

Dansk Supermarked A/S

Brabrand

Annual report

2014

CVR no. 35 95 47 16

The Annual report has been presented
and approved on the company's annual
general meeting at / 2015

Chair

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Financial highlights for the Group

DKK million	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net revenue	55,905	55,707	54,440	54,106	58,095
Result before financial items	2,308	2,309	1,660	5,850	2,596
Net financial items	-56	23	149	64	129
Result for the year	1,745	1,771	1,317	5,262	2,026
Total assets	27,674	33,358	31,481	31,079	27,433
Equity	6,407	22,570	21,247	20,709	15,781
Investment in property, plant and equipment	1,087	1,666	1,898	2,705	2,225
Profit margin	4.1	4.1	3.0	10.8	4.5
Return on equity	12.0%	8.1%	6.3%	28.8%	13.7%

Profit margin is result before financial items divided by net revenue.

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

Management's review

Primary business area

The Dansk Supermarked Group operates retailing in Denmark (Bilka, føtex and Netto) and in Germany, Poland and Sweden (Netto). In 2014 the Netto concept was reintroduced in the United Kingdom through the establishment of a 50/50 joint venture with J Sainsbury PLC.

The parent company's activities include retailing in Denmark (Bilka, føtex and Netto).

Development during the financial year

Market development

The Danish grocery market continued to grow at a slow rate in 2014. The market was characterized by deflation in food prices and a continued shift in volumes from supermarkets to the discounters. The discount segment now accounts for more than 40 % of the market for fast moving consumer goods in Denmark with several discount banners opening and refurbishing stores during the year. The discount segment is expected to continue its growth in the coming years, but at a slower pace than earlier. New store openings will continue, but will be countered by other discounters closing stores. During the first few months of 2015 some banners have already indicated that they will be closing down unprofitable discount stores.

The market for nonfood and textile was also characterized by limited growth. Volumes are shifting towards online trade, and this trend is expected to continue and strengthen in the coming years.

Dansk Supermarked overall maintained its market share despite fierce competition, many new discount competitors and increased online trade in Nonfood and Clothing.

Result for the year

The annual report for Dansk Supermarked A/S is presented in accordance with the provisions of the Danish Financial Statements Act.

The net revenue for 2014 amounts to DKK 55,905 million, an increase of DKK 198 million compared to 2013. The expansion continued with the opening of 41 new stores, 5 of these were opened in the UK joint venture. During the year Dansk Supermarked closed 4 stores.

The result before financial items (EBIT) is DKK 2,308 million. In 2013 the result before financial items (EBIT) amounted to DKK 2,309 million.

Cash flows from operating activities amount to DKK 3,142 million (DKK 3,426 million in 2013). Cash flows from investment activities were DKK 1,206 million (DKK 1,972 million in 2013).

Management's review

Employees

In 2014 the Dansk Supermarked Group employed 46,981 employees against (46,044 in 2013). Converted into the average number of full time employees this equals 25,611 (24,510 in 2013).

Social responsibility

Dansk Supermarked considers social responsibility to be important for the Group. Regarding the efforts in 2014 we refer to our report on social responsibility. The report is available on: <http://dansksupermarked.dk/en/about-us/the-company/dansk-supermarked-in-numbers/csr-reporting>.

Particular risks

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

Expected development

The expectation for the result before financial items (EBIT) in 2015 is in line with 2014. The result before tax is expected to decline in 2015 compared to 2014 due to increased financial expenses. These additional costs relate to loans taken to finance the dividend connected to the sale of 49% of the ownership in Dansk Supermarked A/S to F. Salling Holding A/S and F. Salling Invest A/S.

Subsequent events

No subsequent events have occurred that would affect the annual report for 2014.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Dansk Supermarked A/S for the financial year 1 January – 31 December 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Group's and the Company's operations and of the Group's cash flows for the financial year 1 January – 31 December 2014.

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 matters, the results of the Group's and the Company's operations and financial position.

