the ability of ecosystems to function effectively and efficiently and thus undermines nature´s ability to support a healthy environment and its resilience to change. | Salling Group has trans-formed the green spaces at its head-quarters in Aarslev into a biodiversity park – a living habitat for insects, birds and other wildlife – with benches and walk&talk pathways. | We will continue to explore the possibilities of establishing more nature on our areas at stores and distribution centres and seek new partners to reduce our impact on biodiversity through all parts of the business. |
| **Food waste** | Rising temperatures could potentially affect global food supply, which could lead to food shortages, competition for food and rising food prices. Food waste is also a source of greenhouse gas emissions, primarily methane. | We are continuously working to reduce food waste across the value chain. In 2022 we also contributed to the formulation of re-commendations from the think tank One\Third to the Danish Government on food waste issues. | Through our extensive partnerships with various food waste organisations, we expect a greater re-distribution of food that might otherwise go to biogas. |
| **Global warming potential (GwP)** | Global warming as a result of using refrigerants in cooling units. | Replacement of older cooling units (ongoing since 2017). | We expect our central cooling systems to be freon free by the end of 2025. |
| **$CO_2$e footprint** | As a large retailer selling goods produced in virtually every corner of the world, we have a direct and indirect $CO_2$e footprint that can have an adverse impact on the environment. | In 2022, besides putting lids on more freezers, doors on more refrigerators, sun panels on roof tops and other initiatives, we submitted our application for SBTi[2] approval of our target for $CO_2$e reduction. We also invited our top150 by spend suppliers to sign up on the CDP[3] platform, fill in the Climate Change questionnaire, and to set targets of their own. We ended up with 140 being listed. | With clear targets and measurement methods, we expect to be able to intensify and qualify the identification of the areas and methods of action that can contribute to a maximum reduction of our value chain $CO_2$e emissions. Moving forwards we will invite more suppliers to sign up on the CDP platform – expectedly 300 in 2023 of which 200 are suppliers to Netto in Germany and Poland. |

'1 the 2022 figure will be available in May 2023

'2 Science Based Targets initiative

'3 Carbon Disclosure Project


# Combatting corruption and bribery

Salling Group does not tolerate corruption or bribery of any kind. We therefore strive to maintain a fair and transparent corporate culture.

| Area | Risks | Action taken in 2022 | Expectations |
|---|---|---|---|
| Corruption and bribery in the supply chain | Corruption and bribery in our supply chain is a barrier to economic and social development, especially in developing countries, and often entails increased costs. | Anti-corruption requirements are integrated into the amfori BSCI Code of Conduct, and into Salling Group's general trade agreement for all suppliers and service providers. No new actions. | Our overall efforts in the field of business ethics, including anti-corruption, will also consist in monitoring and ensuring that the high standards are maintained. |
| Corruption and bribery in Salling Group | The risk of corruption, for example related to accounting fraud, bribery related to obtaining building permits or the receipt of money or valuables in exchange for orders. | Despite new legislation, we maintained a single Whistle-blower portal for all legal entities in 2022 to ensure that Danish WB members could also access reports that, for example, only concerned Netto Poland.<br><br>Netto Germany initiated their own independent WB solution and WB unit after the implementation of the Whistle-blower Directive into German law. | The Whistle-blower Directive was not implemented into Polish law by end 2022. However, Netto Poland is expected to follow suit and establish their own WB solution and WB unit by end February 2023. |

# ESG Statements

## Contents



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# ESG statements accounting policies

## Reporting process

Salling Group has prepared the ESG part of this report in accordance with sections 99a, 99b and 99d of the Danish Financial Statements Act. In this context, we have examined the draft of the forthcoming EU Corporate Sustainability Reporting Directive (CSRD), which replaces the current EU directive, the Non-Financial Reporting Directive (NFRD) in a few years. The aim has been to gradually adapt the reporting content and form to the new reporting requirements. To integrate both financial and ESG data, we have divided the responsibility between our finance department and CSR department. Our finance department is responsible for data collection and preparation of climate metrics as well as KPI follow up and internal audit control of methods and data applied. Our CSR department is responsible for content, initiatives and project management of the report.

The ESG part of the report covers relevant and significant topics of an environmental, social and governance nature for the financial year 1st January to 31st December 2022. Salling Group´s external auditors have reviewed the ESG section and issued a statement providing limited assurance of our ESG data as described and delimited on pages 98-111.

## Organisational boundary

Entities included in the ESG performance data are majority-owned subsidiaries and business units defined as companies owned or controlled by Salling Group including our online stores, Salling, føtex, Bilka, Netto Denmark, Netto Germany, Netto Poland, BR, BASALT and our franchises Starbucks and Carl's Jr. Properties owned by Salling Group but not a part of our operational control are excluded.

Salling Group's $CO_2e$ accounts follow the standards of the GHG Protocol. In the GHG accounts, the defined organisational boundary includes all entities over which Salling Group has operational control.

## Restatements

Figures for 2018-2021 have been restated. For a detailed description see page 111.

# Environment
## Energy, waste and water

| Environment | KPI | Unit | 2022 | 2021 | 2020 | *2019 | *2018 | Dev. | Target | Target year | Base year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Energy | Consumption | MWh | 662,171 | 714,675 | 564,403 | 610,241 | 630,721 | -7.3% | -10% | 2025 | 2020 |
| | Energy efficiency | MWh/m² | 0.21 | 0.23 | 0.22 | 0.22 | 0.23 | -8.9% | -10% | 2025 | 2020 |
| Waste | Recycling | % | 76.8 | 77.2 | 78.6 | 78.6 | 78.0 | -0.6% | 85% | 2030 | 2021 |
| | Food waste | tonnes | 44,438 | 40,817 | 39,226 | 39,162 | 40,554 | 8.9% | -50% | 2030 | 2015 |
| | Food waste percentage** | % | 2.01 | 1.93 | 1.89 | 1.92 | 1.94 | 4.2% | -50% | 2030 | 2015 |
| Water | Consumption (own) | m³/m² | 0.166 | 0.175 | 0.174 | 0.183 | 0.184 | -5.1% | -10% | 2022 | 2017 |

* Excluding Sweden due to divestment in 2019
** If food donations were deducted, the food waste percentage would be 1.78. Food donations have not been measured in weight in DE and therefore have not been set off. Neither has To Good To Go food bags in both DE and DK.

