salling group

ANNUAL REPORT 2021

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Management Review

Highlights 2021

We take a look at some of the highlights from 2021

Leading in a Time of Uncertainty

CEO Per Bank takes a look back at 2021

Group Performance

A review of the Salling Group performance in 2021

Financial Statements

Consolidated and parent company

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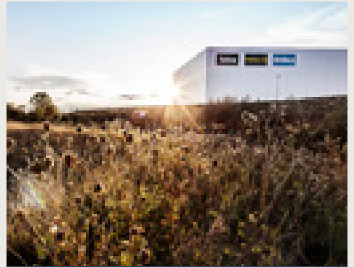
Highlights 2021



CLOSING OF TESCO POLAND ACQUISITION

Salling Group closes the acquisition of 301 Tesco stores and 2 distribution centres in Poland

FØTEX LAUNCHES STRATEGIC COOPERATION WITH CLEVER

føtex established a nationwide network of super chargers in collaboration with charging operator Clever

LAUNCH OF FØTEX HOME DELIVERY

Salling Group increased its presence and market share within food online in Denmark significantly with the launch of føtex Home Delivery

NETTO POLAND OPENS STORE NUMBER 599

The opening of store number 599 marks a milestone in Salling Group's ambitions in the Polish market

BR AND SALLING RE-OPENING POST-COVID RESTRICTIONS

When stores reopened post-COVID-19, so did the chain of toy stores BR and Salling department stores

HUGO MESQUITA APPOINTED CEO FOR NETTO POLAND

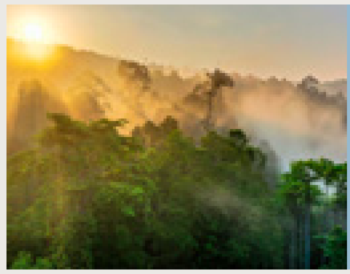
Previous part of the management team of Polands largest retailer Biedronka stepped into the role of CEO for Netto Poland

VACCINATION POP-UP IN BILKA

In support of the national COVID-19 vaccination programme, Bilka established vaccination centres

TOP MANAGEMENT RE-ORGANISED WITH NETTO COUNTRIES REPORTING TO CEO

Country managers of Netto Poland and Netto Germany step into Salling Groups executive committee



CLIMATE AMBITION LAUNCHED

Years of hard work for CO2-reductions across the Group came together in a Climate Ambition

INSOURCING OF BREAD LOGISTICS

Salling Group insourced its bread logistics saving 40,000 deliveries a year

5-YEAR SUMMARY

Financial highlights for the Group 2017–2021

DKK million	2017	2018	2019	2020	2021
Total revenue	58,689	55,851	56,689	60,855	66,202
Operating profit before depreciation, amortisation and impairment losses before special items (EBITDA before special items)	3,006	3,158	4,105	4,702	4,992
Operating profit (EBIT)	2,472	2,072	2,272	2,818	2,952
Net financial items	-248	-248	-557	-479	-466
Profit for the year from continuing operations	-	1,413	1,322	1,852	1,942
Profit/loss for the year from discontinued operations net of tax	-	-46	969	-	-
Total profit for the year	1,698	1,367	2,291	1,852	1,942
Net cash flows from operating activities	4,691	3,786	2,759	4,285	3,719
Total assets	30,476	30,871	35,550	37,533	40,719
Total equity	2,952	3,981	6,190	7,610	9,401
Net debt/EBITDA	2.6	1.8	2.2	1.5	1.8
Operating margin	4.2%	3.7%	4.0%	4.6%	4.5%
Return on equity	35.1%	39.4%	45.0%	28.6%	22.8%