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

Brabrand, 4 March 2015

Executive Board

Per Bank
CEO

Board of Directors

Nils S. Andersen
Chairman

Jens Bjerg Sørensen

Marianne Kirkegaard Knudsen

Bjørn Gulden

Freddy Mikael Sobin

Margit Alexandra Sandersen
Employee representative

Kenneth Wedel
Employee representative

Independent auditors' reports

To the Shareholders of Dansk Supermarked A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Dansk Supermarked A/S for the financial year 1 January - 31 December 2014. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company 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 the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditors' reports

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2014 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January to 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Brabrand, 4 March 2015

Ernst & Young
Godkendt Revisionspartnerselskab

Henrik Kronborg Iversen
State Authorised Public Accountant

Morten Friis
State Authorised Public Accountant

Accounting policies

The annual report for Dansk Supermarked A/S for 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Accounting policies are unchanged compared to last year. Some reclassifications have been carried out compared to last year. The reclassifications have no impact on the annual results or the equity.

Consolidated financial statements

The consolidated financial statements comprise the parent company Dansk Supermarked A/S and the subsidiaries in which Dansk Supermarked A/S directly or indirectly holds controlling interest.

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

Acquisitions of enterprises 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. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. Enterprises disposed of are recognised until the date of disposal. Expense/income associated with currency hedges with regards to sales prices for enterprises disposed of are posted under equity.

Goodwill on acquisitions is recognised as an intangible asset and is amortised based on an individual assessment of the useful life.

Foreign currencies

Transactions in foreign currencies are translated into DKK at the exchange rates prevailing at the date of the transaction. Monetary items in foreign currencies, which are not settled at the balance sheet date, are translated into DKK at the exchange rate at the balance sheet date.

Foreign exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment / the balance sheet date are recognised in financial items in the income statement.

Financial statements of foreign entities are translated into DKK at the exchange rates prevailing at the date of the transaction for items of the income statement, and at the exchange rate at the balance sheet date for items of the balance sheet. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured 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 the equity, 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 receivables or other payables, respectively.

Income statement

Net revenue

Net revenue from sale of goods for resale is recognised in the income statement provided that delivery and transfer of risks and rewards to the buyer have taken place. Net revenue is measured exclusive of VAT and taxes charged on behalf on third parties, and net of discounts relating to sales.

Financial items

Financial income and expenses comprise interest income and expenses, capital gains and losses on securities and gain on sale of company shares. Furthermore, realised and unrealised gains and losses regarding derivative financial instruments are included.

Tax on the result for the year

Tax on the result for the year comprises current tax for the year and adjustment in deferred tax.

Until the 10 April 2014 the company was jointly taxed with A. P. Møller – Mærsk A/S. As of the 11 April 2014 the company is jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group. The tax effect of the joint taxation is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

Balance sheet

Intangible assets

Goodwill is measured at cost and is amortised on a straight-line basis based on an individual assessment over the estimated useful life, which in general is 3 – 10 years.

Software is measured at cost and is amortised on a straight-line basis based on an individual assessment over the estimated useful life, which in general is 3 – 10 years

Accounting policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use.

Assets are depreciated on a straight-line basis over their estimated useful lives to residual value as follows:

Buildings	40 years
Fixtures and fittings, tools and equipment	3 - 10 years
Minor new acquisition of operating equipment and furniture for new stores and improvements	3 years
Leasehold improvements	12 years

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is evaluated annually for indications of impairment.

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

The recoverable amount is the higher value of an assets 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 utilization of the asset or the group of assets and expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

Investments in affiliated companies

Investments in affiliated companies are measured in the parent company's balance sheet using the equity method. The proportionate share of the results after tax of the affiliated companies is recognised in the income statement.

Investments in joint ventures

Investments in joint ventures are measured in the balance sheet using the equity method. The proportionate share of the results after tax of the affiliated companies is recognised in the income statement.

Inventories

Inventories are measured at calculated cost (weighted averages) less write-down for obsolescence.

Accounting policies

Receivables

Receivables are measured at amortised cost price less write-down for expected loss.

Securities (current assets)

Listed securities are measured at fair value at the balance sheet date. Other securities are measured at estimate fair value.