### Energy
We reduced our total energy consumption and improved our energy efficiency in 2022. We introduced energy reduction initiatives across Salling Group with both technical and operational solutions as well as an increased focus on energy consumption across our business units in general. Our energy reduction was further helped along by the warmer weather in 2022 compared to 2021.

Among others, below initiatives were put into practice:

- Ento labs
- Flex platform
- Reduced opening hours in some formats
- Lower temperature in stores

### Waste
Recycling percentage slightly decreased from 77.2% in 2021 to 76.8% in 2022. Reduced volumes decreased waste in tonnes and changed the mix of materials to be recycled. Especially the use of reusable Europool boxes in Fruit and Vegetables lowered the volume of cardboard used in our stores

Food waste in tonnes went from 40,817 tonnes to 44,438 tonnes as a consequence of our expansion in Netto Poland with 247 stores compared to 2021. Furthermore, the change of consumer behaviour as a result of inflation increased our food waste percentage.

### Water
Water consumption per m² went down by 5.1% from 0.175 in 2021 to 0.166 in 2022. We continue to focus on efficiency initiatives to reduce water consumption.

## ESG statements accounting policies
We have included both majority-owned and controlled entities that opened and closed during the financial year in the reporting of energy, waste and water.

### Energy
Energy data in our Danish operations is based on digital readings on each location through the system Omega, while our energy data in Poland and Germany are based on invoices from energy suppliers. Estimates for stores with no available data or large data deviations are prepared by multiplying the average consumption per square metre for comparable stores within the same format, country and store size. Estimates for føtex account for 3.1%, for Bilka 0.5%, for BR 21.0%, for Salling 10.0%, for franchises 0.0%, for BASALT 0.0% and for Netto Denmark 5.2% of the total energy consumption for each chain.

For our other European Netto stores estimates account for 4.1% in Germany and 1.4% in Poland.

### Waste
Across our operations in Denmark, waste was weighted by waste disposal suppliers at collection.

In our German stores, in 2022, waste was estimated on the basis of a total of 140 weighing samples in H1 and 155 in H2 conducted in 2018 and 2021 from selected stores. Estimates for the remaining German stores are based on the average amount of waste per unit of revenue for the selected stores. All waste collected from German HQ and warehouses were weighed by waste disposal suppliers.

In Poland, all waste collected from our Polish HQ, warehouses and stores was weighed by the waste disposal suppliers. Waste for landfill, however, was calculated by combining number of containers with the average weight per container.

Construction waste from new stores and major renovations is generally disposed of by contractors and not included in the waste data. Estimates of total waste within each format account for: føtex 1.5%, Bilka 0.0%, BR 22.9%, Salling 0.0%, Netto Denmark 0.5%, Netto Germany 16.3%, Netto Poland 26.2%, BASALT 0.5% and franchises 47.6%.

### Food waste
Food waste is calculated in tonnes and originates from our stores and distribution centres in Denmark, Poland and Germany. The calculation is based on the number of stated units multiplied by the net weight of the individual unit. In the bakery category, in-store wastage has been added, as has the fruit and vegetables category in Netto Denmark. If the net weight of a given product is missing, we have used the average weight for other products in that category. Estimates for Denmark account for 0.04%, for Germany 0.52% and for Poland 0.02%. The food waste percentage is determined as the food waste in tonnes relative to food sales in tonnes.

### Water
Water data in our Danish operations is based on digital readings on each location through the system Omega, while water data in Poland and Germany is based on invoices from energy suppliers on actual consumption. Estimates for stores with no available data or large data deviations are prepared on the basis of the average consumption in comparable stores within the same format, country and store size. Estimates account for: føtex 17.2%, Bilka 4.6%, BR 64.7%, Salling 2.6%, Netto Denmark 34.7%, while franchises, BASALT, Netto Germany and Netto Poland account for 0.0%.

# Environment

## GHG Inventory, Scope 1 and scope 2

| Environment | KPI | Unit | 2022 | 2021 | 2020 | *2019 | *2018 | Dev. | Target | Target year | Base year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GHG Inventory | Scope 1 | $tCO_2e$ | 45,962 | 76,731 | 41,541 | 44,852 | 38,444 | -40.1% | -50% | 2030 | 2021 |
| | - Heating (natural gas) | $tCO_2e$ | 12,848 | 15,470 | 9,219 | 9,721 | 9,540 | -16.9% | | | |
| | - Fuel consumption | $tCO_2e$ | 6,151 | 5,683 | 4,170 | 5,442 | 3,381 | 8.2% | | | |
| | - Refrigerants | $tCO_2e$ | 26,286 | 55,212 | 27,806 | 29,286 | 25,247 | -52.4% | | | |
| | - Oil | $tCO_2e$ | 677 | 365 | 346 | 403 | 275 | 85.5% | | | |
| | Scope 2 | $tCO_2e$ | 292,412 | 290,103 | 217,380 | 218,259 | 257,425 | 0.8% | -50% | 2030 | 2021 |
| | - Electricity (location based) | $tCO_2e$ | 143,975 | 153,213 | 102,180 | 108,299 | 118,503 | -6.0% | | | |
| | - Electricity (market based) | $tCO_2e$ | 284,895 | 279,775 | 211,058 | 212,397 | 250,448 | 1.8% | | | |
| | - Heating (district heating) | $tCO_2e$ | 7,517 | 10,327 | 6,321 | 5,862 | 6,977 | -27.2% | | | |
| | **Scope 1 + 2** | **$tCO_2e$** | **338,374** | **366,833** | **258,921** | **263,111** | **295,869** | **-7.8%** | **-50%** | **2030** | **2021** |

* Excluding Netto Sweden due to divestment in 2019.