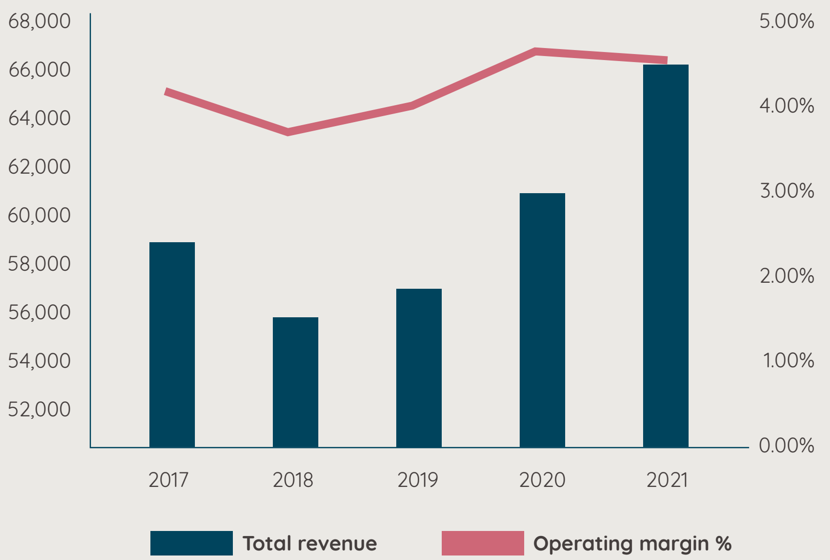
Note: Salling Group introduces reporting according to IFRS 16 (regarding leases) from 2019 onward. Previous year figures have not been restated.
Net Debt/EBITDA is calculated including lease liabilities from 2019 onward.
Netto Sweden was sold in 2019 and is not reflected in revenue figures from 2018 - 2021. 2017 includes revenue from Netto Sweden.
For definitions of main and key figures please refer to note 2 in the notes to the consolidated financial statements.

Financial highlights

Total revenue & operating margin, 2017 - 2021

Salling Group has achieved highest ever sales and underlying operating profit in 2021.

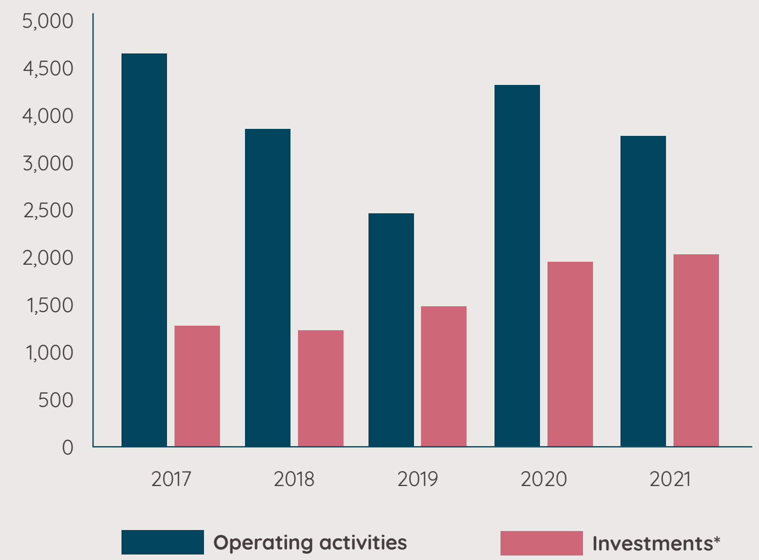
Total revenue & operating margin, 2017 - 2021



Cash flows from operations and investments, 2017 - 2021

Cash flows from operations remained strong in 2021 with investment levels also reaching a higher level.