Equity – Dividend

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting. The expected dividend payment for the year is presented in a separate line item within equity.

Corporation tax and deferred tax

Corporation tax payable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provision for deferred tax is made on differences between the accounting and tax values of assets and liabilities. Deferred tax assets are recognised at the value at which they are expected to be realised.

Other provisions

Other provisions comprise among others pension obligations and onerous lease and rental contracts. Pension obligations are recognised on the basis of an actuarial calculated obligation with all value adjustments included in the income statement as staff expenses. Other provisions are recognised based on specific calculations.

Outstanding claims

Outstanding claims provisions comprise the estimated expenditure based on actuarial calculations that the Group expects to incur. The outstanding claims provisions are 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 provisions are discounted based on estimates of the payment period.

Liabilities other than provisions

Liabilities other than provisions are recognised as the net proceeds from the loan at the time of the raising of the loan. In the subsequent periods the debt is measured using amortisation of the cost price.

Other liabilities are measured at net realisable value.

Accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows for operating, investment and financing activities for the year divided.

Cash and cash equivalents include cash at bank and in hand, current liabilities with credit institutions and current receivables from and current payables to affiliated companies.

In accordance with section 86, paragraph 4 of the Danish Financial Statements Act no cash flow statement has been prepared for the parent company.

Segment information

The Group's main activity is retailing. The Group has no other significant activities.

Consolidated income statement

DKK million

Notes	2014	2013
1 Net revenue	55,905	55,707
Other operating income	394	296
	56,299	56,003
Consumption of goods	-41,324	-41,082
2 Other external expenses	-5,213	-5,514
Gross profit	9,762	9,407
3 Staff expenses	-6,569	-6,336
10 Share of result in joint ventures	-29	0
Result before depreciations	3,164	3,071
4 Depreciation, amortisation and impairment losses	-856	-762
Result before financial items	2,308	2,309
5 Financial income	112	147
6 Financial expenses	-168	-124
Result before tax	2,252	2,332
7 Tax on the result for the year	-507	-561
Result for the year	1,745	1,771

Consolidated balance sheet

DKK million

Assets

Notes	31/12 2014	31/12 2013
Software	1,089	511
Development of software	28	560
Goodwill	13	58
Other rights	8	10
8 Intangible assets	1,138	1,139
Land and buildings	16,088	15,812
Fixtures and fittings, tools and equipment	1,351	1,332
Leasehold improvements	306	302
Assets under construction	146	277
9 Property, plant and equipment	17,891	17,723
10 Investments in joint ventures	44	0
Investments	44	0
Total non-current assets	19,073	18,862
Inventories	4,766	4,436
Receivables from affiliated companies	0	7,941
Other receivables	422	187
Corporation tax	90	38
11 Deferred tax asset	293	286
Prepayments	80	91
Receivables	885	8,543
Securities	1,229	516
Cash at bank and in hand	1,721	1,001
Total current assets	8,601	14,496
Total assets	27,674	33,358

Consolidated balance sheet

DKK million

Equity and liabilities

Notes	31/12 2014	31/12 2013
Share capital	500	500
Retained earnings	5,907	4,455
Proposed dividends	0	17,615
Total equity	6,407	22,570
11 Deferred tax	199	76
12 Outstanding claims	127	113
12 Other provisions	347	387
Total provisions	673	576
Mortgage credit institutions	10,127	2,832
Loans from affiliated companies	247	0
Other non-current liabilities	176	0
13 Non-current liabilities other than provisions	10,550	2,832
13 Short-term part of non-current liabilities	68	0
Credit institutions and loans	872	135
Trade payables	6,050	4,853
Payables to affiliated companies	948	0
Corporation tax	16	338
Other payables	2,079	2,045
Deferred income	11	9
Current liabilities other than provisions	10,044	7,380
Total liabilities other than provisions	20,594	10,212
Total equity and liabilities	27,674	33,358