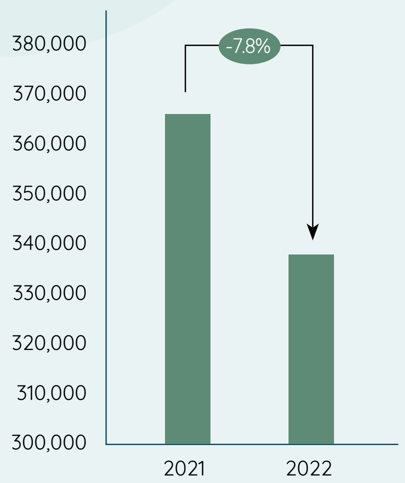
### Scope 1

Scope 1 decreased from 76,731 $tCO_2e$ in 2021 to 45,962 $tCO_2e$ in 2022 mainly driven by decrease in refrigerants. In 2021 we saw a large increase in refrigerants after aquiring and converting stores in Netto Poland. Therefore, with 2021 being a 'ripple', 2022 will make up the base level for reductions. Natural gas decreases mainly driven by warmer weather. Fuel increases due to more driving after Corona years, and more activity in our home-delivery business in 2022

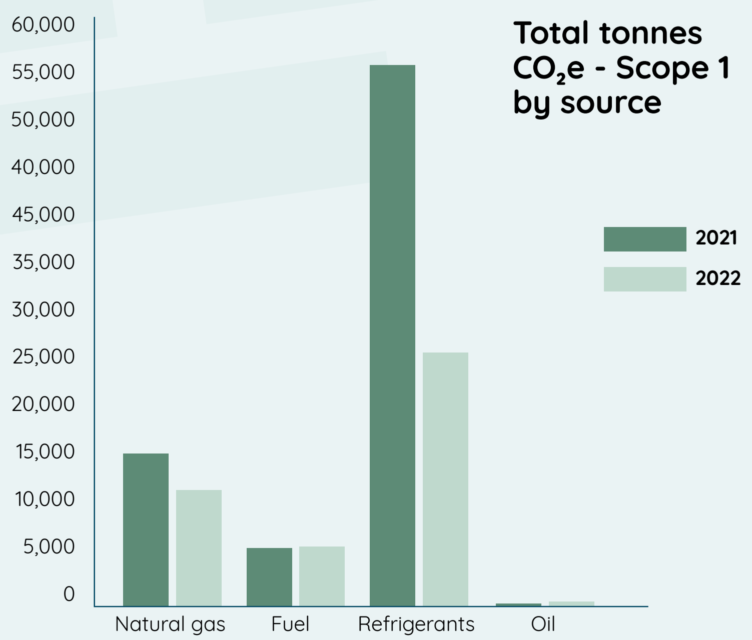
### Scope 2

Scope 2 increased from 290,103 in 2021 to 292,412 tonnes $CO_2e$ in 2022 driven by an increase in the market based emissions factor of 9% in Denmark. The underlying location based emissions total decreased by 6%.

Total tonnes $CO_2e$ - Scopes 1 & 2




Total tonnes $CO_2e$ - Scope 1 by source




## ESG statements accounting policies

### Scope 1

- **Natural gas**: Consumption of gas for heating is measured in KWh and multiplied by the DEFRA emissions factor for natural gas (2022). Data comes from our suppliers based on invoices and manual readings in DE and PL, and digital readings in DK.
- **Fuel and leased company cars:** Petrol and diesel consumption is measured in litres and multiplied by DEFRA's respective emissions factors (2022). Data is based on invoices on fuel and mileage reports from our leased car suppliers.
- **Refrigerants:** Leakage of refrigerants included in the Kyoto Protocol measured in kilos and multiplied by British DEFRA's respective emissions factors (2022). Data comes from our suppliers assuming that leakage equals filling.
- **Oil:** Consumption of heating oil is measured in KWh and converted into litres and multiplied by British DEFRA's oil emissions factor (2022). Data comes from our suppliers based on invoices and manual readings in DE and PL, and digital readings in DK.

### Scope 2

- **Electricity consumption:** In accordance with the GHG Protocol, Salling Group calculates emissions using both the location-based and the market-based method. The scope 2 total includes emissions calculated using the market-based method. Electricity consumption in Denmark is measured in KWh multiplied by Energinet's 'Individuelle timedeklaration' for the location-based and the general electricity declaration for the market-based. Consumption in Germany and Poland is measured in KWh multiplied by the IEA's relevant emissions factor ('IEA Emissions Factors' table 2022) for the location-based and the AIB European Residual Mix for the market-based. Data comes from our suppliers based on invoices in DE and PL, and digital readings in DK.
- **Heat:** Heat consumption in Denmark is measured in GJ and multiplied by HOFOR – Greater Copenhagen Utility's general district heating emissions factor in the capital region (2021), while for Germany and Poland it is measured in KWh and multiplied by the IEA's relevant emissions factor ('IEA Emissions Factors' table 2022). Data comes from our suppliers based on invoices and manual readings in DE and PL, and digital readings in DK.