Cash flows from operations and investments, 2017 - 2021

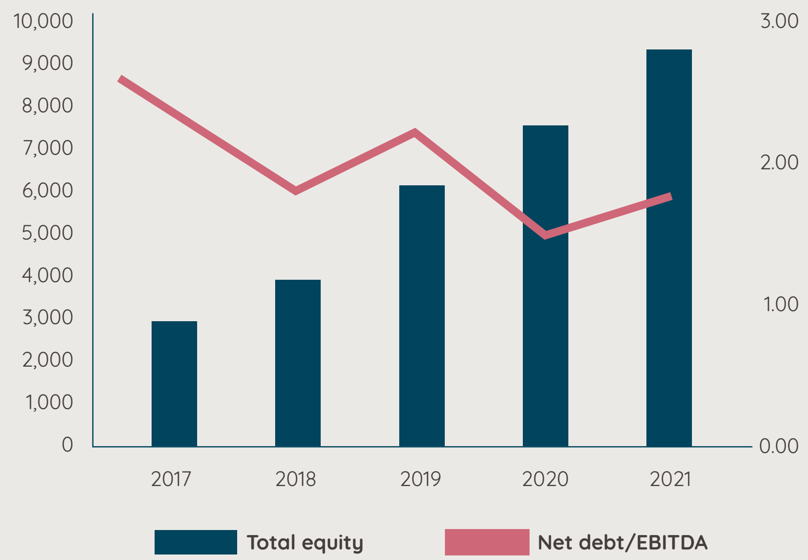


* Investments in intangible assets, property, plant and equipment and investment property

Equity and net debt/EBITDA, 2017 - 2021

Since 2017 the equity level has increased, reaching DKK 9.4 billion in 2021. Net Debt/EBITDA remained close to 2020 level despite record investment level.

Equity and net debt/EBITDA, 2017 - 2021



CEO LETTER

Excelling today, while building for the future

Dear stakeholders,

Exiting 2021, as the pandemic was receding we could have been excused for assuming that the most turbulent times were behind us. The early part of 2022 has brought back the harsh reality that our surroundings are unstable, change is a constant, and uncertainty unavoidable. With the outbreak of war in Europe and a stifling inflation, last year seems so far away already that pausing on it in an annual report feels slightly futile. However, reflecting on the past may still provide some guidance for us in the present.

In many ways 2021 was a year of two halves. Navigating through the early part of the year proved demanding with our primary markets still heavily affected by restrictions in the wake of the Corona pandemic. While part of our business was impacted significantly by temporary store closures and colleagues being sent home during winter and early spring – BR, Salling Department stores, malls, Starbucks, Carl's Jr. – other parts benefitted positively from lock down – føtex, Bilka, Netto and online banners – as customer behaviour continued to change following COVID-19. Combined, these developments resulted in highly fluctuating sales and shifting foot fall throughout the first half of the year.

While the second half of the year may have seemed more stable, it proved highly challenging to repeat the performance of the previous year as customers resumed to pre-Corona shopping preferences until COVID-19 restrictions once again affected the markets in the closing month of the year, turning retail upside down yet again.

With these events defining the year, I am satisfied that Salling Group delivered a revenue of DKK 66 billion in 2021 with an EBIT of DKK 3 billion, and an EBITDA of DKK 5 billion for the first time.

On the back of the momentum gained in previous years Salling Group continues to be well positioned for the future following a strong 2021.

I would like to extend a sincere thank you to our teams in stores, warehouses and back office functions who worked tirelessly through constant change and a severely challenged supply chain, ensuring distribution and delivering first class service to our customers every single day while keeping our strategy firmly on track.

Per Bank. CEO

Assuming responsibility for colleagues and customers

Even though government closure of department stores, malls, restaurants and pure nonfood stores was lifted in early spring, Salling Group chose a cautious approach to welcoming back customers and colleagues, continuing to enforce a number of voluntary and mandatory precautions to protect them from the spread of the Corona virus. As more than 2,000 employees who had been sent home from their regular work places returned to the reopened stores, they persisted in wearing face masks or visors, followed regular routines for hand sanitation and hand washing and took part in the increased cleaning procedures in all stores while a number of them were deployed as special service staff helping customers to maintain safe distancing throughout the shopping trip and comply with all safety recommendations.