14 Contractual obligations and contingencies, etc.

15 Related party disclosures

Consolidated statement of changes in equity

DKK million

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2014	500	4,455	17,615	22,570
Dividends paid			-17,615	-17,615
Result for the year		1,745	0	1,745
Foreign currency translation adjustments, affiliated companies		-127		-127
Cash flow hedges (Interest rate swaps)		-220		-220
Tax on cash flow hedges (Interest rate swaps)		54		54
Equity at 31 December 2014	500	5,907	0	6,407

Consolidated cash flow statement

DKK million

Notes	2014	2013
Result before financial items	2,308	2,309
16 Adjustments	788	794
17 Change in working capital	879	428
Cash flows from operating activities before financial items	3,975	3,531
Financial income etc.	43	232
Financial expenses etc.	-163	-120
Corporation tax paid	-713	-217
Cash flows from operating activities	3,142	3,426
Purchase of intangible assets	-163	-351
Purchase of property, plant and equipment	-1,087	-1,666
Sale of property, plant and equipment	33	13
Purchase of securities	-383	-451
Sale/drawing of securities	468	483
Investment in joint venture	-74	0
Cash flows from investment activities	-1,206	-1,972
Raising of long-term debt	7,565	0
Repayment of loans from affiliated companies	6,516	125
Dividends distributed to shareholders in the parent company	-17,615	-500
Raising of other loans	1	0
Cash flows from financing activities	-3,533	-375
Change in cash and cash equivalents for the year	-1,597	1,079
Cash and cash equivalents at 1 January	2,279	1,203
Foreign currency translation adjustments etc.	-5	-3
Cash and cash equivalents at 31 December	677	2,279
Specified as follows:		
Securities	776	0
Cash at bank and in hand	1,721	1,001
Receivables from affiliated companies	0	1,413
Current liabilities - credit institutions and loans	-872	-135
Current liabilities - payables to affiliated companies	-948	0
	677	2,279

Notes to the financial statements for the Group

DKK million

	2014	2013
1 Net revenue		
Denmark	39,027	39,135
Abroad	16,878	16,572
	55,905	55,707
2 Other external expenses		
Fees to the statutory auditors:		
Fee for auditing	2.6	4.1
Other opinions with assurance	0.2	0.2
Tax advice	0.9	0.8
Fee for services other than auditing	2.3	7.2
3 Staff expenses		
Salaries	5,855	5,636
Pensions	346	342
Other social security costs	368	358
	6,569	6,336
Average number of full-time employees	25,611	24,510
Regarding description of remuneration to the board of directors and the Executive Board see note 1 in the parent company.		
4 Depreciation, amortisation and impairment losses		
Software	117	74
Goodwill	45	45
Other rights	2	0
Land and buildings	278	258
Fixtures and fittings, tools and equipment	377	354
Leasehold improvements	37	31
	856	762
5 Financial income		
Interest from affiliated companies	11	76
Capital gains on securities	27	1
Other financial income	74	70
	112	147

Notes to the financial statements for the Group

DKK million

	2014	2013		
6 Financial expenses				
Interest expense on mortgage loans	88	21		
Interest to affiliated companies	1	0		
Other financial expenses	79	103		
	168	124		
7 Tax on the result for the year				
Current tax for the year	340	401		
Adjustment to tax regarding previous years	2	-20		
Adjustment of deferred tax for the year	117	59		
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	-5	-18		
Adjustment of deferred tax regarding previous years	-1	27		
Total tax	453	449		
Income tax recognised in the income statement	507	561		
Income tax recognised in equity	-54	-112		
	453	449		
8 Intangible assets				
	Software	Development of software	Goodwill	Other rights
Cost:				
1 January 2014	751	560	469	10
Additions during the year	0	163	0	0
Transfers	695	-695	0	0
31 December 2014	1,446	28	469	10
Amortisation and impairment losses:				
1 January 2014	-240	0	-411	0
Amortisation for the year	-117	0	-45	-2
31 December 2014	-357	0	-456	-2
Carrying amount at 31 December 2014	1,089	28	13	8