# Environment

## GHG Inventory, Scope 3 and total emissions

| Environment | KPI | Units | 2022 | 2021 | 2020 | *2019 | *2018 | Dev. | Target | Target year | Base year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GHG Inventory | Scope 3 | $tCO_2e$ | 6,330,752 | 6,412,373 | 90,450 | 108,364 | 79,030 | -1.3% | | | 2021 |
| | 1. Purchased goods and services | | 5,561,321 | 5,510,428 | | | | 0.9% | *** | 2027 | |
| | 2. Capital goods | | 69,208 | 152,509 | | | | -54.6% | | | |
| | 3. Fuel-and energy** | | 54,125 | 56,354 | | | | -4.0% | | | |
| | 4. Upstream transport | | 30,190 | 29,605 | 15,328 | 31,031 | | 2.0% | *** | 2027 | |
| | 5. Waste generated in operations | | 107 | 1,719 | 75,047 | 76,975 | 79,030 | -93.8% | | | |
| | 6. Business travel | | 196 | 55 | 75 | 358 | | 255.0% | | | |
| | 7. Employee commuting | | 34,739 | 33,886 | | | | 2.5% | | | |
| | 8. Upstream leased assets | | | | | | | | | | |
| | 9. Downstream transport | | | | | | | | | | |
| | 10. Processing of sold products | | | | | | | | | | |
| | 11. Use of sold products | | 260,733 | 323,301 | | | | -19.4% | 42% | 2030 | |
| | 12. End-of-life treatment | | 316,883 | 300,698 | | | | 5.4% | | | |
| | 13. Downstream leased activities | | 3,249 | 3,838 | | | | -15.3% | | | |
| | 14. Franchises | | | | | | | -100.0% | | | |
| | **Total emissions (Scopes 1, 2 and 3)** | **$tCO_2e$** | **6,669,126** | **6,779,207******** | **349,371** | **371,475** | **374,899** | -1.6% | | | |
| | GHG intensity ratio (revenue) | pp | 9.59 | 9.69 | | | | -0.10 | | | |

* Excluding Sweden due to divestment in 2019

** Related to activities not included in scope 1 and 2

*** 75% of suppliers by emissions have set science based targets

**** Full scope 3 reporting (previous years only covered cat. 4, 5 and 6)

### Scope 3

Scope 3 decreased by 1.3% from 6.4 $tCO_2e$ in 2021 to 6.3 $tCO_2e$ in 2022.

The mix of products purchased and sold changed compared to 2021. Category 11 "Use of sold products" decreased as a result of lower sales volumes and reduced purchasing volume within non-food after two years of high purchase and consumption as a result of COVID-19.

Category 2 "Capital Goods" decreased significantly due to extraordinary high levels in 2021 caused by the conversion of stores acquired from Tesco Poland.

Category 6 "Business Travel" increased as a result of travel restrictions being lifted after two years of COVID-19. However, our level of business travel is still lower than pre-COVID-19.

# Environment

# GHG Inventory, Scope 3 and total emissions

## ESG statements accounting policies

## Scope 3

**Cat. 1: Purchased goods and services, Cat. 11: Use of sold products, Cat. 12: End-of-life treatment of sold products**
Delimitation: Only include the goods we buy and sell for resale. The assumption is that the amount of purchased goods is equal to the amount of sold products in the same period.

Method: Average data (DK, DE and PL)

Salling Group's total purchase of goods in the financial period in kilos or pieces are multiplied by relevant emissions factors from ecoinvent and Carbon Trust. Activity data (primary data) is derived from SAP BI, where emissions data is provided by a secondary data source. LCA emissions factors cover cradle-to-grave emissions in the individual categories.

**Cat. 2: Capital goods**
Method: Average purchases (DK, DE and PL)

The calculation is based on aggregate amounts for each asset category multiplied by British DEFRA's relevant supply chain emissions factors. The amounts are adjusted for inflation. The emissions factor takes technological improvements into account. Proxy is the IEA "elec. & heat" world average.

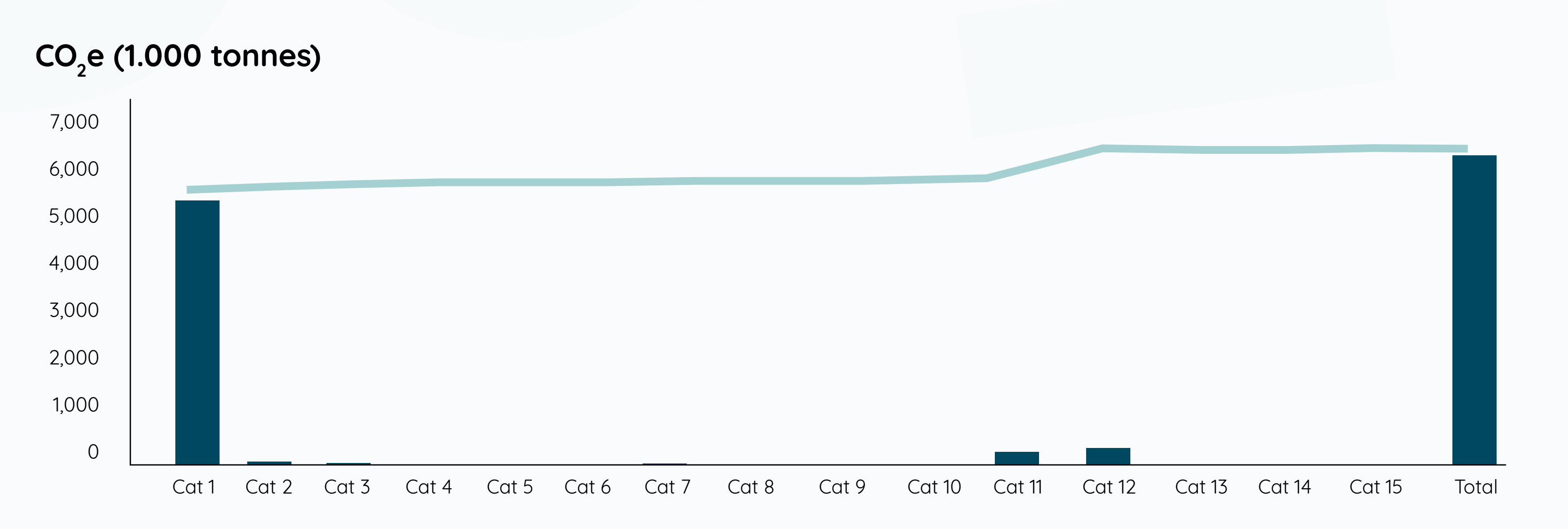
**Cat. 3: Fuel and energy-related activities not covered by scope 1 and 2**
Method: Average data (DK, DE and PL)

Emissions from fuel, gas, oil and electricity, as well as transmission and distribution losses for all units not already included in scope 1 and 2. The calculation is based on activity data from consumption (primary data) and DEFRA 2021 conversion factors: WTT-fuels; WTT-UK & overseas elec and WTT – heat & steam.