Salling Group retained safe distance markings on the shop floors, screens upholding physical distance between employees at tills and customers and separation at the end of the checkout line to ensure safety of customers when packing their goods. Signs in stores informing about hygiene precautions were present throughout the year as the availability of hand sanitation at all entrances and exits was maintained.

Together with the national authorities Salling Group took several initiatives to increase the level of vaccination to help battle the spread of COVID-19, making it highly accessible for staff to get vaccinated at or close to their work place. In September 2021, Salling Group increased collaboration with health authorities and made space in Bilka hypermarkets across Denmark to allow medical staff to vaccinate customers who wished to receive a first shot or a second boost.

Salling Group continues to conduct close dialogue with authorities on how to play an active part in battling the pandemic.

Towards zero emissions by 2050

Running a financially sustainable and resilient business remains our number one priority as we believe that a financially robust business is a prerequisite for backing our ambitions within climate change, health and responsible procurement. Without the ability to actually invest in improving the world around you, your ambitions remain thoughtful intentions. At Salling Group, sound business goes hand in hand with our promise to help impact the planet positively.

In 2021 we launched our climate ambition, intensifying our investment and commitment to battle climate change by setting targets covering all our activities both upstream and downstream across scopes 1, 2 and 3. We expect our targets to be approved by Science Based

Targets initiative in 2022, and we will commit to net zero emissions in our full value chain by 2050 by reducing own emissions, helping customers, engaging employees and committing suppliers to reduce emissions.

Testing climate friendly food shopping by climate labelling

Our aim is to contribute to the common ambition to limit the global temperature rise to 1.5 degrees by living up to the Paris Agreement. Last year Salling Group committed itself to the Science Based Targets initiative, SBTi, and at the same time entered into partnership with the Carbon Disclosure Project, who will assist us in keeping track of our supplier engagement.

In early 2022, following the Russian invasion of Ukraine, we decided to accelerate our energy transition, speeding up our investments in shifting from oil and gas to renewable sources and limiting our energy consumption. A total of DKK 2.5 billion will be invested in the transition until 2028.

For several years now Salling Group has advocated for climate labelling of food in retail and in 2021 we took the step to test climate labelling and customer climate guidance in Netto Denmark. Having already sponsored the climate database by the green think tank CONCITO through the Salling Foundations the purpose of the test in Netto stores was to collect data on potential changes in customer behaviour and share it with politicians, customers and colleagues in retail as authorities continue to work on a sector wide model for labelling.

Following a six month trial the test showed encouraging results as sales of climate burdensome goods such as beef, cold cuts and avocado were down between 4 and 6% while fruit and vegetable sales in general went up. Before the test 47% of the interviewed customers felt they lacked information regarding climate friendly food shopping, 86% favoured the idea of general climate labelling while 98% received the tested solution favourably. Salling Group will maintain our push for climate labelling covering the whole industry and continue to play an active part in developing shared solutions through close collaboration and partnerships with our customers, employees, suppliers, partners and authorities.

Executing on our strategy

Last year Salling Group delivered on several key components of our strategy, not least within food online and the expansion of our presence in the Polish market through Netto.

In March 2021, Salling Group received approval from the Polish competition authorities on a deal with UK retailer Tesco to acquire 2 distribution centres and 301 stores, with formal closing of the deal conducted shortly hereafter. The deal constitutes a cornerstone in the ambition to become the fastest growing discounter in Poland and achieve a Top 5 position in the Polish market. In all, 189 of the acquired stores were transformed in accordance with the modernised Netto 3.0 concept while 11 completely new Netto stores opened in Poland, adding a total of 200 stores to our discount banner. The conversion rate has required an enormous effort internally and I congratulate my colleagues across the organisation for their massive role in a groundbreaking year for our Polish business. The last Tesco store was closed in October and I would like to take this opportunity to highlight the professionalism of the former Tesco-employees in handling the transition while I thank them for their contribution as well. The roll out continues in 2022 when Salling Group expects to add another 101 stores to the Polish Netto store portfolio.