Notes to the financial statements for the Group

DKK million

9 Property, plant and equipment

	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
Cost:				
1 January 2014	23,264	4,388	1,103	277
Foreign currency translation adjustments	-204	-30	-14	-2
Additions during the year	151	391	47	498
Disposals during the year	-97	-143	-13	0
Transfers	628	0	-1	-627
31 December 2014	<u>23,742</u>	<u>4,606</u>	<u>1,122</u>	<u>146</u>
Depreciation and impairment losses:				
1 January 2014	-7,452	-3,056	-801	0
Foreign currency translation adjustments	30	22	7	0
Disposals during the year	48	156	13	0
Depreciation for the year	-294	-377	-31	0
Impairment losses for the year	-5	0	-6	0
Reversal of impairment losses for the year	21	0	0	0
Transfers	-2	0	2	0
31 December 2014	<u>-7,654</u>	<u>-3,255</u>	<u>-816</u>	<u>0</u>
Carrying amount at 31 December 2014	<u>16,088</u>	<u>1,351</u>	<u>306</u>	<u>146</u>

Notes to the financial statements for the Group

DKK million

10 Investments

	Investments in joint ventures
	<u> </u>
Cost:	
1 January 2014	0
Additions during the year	74
31 December 2014	<u>74</u>
Value adjustments:	
1 January 2014	0
Foreign currency translation adjustments	-1
Result for the year	-29
31 December 2014	<u>-30</u>
Carrying amount at 31 December 2014	<u>44</u>

Specification of shares in joint ventures:

<u>Name</u>	<u>Domicile</u>	<u>Ownership</u>
Netto UK Ltd.	Wakefield	50

11 Deferred tax/tax asset

	<u>2014</u>	<u>2013</u>
Deferred tax/tax asset at 1 January	210	280
Foreign currency translation adjustments	-1	-2
Adjustment of deferred tax regarding previous years	1	-27
Adjustment of deferred tax for the year	-117	-171
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	5	18
Adjustment of deferred tax included in equity	-4	112
Deferred tax/tax asset 31 December	<u>94</u>	<u>210</u>

Included in the balance sheet as:

Deferred tax asset	293	286
Deferred tax	-199	-76
	<u>94</u>	<u>210</u>

Notes to the financial statements for the Group

DKK million

	2014	2013
11 Deferred tax/tax asset (continued)		
Deferred tax/tax asset relates to:		
Intangible assets	-129	-114
Property, plant and equipment	22	147
Provisions	130	132
Tax loss carryforward	70	43
Others	1	2
	94	210

The Group has a deferred tax asset of DKK 71 million at 31 December 2014 that is not recognised in the balance sheet (31 December 2013: DKK 113 million).

12 Outstanding claims and other provisions

The outstanding claims and other provisions are expected to be payable in:

0-1 years	73	130
> 1 years	401	370
	474	500

13 Non-current liabilities other than provisions

Mortgage credit institutions	10,150	2,832
Loans from affiliated companies	247	0
Other non-current liabilities	221	0
	10,618	2,832
Short-term part of long-term debt	68	0
Total non-current liabilities other than provisions	10,550	2,832

Due as follows:

Between 1 and 5 years	477	0
After 5 years	10,073	2,832
	10,550	2,832

Notes to the financial statements for the Group

DKK million

14 Contractual obligations and contingencies, etc.

The Group has entered contractual agreements about leasing of properties. The total income from leaseholds during the contractual lease period is DKK 589 million as of 31 December 2014 (31 December 2013: DKK 563 million).

Danish leaseholds normally run for maximum 10 years. Foreign subsidiaries have entered leaseholds with longer term of notice in accordance with common practice in the individual countries. Leasing obligations at 31 December 2014 amount to DKK 1,435 million (31 December 2013: DKK 1,296 million).

Leasing commitments (operational leasing) fall due for payment within 5 years with a total of DKK 74 million (31 December 2013: DKK 118 million).

Companies in the Group are part of the joint registration with F. Salling A/S and F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 405 million at 31 December 2014 (31 December 2013: DKK 363 million).