**Cat. 4: Upstream transport and distribution**
Method: Distance-based

DK: The calculation of the $CO_2$e footprint only concerns outbound transport in Denmark controlled by Salling Group. Outbound transport is the transport of goods from our distribution centres to our stores in Denmark (excl. frozen goods pallets for Bilka and føtex), and the footprint is calculated on the basis of the number of kilometres driven and diesel consumption per kilometres. The $CO_2$e emissions factor is calculated on the basis of DEFRA per litre of diesel (2022).

PL: Based on the distance from the last store on the route (store farthest away) to the warehouse multiplied by the average $CO_2$e emissions of the truck per kilometre.




DE: Outbound transport is the transport of goods from our distribution centres in Germany to our stores in Germany. The transport is handled by third parties, which are responsible for calculating the $CO_2$e footprint.

**Cat. 5 waste generated in operations.**
Method: Waste type-specific (DK, DE and PL)

The calculation is based on primary supplier data on waste quantities multiplied by relevant DEFRA conversion factors: "Waste disposal". This is done for landfill emissions only. For Netto DK the emissions include the suppliers transport handling our waste and the calculations are done by our supplier.

**Cat. 6: Business travel (DK, DE and PL)**
Limited to air travel. Flight carbon footprint is based on reports from American Express Global Business Travel's GHG Emissions Database, which monitors companies', including Salling Group's, $CO_2$e footprints based on the number of kilometres flown and the emissions factors for the individual tickets/destinations based on DEFRA conversion factors for air travel (2022).

**Cat. 7 Employee commuting**
Method: Distance-based (DK, DE and PL).

The calculation is based on a 2021/2022 questionnaire survey of employee commuting to and from work in the different formats in DK and data on commute from euro stat for DE and PL  Relevant emissions factors for different modes of transport are derived from DEFRA emissions factors 2022.

**Cat. 13 Downstream leased assets:**
Method: Average data.

The calculation is based on the estimated square metre area of the properties that Salling Group leases to others. KWh and heat have been estimated from KWh/$m^2$ for own data multiplied with relevant emissions factors from Energinet and HOFOR. For residential lease average, Danish heat- and electricity consumption is used (Dansk Fjernvarme and Dansk Energi).

**Cat. 14  Franchise: The stand-alone stores are included in scope 1+2**

**Cat. 8-10 and 15: Excluded from the GHG Inventory as they are not applicable to Salling Group**

# Social People and products

| Social | KPI | Unit | 2022 | 2021 | 2020 | 2019 | 2018 | Dev. | Target | Target year |
|---|---|---|---|---|---|---|---|---|---|---|
| **People*** | Headcounts | No. | 59,696 | 61,874 | 55,471 | 53,531 | 53,623 | | | |
| | Diversity: Executive committee | % | 18 | 20 | 22 | 13 | 0 | | 40% | 2030 |
| | Diversity: Vice presidents | % | 13 | 13 | 17 | 16 | 0 | | 40% | 2030 |
| | Diversity: Directors+ | % | 21 | 19 | 17 | 16 | 16 | 14.3% | 40% | 2030 |
| | Diversity: Managers+ | % | 54 | 53 | 50 | 50 | - | | 40% | 2030 |
| | Diversity: All employees | % | 56 | 57 | 56 | 56 | - | | 40% | 2030 |
| | Safety (LTIF) | No. | 104 | 104 | 97 | 120 | - | | | |
| | Sickness absence | % | 4.64 | 3.99 | 3.56 | 3.47 | 3.47 | 16.4% | | |
| | Employee turnover | % | 26.4 | 25.3 | 19.2 | 24.0 | 26.8 | 4.4% | | |
| | People in job training (DK only) | No. | 954 | 919 | 1,043 | 1,089 | 976 | 3.8% | | |
| **Products** | Risk screening | Uploaded | 100.0 | 100.0 | 93.0 | 98.0 | 99.1 | 0.0% | 100% | constant |
| | - Complete | % | 90.0 | 85.6 | 83.7 | 81.3 | 68.9 | | | |
| | - Green | % | 95.3 | 89.6 | 93.8 | 94.9 | 92.1 | | | |
| | - Yellow | % | 1.4 | 2.7 | 1.9 | 3.1 | 3.3 | | | |
| | - Red | % | 3.3 | 7.7 | 4.3 | 1.8 | 4.5 | | | |
| | - Suspended | % | 0.1 | 0.0 | 0.0 | 0.2 | 0.1 | | | |
| | Food safety (DK only) | % | 90.3 | 90.4 | 89.8 | 89.2 | 90.8 | -0.1% | 100% | constant |

Diversity expresses the share of women. We work to achieve and maintain gender balance and increase the percentage of the underrepresented gender. It is the company's goal that the composition of female managers should match the percentage of women in the group.

* In accordance with §99b

## Diversity

From 2022 we have included more KPIs on diversity – now measuring all employees at different manager levels across the Group. Vice presidents and executive committee members are considered other managerial positions (14% of which are women).

We have a neutral gender balance at All Employees and Managers+ suggesting a strong share of women in the pipeline for future enhancements at higher managerial level. We will continue to develop our pipeline going forward.

## Employee turnover

Employee turnover increases mainly for two reasons:
1) high levels of uncertainty lowered employee turnover in 2020 due to COVID-19
2) a heated job market characterised by inflation and low unemployment.