2021 also saw Salling Group increase its presence and market share within food online in Denmark significantly with the launch of føtex Home Delivery and the continued expansion of Bilka ToGo through increased capacity in hyper markets and the introduction of 6 pick up stations across the country. føtex Home Delivery rapidly established itself as a factor in the market, differentiating itself with a customer offer based on access to the same low, leaflet prices as in føtex' physical stores, an increased online assortment, distribution by chilled delivery vans and not least service personnel from føtex delivering the groceries at customers' door step. At the end of the year, føtex Home Delivery covered Zealand with further expansion planned over the coming years.

Strengthening the core

Salling Group continued to invest significantly in our strong foundation with the roll out of the Netto 3.0 concept in both Denmark and Germany now encompassing 40% of the store portfolio. In both markets Netto won market share throughout 2021, with Netto being the only discounter in Germany who was able to achieve this. BR sustained its development through the introduction of new playful store universes while Bilka and føtex both picked up market share, føtex furthermore introducing its new and focused strategy. The roll out of the Salling private label continued and the own brand now covers more than 2,000 products across føtex and Bilka.

Several ambitious initiatives were undertaken in Supply Chain & Logistics with the insourcing of all bread deliveries in Denmark, the integration of two warehouses in Poland, the roll out of a new inventory management system in Germany and one of the Group's largest ever investments in the expansion and modernisation of the fully automated Netto warehouse in Eastern Denmark, supplying around 300 stores on a daily basis.

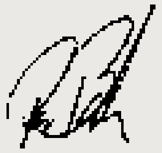
We have used our ability to run a sound business to take greater responsibility

Sharing the ambition

Looking back at 2021 it is particularly pleasing that Salling Group was able to execute on a number of important strategic priorities that will shape the Group in the future while simultaneously harnessing the foundation of the Group further and delivering solid results. We have used our ability to run a sound business to take greater responsibility for the world around us and have made it possible for our owners, the Salling Foundations, to continue their donations to cultural, charitable, educational and research activities.

We fully acknowledge that we have an opportunity and an obligation to reach out and assist our stakeholders where possible and we will continue to do so in the future. The true measure of our development going forward will not be to just build on our financial performance but to act unselfishly in accordance with our values to the greater good of the surrounding communities.

This is an ambition shared by all employees in Salling Group and while I thank and congratulate everyone involved with Salling Group for a strong effort in a challenging year, I also challenge all of us to maintain the positive development of the company and to further build on the position we have in people's everyday lives.



Per Bank
CEO

LETTER FROM THE CHAIRMAN

Congratulations and thank you!

2021 was unfortunately another year that was heavily impacted by the COVID-19 pandemic. On behalf of the Board of Directors I would like to thank all our employees for the impressive way you have handled this difficult period and for how you, together with our Management Team, have delivered fantastic financial results.

Highest revenue ever (DKK 66 billion), highest underlying EBIT ever (DKK 3 billion), highest investment level ever including the acquisition of Tesco Poland (DKK 4.5 billion), highest market share for food in Denmark and Poland ever, and highest earnings ever for Netto Denmark, føtex and Bilka! This is impressive and shows the great performance of you as a team and it underlines the commitment you have from the owner, the Salling Foundations.

Impressive performance in every way

Our short-term focus was of course to assure the health and safety of our employees and our customers, but I also feel that we, despite all the difficulties and obstacles caused by COVID-19, were able to execute very well in accordance with our strategic priorities. We continued to focus on Poland, where we, with the acquisition of Tesco Poland and their 301 stores and 2 distribution centres, are investing in growth. In 2021, we already converted 189 of the Tesco stores to new beautiful Netto stores. The effort of our Polish team to convert all these stores and to integrate part of the Tesco teams to Netto has been extraordinary. We are committed to become the fastest growing discounter in Poland and look forward to supporting the local team with this strategic priority.