Until 10 April 2014 the Danish companies in the Group were jointly taxed with A. P. Møller – Mærsk A/S, and had limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

As of the 11 April 2014 the Danish companies in the Købmand Herman Sallings Fond Group are jointly taxed. As jointly taxed companies, which are not wholly owned, the companies in the Dansk Supermarked 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, the companies have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Dansk Supermarked A/S subgroup. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the Companies' liability will increase.

As security for mortgage loans land and buildings with a carrying amount of DKK 7,928 million have been provided as collateral (31 December 2013: DKK 1,200 million).

The Group has entered contractual commitments regarding acquisition and construction of properties etc. of a total of DKK 914 million (31 December 2013: DKK 748 million).

In connection with the REPO-transactions entered into, bonds at the amount of DKK 776 million have been provided as collateral for credit institutions as at 31 December 2014 (31 December 2013: DKK 0 million).

Notes to the financial statements for the Group

DKK million

15 Related party disclosures

Transactions with related parties take place at arm's length terms.

	2014	2013
	<u> </u>	<u> </u>
16 Cash flow statement - adjustments		
Amortisation and impairment losses on intangible assets	164	119
Depreciation and impairment losses on property, plant and equipment	692	643
Gain/loss on disposal of non-current assets	-97	-1
Other adjustments	29	33
	<u>788</u>	<u>794</u>
17 Cash flow statement - change in working capital		
Change in inventories	-362	-449
Change in receivables	-129	41
Change in prepayments and trade and other payables	1,370	836
	<u>879</u>	<u>428</u>

Parent company

Income statement

DKK million

Notes	2014	2013
Net revenue	39,027	39,135
Other operating income	122	122
	39,149	39,257
Consumption of goods	-27,884	-27,807
Other external expenses	-4,744	-5,152
Gross profit	6,521	6,298
1 Staff expenses	-5,137	-4,973
8 Share of result in affiliated companies	1,001	958
8 Share of result in joint ventures	-29	0
Result before depreciations	2,356	2,283
2 Depreciation, amortisation and impairment losses	-397	-333
Result before financial items	1,959	1,950
3 Financial income	176	127
4 Financial expenses	-137	-48
Result before tax	1,998	2,029
5 Tax on the result for the year	-253	-258
Result for the year	1,745	1,771
Proposal for distribution of the result:		
Proposed dividends	0	17,615
Reserve for net revaluation under the equity method	972	958
Retained earnings	773	-16,802
	1,745	1,771

Parent company

Balance sheet

DKK million

Assets

Notes	31/12 2014	31/12 2013
Software	1,089	511
Development of software	28	560
Goodwill	13	18
Other rights	8	10
6 Intangible assets	1,138	1,099
Fixtures and fittings, tools and equipment	948	932
Leasehold improvements	125	125
Assets under construction	16	0
7 Property, plant and equipment	1,089	1,057
Investments in affiliated companies	11,640	14,130
Investments in joint ventures	44	0
8 Investments	11,684	14,130
Total non-current assets	13,911	16,286
Inventories	3,551	3,229
Receivables from affiliated companies	1,702	8,370
Other receivables	214	157
Corporation tax	30	0
Prepayments	16	36
Receivables	1,962	8,563
Securities	4	69
Cash at bank and in hand	1,290	681
Total current assets	6,807	12,542
Total assets	20,718	28,828

Parent company

Balance sheet

DKK million

Equity and liabilities

Notes	31/12 2014	31/12 2013
Share capital	500	500
Reserve for net revaluation under the equity method	1,724	4,245
Retained earnings	4,183	210
Proposed dividends	0	17,615
Total equity	6,407	22,570
9 Deferred tax	100	32
10 Other provisions	439	501
Total provisions	539	533
Loans from affiliated companies	247	0
11 Non-current liabilities other than provisions	247	0
Credit institutions and loans	0	1
Trade payables	4,615	3,651
Payables to affiliated companies	7,218	250
Corporation tax	0	179
Other payables	1,680	1,633
Deferred income	12	11
Current liabilities other than provisions	13,525	5,725
Total liabilities other than provisions	13,772	5,725
Total equity and liabilities	20,718	28,828