## Sickness absence

Since COVID-19 we have seen higher sickness levels. Presumably due to impaired immunity, a changed mindset of contamination and sharpened official guidelines for when to stay at home if signs of sickness.

## Food safety

In general we experienced a high smiley 1 share in DK compared to market. We continuously follow-up and discuss food safety internally, since this is an important KPI for a food retailer.

## Risk screening of vendors

The completion rate represents the individual vendors´ duly registration of their producers, and further uploaded required documentation in regards to code of conduct compliance.

A completed profile is related to several due diligence procedures such as monitoring, preventive measures and remediation. The higher completion rate the better coverage and handling of identified and associated adverse human or labour rights risks within our supply chains.

The completion rate is slowly, but steadily increasing from year to year. We do not see any significant improvement of this KPI due to organic growth and change within our supplier base (constant verification of new producers and suppliers).

Suppliers are additionally graded in colours indicating to which degree the data and documentation of the completed vendor profile live up to our responsible sourcing policies

## ESG statements accounting policies

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

**Diversity:** The share of women at director+ level and lower levels are reported. The data is based on records from SAP-BI (HR). Based on CPR numbers and names.

**Safety:** Includes the number of accidents recorded during the reporting period as the lost time injury frequency (LTIF). LTIF is the number of reportable injuries resulting in more than one day of absence per 10,000 employees. The data is provided by InsuBizz (injury registration) and SAP BI (head counts).

**Sickness absence:** Employee sickness absence is expressed in percent and measured as hours of sickness divided by the number of paid working hours (including paid overtime). The data is derived from SAP-HR.

**Employee turnover:** The employee turnover rate is expressed as a percentage of the total number of employees. In Denmark the voluntary departure of permanent employees is reported, in Germany the total employee turnover and in Poland the voluntary departure of employees.

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

**Risk screening of vendors:** Screening is carried out using our Responsible Procurement System. The system records information about manufacturers and documentation for social and environmental audits and/or supplier certificates obtained by our private label suppliers and non-private label suppliers, as well as tertiary brand suppliers and products sent directly from production sites in risk countries. The system uses a colour code, where green means that all the necessary audit documentation is in place, yellow means that it is in progress and red means that improvements are needed. No colour means that the supplier has yet to complete its profile.

**Food safety (DK):** Happy smiley (Smiley 1) share of smileys awarded in connection with food inspections in our Danish entities.

# Governance

| Governance | KPI | Unit | 2022 | 2021 | 2020 | 2019 | 2018 | Dev. | Target | Target year |
|---|---|---|---|---|---|---|---|---|---|---|
| | Diversity: Board* | % | 20 | 20 | 20 | 17 | 17 | 0.0 pp | 40% | 2026 |
| | Buyers trained in responsible procurement | % | 71 | 61 | 69 | 76 | 66 | 10.0 pp | 80% | constant |
| | Employees trained in responsible products | % | 88 | 94 | 96 | 77 | 95 | -6.0 pp | 85% | constant |
| | Vendor satisfaction score | Score | 4.3 | 4.2 | 4.2 | 4.0 | 4.0 | 0.1 pp | - | |
| | Tax | DKK million | 8,198 | 8,533 | 7,308 | 7,349 | 7,711 | -3.9% | | |

* In accordance with §99b

Diversity expresses the share of women. In 2022, no new members were appointed to the Board. Thus, gender balance hasn´t changed. When appointing new members to the Board, qualifications rank higher than gender balance.

## Diversity board

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

## Buyers trained in responsible procurement

All our buyers must attend a training course covering the concept of responsible procurement including Code of Conduct, due diligence, human rights, ILO guiding principles and responsible buying practices.

We classify the training as mandatory, but as this course requires physical attendance we are challenged with business schedules and employee turnover to reach our 80% target.

## Employees trained in responsible products

The mandatory e-learning sessions are visible in the individual employee's HR Learning Feed. Before due day for completion the HR system generates reminders to the employee´s direct manager. The overall percentage of completion decreased from 2021 to 2022, presumably due to increase in employee turnover.

## Vendor satisfaction

Data was gathered by having Rambøll invite relevant suppliers to anonymously participate in the annual supplier satisfaction survey. 662 suppliers were invited, of which 400 participated in the survey. The response rate was marginally higher than previous years.

## ESG statements accounting policies

### Diversity:

The share of women on Salling Group A/S's Board of Directors is based on regular members and excludes employee representatives. The data is based on records from SAP-BI (HR).

### Buyers trained in responsible procurement:

Mandatory course in responsible procurement practices. The course was developed in collaboration with Ethical Trading Denmark and was aimed at employees with procurement responsibilities. Expressed in % (number completed relative to the number in scope). Data is derived from SAP-HR and is limited to active employees as of 31 December 2022.

### Employees trained in responsible products:

Mandatory e-learning training on responsible products/certification schemes in general, and specific training in organic products, Fairtrade and animal welfare. The modules target employees in procurement functions and are completed via the employees' Learning segment on HR Intra. Expressed in % (number completed relative to the number in scope). Data is derived from SAP-HR and is limited to active employees as of 31 December 2022.

### Vendor satisfaction score:

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

### Tax:

Taxes and duties collected include VAT, income tax withheld from employees' wages and excise duties. The VAT amount included is calculated as the net VAT payment, i.e. VAT on sales less VAT payable. Collected excise duties in Denmark (for example on chocolate and alcohol etc.) are only included for imported goods, as excise duties on locally produced products are paid to the authorities by the manufacturers. Our direct taxes comprise corporate taxes, energy taxes, environmental taxes and property taxes. Most of the taxes and duties paid fall under corporate tax.

# ESG Reporting Appendix - Restatements (2018-2021)

| | Unit | | 2021 | 2020 | 2019 | 2018 | New 2021 | New 2020 | New 2019 | New 2018 | Dev. 21 | Dev. 20 | Dev. 19 | Dev. 18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| People in job training | No. | | 907 | 1,043 | 1,089 | 976 | 919 | 1,043 | 1,089 | 976 | 12 | 0 | 0 | 0 |
| Employee safety (LTIF) | No. | | 104 | 97 | - | - | 108 | 96 | - | - | 4 | -1 | - | - |
| | No. | DK | 94 | 82 | 90 | 92 | 95 | 83 | 90 | 92 | 1 | 1 | - | - |
| | No. | DE | 174 | 183 | - | - | 174 | 183 | - | - | 0 | 0 | - | - |
| | No. | PL | 133 | 109 | - | - | 133 | 109 | - | - | 0 | 0 | - | - |
| Employee turnover | % | DK | 27.9 | 21.0 | 24.5 | 27.7 | 28.3 | 20.7 | 26.0 | 29.1 | 0.4 | -0.3 | 1.5 | 1.4 |
| | % | DE | 10.8 | 12.8 | 12.1 | 10.3 | 10.8 | 12.8 | 12.1 | 10.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| | % | PL | 18.8 | 14.4 | 19.9 | 24.4 | 18.8 | 14.4 | 19.9 | 24.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Food safety (%) | % | | 90.3 | 90.2 | 89.2 | 90.8 | 90.4 | 89.8 | 89.2 | 90.8 | 0.1 | -0.4 | 0.0 | 0.0 |
| Waste (recycling) | % | | 77.0 | 79.0 | 79.0 | 78.0 | 77.2 | 78.6 | 78.6 | 78.0 | 0.2 | -0.4 | -0.4 | 0.0 |
| | % | DK | 77.0 | 79.0 | 79.0 | 78.0 | 77.0 | 78.7 | 78.8 | 77.7 | 0.0 | -0.3 | -0.2 | -0.3 |
| | % | DE | 82.0 | 83.0 | 83.0 | 83.0 | 81.8 | 83.1 | 82.7 | 82.5 | -0.2 | 0.1 | -0.3 | -0.5 |
| | % | PL | 75.0 | 75.0 | 75.0 | 74.0 | 74.6 | 75.4 | 74.6 | 74.1 | -0.4 | 0.4 | -0.4 | 0.1 |
| Energy | MWh/m² | | 0.225 | 0.216 | 0.224 | 0,234 | 0.235 | 0.216 | 0.223 | 0.232 | 0.010 | 0.000 | -0.001 | -0.002 |
| Water | m³/m² | | 0.167 | 0.176 | 0.186 | 0,188 | 0.175 | 0.174 | 0.183 | 0.184 | 0.008 | -0.002 | -0.003 | -0.004 |
| Scope 1 | $tCO_2e$ | | 72,372 | 36,720 | 40,369 | 41,280 | 76,731 | 41,541 | 44,852 | 38,444 | 4,359 | 4,821 | 4,483 | -2,836 |
| Scope 2 | $tCO_2e$ | | 296,933 | 181,032 | 190,065 | 196,819 | 290,103 | 217,380 | 218,259 | 257,425 | -6,830 | 36,348 | 28,194 | 60,606 |
| Scope 3 | $tCO_2e$ | | 6,662,826 | 106,596 | 108,364 | 79,030 | 6,412,373 | 106,596 | 108,364 | 79,030 | -250,453 | - | - | - |
| 1. Purchased goods and services | $tCO_2e$ | | 5,685,640 | - | - | - | 5,510,428 | - | - | - | -175,213 | - | - | - |
| 7. Employee commuting | $tCO_2e$ | | 31,634 | - | - | - | 33,886 | - | - | - | 2,252 | - | - | - |
| 11. Use of sold products | $tCO_2e$ | | 399,924 | - | - | - | 323,301 | - | - | - | -76,623 | - | - | - |
| 12. End-of-life | $tCO_2e$ | | 301,404 | - | - | - | 300,698 | - | - | - | -705 | - | - | - |
| 14. Franchises | $tCO_2e$ | | 163 | - | - | - | 0 | - | - | - | -163 | - | - | - |

## Changes

As part of the ongoing work to provide the most accurate insight in the business, we continuously evaluate the methods and boundaries of the reporting. This is also the case this year, where methodological changes have taken place in relation to the reporting on energy consumption and emission factors, which is why historical numbers have been restated to reflect these changes. Furthermore, franchise, for the first time, is included in all parameters also in relation to ESG, thus data for 2018-2021 have been restated as shown above.

## Restatements

In accordance with our restatement policy on GHG Inventory, restatement is done if significant errors are found, divestments or acquisitions have taken place and/or calculation methodologies have changed. Categories 1, 7, 11, 12 and 14 have been restated for 2021 due to error.

**Methodology:**

Emission factors for scope 2 market - and location based factors have been aligned with accounting practices from 2021 onwards.

Energy consumption indicates the actual consumption in the period. Previous methodology did not include stores opened during report period, and closed stores in reporting period were estimated for the remaining part of report period. This methodology has been discontinued in order to better align with the GHG protocol and upcoming CSRD regulations.

For the former Tesco stores, the figures for natural gas and district heating in 2021 changed on the basis of a discovered reporting error. For scope 2 in the years 2018-2020, the change is due to the use of different emissions factors, respectively market- and location-based figures. The remaining part is due to the changes in accruals for new and closed stores

## Removed KPIs

Below KPIs have been removed as isolated KPIS. Inbound and outbound transport are, however, included in the GHG inventory.

- Inbound transport, m³
- Outbound transport $CO_2e$ / pallet
- Food safety – Germany (data has proven to be incomplete).

# Statements

## Management's statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Salling Group A/S for the financial year 1st January – 31st December 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements (including sections 99a, 99b and 99d) in the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the company's assets, liabilities and financial position at 31st December 2022 and of the results of the Group's and the company's operations and cash flows for the financial year 1st January – 31st December 2022.