12 Contractual obligations and contingencies, etc.

13 Related party disclosures

Statement of changes in equity for the parent company

DKK million

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	500	4,245	210	17,615	22,570
Dividends paid				-17,615	-17,615
Result for the year		972	773	0	1,745
Dividend from Group enterprises		-3,200	3,200		0
Changes in equity in affiliated companies		-166			-166
Foreign currency translation adjustments, affiliated companies		-127			-127
Equity at 31 December 2014	500	1,724	4,183	0	6,407

The share capital is composed as follows:

2 shares of TDKK	1	0
4 shares of TDKK	1	0
2 shares of TDKK	2	0
40 shares of TDKK	5	0
59 shares of TDKK	10	1
2 shares of TDKK	25	0
4 shares of TDKK	50	0
12 shares of TDKK	100	1
9 shares of TDKK	250	2
191 shares of TDKK	500	96
8 shares of TDKK	50000	400
		500

There has been no changes in the share capital during the previous 4 years.

Notes to the financial statements for the parent company

DKK million

	2014	2013
1 Staff expenses		
Salaries	4,684	4,528
Pensions	331	325
Other social security costs	122	120
	5,137	4,973
Average number of full-time employees	16,784	16,353
The board of directors received no fees.		
Remuneration of the Executive Board is not disclosed in accordance with section 98b(3) of the Danish Financial Statements Act.		
Members of the Executive Committee have been granted an incentive scheme under which a cash bonus may be paid based upon performance of the Business over the period 2014 – 2018. The cash amount is variable with performance and is expected at approximately one year's salary. The estimated amount related to past services is accrued in the financial statements.		
2 Depreciation, amortisation and impairment losses		
Software	117	74
Goodwill	5	5
Other rights	2	0
Fixtures and fittings, tools and equipment	258	241
Leasehold improvements	15	13
	397	333
3 Financial income		
Interest from affiliated companies	52	112
Capital gains on securities	29	0
Interest rate swaps	22	0
Other financial income	73	15
	176	127
4 Financial expenses		
Interest to affiliated companies	73	0
Capital losses on securities	0	20
Interest rate swaps	22	0
Other financial expenses	42	28
	137	48

Notes to the financial statements for the parent company

DKK million

	2014	2013
5 Tax on the result for the year		
Current tax for the year	186	178
Adjustment to tax regarding previous years	1	-9
Adjustment of deferred tax for the year	70	89
Adjustment of deferred tax regarding previous years	0	9
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	-4	-9
	253	258

6 Intangible assets

	Software	Development of software	Goodwill	Other rights
Cost:				
1 January 2014	751	560	48	10
Additions during the year	0	163	0	0
Transfers	695	-695	0	0
31 December 2014	1,446	28	48	10
Amortisation and impairment losses:				
1 January 2014	-240	0	-30	0
Amortisation for the year	-117	0	-5	-2
31 December 2014	-357	0	-35	-2
Carrying amount at				
31 December 2014	1,089	28	13	8

Notes to the financial statements for the parent company

DKK million

7 Property, plant and equipment

	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
	<u> </u>	<u> </u>	<u> </u>
Cost:			
1 January 2014	3,108	668	0
Additions during the year	275	15	16
Disposals during the year	-127	-1	0
Transfers	0	0	0
31 December 2014	<u>3,256</u>	<u>682</u>	<u>16</u>
Depreciation and impairment losses:			
1 January 2014	-2,176	-543	0
Disposals during the year	126	1	0
Depreciation for the year	-258	-15	0
31 December 2014	<u>-2,308</u>	<u>-557</u>	<u>0</u>
Carrying amount at 31 December 2014	<u>948</u>	<u>125</u>	<u>16</u>

Notes to the financial statements for the parent company

DKK million

8 Investments

	Investments in joint ventures	Investments in affiliated companies
	<u> </u>	<u> </u>
Cost:		
1 January 2014	0	9,885
Additions during the year	74	1
31 December 2014	<u>74</u>	<u>9,886</u>
Value adjustments:		
1 January 2014	0	4,245
Foreign currency translation adjustments	-1	-126
Deferred tax related to the purchase of minority interests	0	-166
Dividends distributed	0	-3,200
Result for the year	-29	1,001
31 December 2014	<u>-30</u>	<u>1,754</u>
Carrying amount at 31 December 2014	<u>44</u>	<u>11,640</u>