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

This year we have also included our non-financial actions and statements (ESG) in accordance with sections 99a, 99b and 99d of the Danish Financial Statements Act.

The ESG section on pages 98-111 of the report has been prepared in accordance with the ESG statements accounting policies described on pages 104-111, and to the best of our knowledge, we confirm that

- the accounting policies applied are appropriate
- the report gives a true and fair view of Salling Group's impact on society
- the information contained in the report is consistent with our accounting policies

We recommend that the Annual Report be approved at the annual General Meeting.

Brabrand, 27 April 2023

**Executive Board**

| | |
|---|---|
| **Per Bank**<br>CEO | **Anders Hagh**<br>CFO |

**Board of Directors**

| | | |
|---|---|---|
| **Bjørn Gulden**<br>Chairman | **Jens Bjerg Sørensen** | **Marianne Kirkegaard Knudsen** |
| **Freddy Sobin** | **Thomas Carsten Alexander Tochtermann** | |
| **Lasse Lippert Laursen** | **Jonas-Tobias Andersen** | **Samuel Rützou** |

# Independent auditor's reports


## Independent auditor´s assurance report on the financial statements and management´s review

**To the shareholders of Salling Group A/S**

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Salling Group A/S for the financial year 1st January – 31st December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the parent company on pages 36-97. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31st December 2022 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1st January – 31st December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### Basis for opinion

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

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 on pages 2-35 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 our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 27 April 2023

**EY Godkendt Revisionspartnerselskab**
CVR no. 30 70 02 28

Jes Lauritzen

**Jes Lauritzen**
State Authorised Public Accountant
mne10121

**Jonas Busk**
State Authorised Public Accountant
mne42771

# Independent auditor's assurance report on the 'sustainability reporting' and 'ESG statements' sections of the annual report

**To the stakeholders of Salling Group A/S**

As agreed, we have performed an examination with a limited assurance, as defined by the International Standards on Assurance Engagements, on Salling Group A/S' ('Salling Group') 'Sustainability Reporting' and 'ESG Statements' sections ('Sustainability sections') on pages 98-111 in the Annual Report for the period from 1 January to 31 December 2022.

In preparing the 'Sustainability Sections', Salling Group applied the ESG statements accounting policies described on pages 104-111. The 'Sustainability Sections' need to be read and understood together with the ESG statements accounting policies, which Management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate, and measure the 'Sustainability Sections' allow for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

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

**Management's responsibilities**

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

**Auditor's responsibilities**

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

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

EY Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

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

**Description of procedures performed**

In obtaining limited assurance over the 'Sustainability Sections' on pages 98-111, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance.

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

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

- Interviewed those in charge of 'Sustainability Sections' to develop an understanding of the process for the preparation of the 'Sustainability Sections' and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the 'Sustainability Sections' with a higher risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries we evaluated the appropriateness of ESG statements accounting policies used, their consistent application and related disclosures in the 'Sustainability Sections'. This includes the reasonableness of estimates made by management.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.
- In connection with our procedures, we read the other sustainability information in the 'Sustainability', 'Environment', 'Social' and 'Governance' sections of Salling Group's Annual Report for the period 1 January to 31 December 2022 and, in doing so, considered whether the other sustainability information is materially inconsistent with the 'Sustainability Sections' or our knowledge obtained in the review or otherwise appear to be materially misstated.

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

**Conclusion**

Based on the limited assurance procedures we have performed, and the evidence obtained, nothing has come to our attention that causes us to believe that the 'Sustainability Sections' in Salling Group's Annual Report for the period from 1 January to 31 December 2022 subject to our limited assurance procedures, has not been prepared, in all material respects, in accordance with the ESG statements accounting policies described on pages 104-111.

Aarhus, 27 April 2023

**EY Godkendt Revisionspartnerselskab**
CVR no. 30 70 02 28

Jes Lauritzen

**Jes Lauritzen**
Partner, State-Authorised Public Accountant
mne10121

Carina Ohm

**Carina Ohm**
Partner, Head of Climate Change and Sustainability Services

# Company information


| Company profile | |
|---|---|
| Company name | Salling Group A/S |
| Website | www.sallinggroup.com |
| Head office | Rosbjergvej 33, DK-8220 Brabrand |
| Primary brands | Salling, føtex, Bilka, Netto and BR |
| Ownership and corporate form | Privately owned / non-listed |
| Total number of employees | 59,696 |
| Significant change in size, structure, ownership or supply chain during the reporting period | Opening of new format, BASALT |
| Externally developed charters, principles or initiatives signed or endorsed by Salling Group | In 2022, Salling Group became a member of the UN Global Compact |
| Membership of associations and support organisations | • amfori Business Social Compliance Initiative (BSCI)<br>• amfori Business Environmental Performance Initiative (BEPI)<br>• Ethical Trading Denmark<br>• Danish Chamber of Commerce<br>• AMS Sourcing<br>• FSC Denmark<br>• The Consumer Goods Forum (CGF)<br>• GlobalG.A.P. |
| Tax policy | Our tax policy is available on our website sallinggroup.com |
| **Report profile** | |
| Reporting period | 1st January – 31st December 2022 |
| Reporting principles | Consistent with IFRS and additional requirements (including sections 99a, 99b and 99d) of the Danish Financial Statements Act |
| Date of the most recent report | 28th April 2021 |
| Reporting cycle | 1st January – 31st December |
| Contacts for enquiries about the report or its contents | Henrik Vinther Olesen, Group Vice President, Communication, CSR & Public Affairs - henrik.vinther.olesen@sallinggroup.com |
| **Governance** | |
| Key personnel with financial and ESG responsibilities | Executive Vice Presidents of HR, Procurement, Finance, Salling, føtex, Bilka and Netto |
| Composition of the Board of Directors | Five regular members of which one is female, all appointed by the General Meeting. In addition, there are three employee-elected employee representatives |

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