Specification of shares in affiliated companies and joint ventures:

<u>Name</u>	<u>Domicile</u>	<u>Ownership</u>
Netto Supermarkt GmbH	Stavenhagen	100
Netto Sp. Z o.o	Szczecin	100
Netto Marknad AB	Halmstad	100
Netto Fastigheter AB	Halmstad	100
NETTO Ukraine LLC	Lviv	99
Orbita Property LLC.	Lviv	100
FutureExpress Ltd.	Leeds	100
Dansk Supermarked Ejendomme A/S	Højbjerg	100
D. S. Forsikring A/S	Højbjerg	100
Dansk Netto Deutschland ApS	Højbjerg	100
Netto UK Ltd.	Wakefield	50

Notes to the financial statements for the parent company

DKK million

	2014	2013
9 Deferred tax/tax asset		
Deferred tax/tax asset at 1 January	32	-57
Adjustment of deferred tax/tax asset for the year	70	89
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	-4	-9
Adjustment of deferred tax/tax asset regarding previous years	2	9
Deferred tax/tax asset at 31 December	100	32
Deferred tax/tax asset relates to:		
Intangible assets	246	213
Property, plant and equipment	-50	-74
Provisions	-96	-107
	100	32

10 Outstanding claims and other provisions

The outstanding claims and other provisions are expected to be payable in:

0-1 years	21	120
> 1 years	418	381
	439	501

11 Non-current liabilities other than provisions

The loans from affiliated companies falls due between 1 and 5 years. (31 December 2013: DKK 0 million).

12 Contractual obligations and contingencies, etc.

Guarantees of DKK 5 million have been provided for foreign subsidiaries' credit institutions (31 December 2013: DKK 5 million).

Guarantees of DKK 97 million have been provided for Group enterprises' leasing obligations (31 December 2013: DKK 42 million).

Leaseholds with affiliated companies usually run for 20 years, and amounts to DKK 6,276 million as at 31 December 2014 (31 December 2013: DKK 5,340 million).

Leaseholds with external parties usually run for maximum 10 years, and amounts to DKK 404 million as at 31 December 2014 (31 December 2013: DKK 366 million).

Notes to the financial statements for the parent company

DKK million

12 Contractual obligations and contingencies, etc. (continued)

Leasing commitments (operational leasing of cars, equipment etc.) fall due for payment within 5 years with a total of DKK 69 million (31 December 2013: DKK 116 million).

Companies in the Group are part of the joint registration with F. Salling A/S and F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 405 million at 31 December 2014 (31 December 2013: DKK 363 million).

Until 10 April 2014 the Danish companies in the Group were jointly taxed with A. P. Møller – Mærsk A/S, and had limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

As of the 11 April 2014 the Company is jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group. As a jointly taxed company, which is not wholly owned, the Company has limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. However, the company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Dansk Supermarked A/S subgroup. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the Company's liability will increase.

The company has entered contractual commitments regarding acquisition and development of software of a total of DKK 26 million (31 December 2013: DKK 13 million).

13 Related party disclosures

Transactions with related parties take place at arm's length terms.

Controlling interest

The company is included in the consolidated financial statements for Købmand Herman Sallings Fond, Rosbjergvej 33-35, Brabrand. Købmand Herman Sallings Fond has controlling interest in the company.

As at 31 December 2013 the company was included in the consolidated financial statements for A. P. Møller - Mærsk A/S, Esplanaden 50, København. A. P. Møller - Mærsk A/S had controlling interest in the company.

Notes to the financial statements for the parent company

DKK million

13 Related party disclosures (continued)

Ownership

The following shareholders own more than 5% of the share capital:

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

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

A.P. Møller - Mærsk A/S, Esplanaden 50, København