The modernisation of our Netto concept has been a clear priority and it has been great to see that our new Netto 3.0 upgraded stores have continued to perform very well in all markets. At the end of the year 2021, 40% of our Netto stores have already been upgraded and this process will continue at the same speed in 2022. I personally feel that our Netto 3.0 stores are the best-looking discount stores in the whole industry.

The investment in food online has also been an important strategic priority for the Group. The launch of føtex Home Delivery and the continued expansion of Bilka ToGo has strengthened our position in the Danish market. Food online and multichannel are business models that the consumer wants. Although difficult to build, and short-term not as profitable as normal stores, it is important for Salling Group to invest in the channels where the future consumers will shop. We see this as a continued strategic priority for the Group and are very pleased to see the competence our management is building in this area.

We, Salling Group with all our employees and all the customers we serve, have a huge responsibility for how we behave as a company. We also have a responsibility for how we treat the planet and how we will leave it for future generations. In 2021 we have therefore launched our climate ambition where we have set clear science-based targets for all our activities both upstream and downstream across scopes 1, 2 and 3. We expect our targets to be approved by SBTi in 2022 and will commit to zero carbon emission in our full value chain by 2050. To anchor our strategy on sustainability and to support and monitor the execution, we have founded the Salling Group Sustainability Committee in 2021. I am very proud to be chairing this committee, in which our CEO, Per Bank, will participate, as well.

The Board feels that our company has strengthened its position during 2021 and we look optimistic into 2022. We do not know what impact COVID-19 will have, but I personally feel we could see the end of the pandemic this summer. What we also do not know is what the "new

Bjørn Gulden, Chairman of the Board

Inflationary pressure will challenge us

normal" will be. There will, at least short-term, be pressure on costs. Energy costs, raw material prices, freight rates and other costs have increased substantially and are putting inflationary pressure on both our products and on our expenses. One of our management's most crucial tasks in 2022 will be to manage this inflationary pressure in the best way for our company but also for our consumers. We are convinced that our very competent Management Team, together with our very motivated employees, will overcome these challenges in 2022. Salling Groups' largest competitive advantage is our excellent people. We must continue to attract and keep talent and we need to make sure we continue to foster and strengthen our unique Salling Group culture.

We, the Board of Directors, look forward to continuing to support the positive development in 2022 and beyond! Please remember that all the profit we generate will either be reinvested in the company or distributed by our owner the Salling Foundations to worthy causes. This is a great motivation for all of us!

Stay strong, stay healthy and let us keep up the optimistic spirit!

Bjørn Gulden
Chairman of the Board

PURPOSE AND STRATEGY

Our purpose

Improving everyday life

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

Best at creating customer value

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

More sustainable solutions

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

Opportunities for everyone

A significant contribution to improving everyday life in society is creating job opportunities for people at all educational levels. We are a diverse organisation with more than 61,800 colleagues and we also have room for people who need a little extra help to gain foothold in the job market.

Profit used for good

Part of our profit is donated to good causes through our owners, the Salling Foundations. Since 2012, the Salling Foundations have donated about DKK 1.5 billion to initiatives within culture, education, sports, social work and local inventiveness to help improve everyday life in our society.

Our strategy

In 2021 we took significant steps to deliver on our strategy. Salling Group's overarching strategy was laid out in 2019 and steers our way towards 2025, ensuring that we grow our business and further develop our position across Denmark, Poland and Germany. The three main pillars in our overall strategy towards 2025 are

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

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

One foundation and two key priorities

Our responsibilities

Committed to eliminating emissions
Every action leaves an impact. Some actions create opportunities. Other actions are negative and present challenges for the climate, for humans, animals and our shared planet.

None of us has all the answers. Instead, the climate crisis facing the world requires a sustained and systematic effort from all companies, organisations, authorities and countries. No business on its own anywhere in the world is able to solve the complex challenges by itself, but in Salling Group we believe that we can make a difference together with our stakeholders.

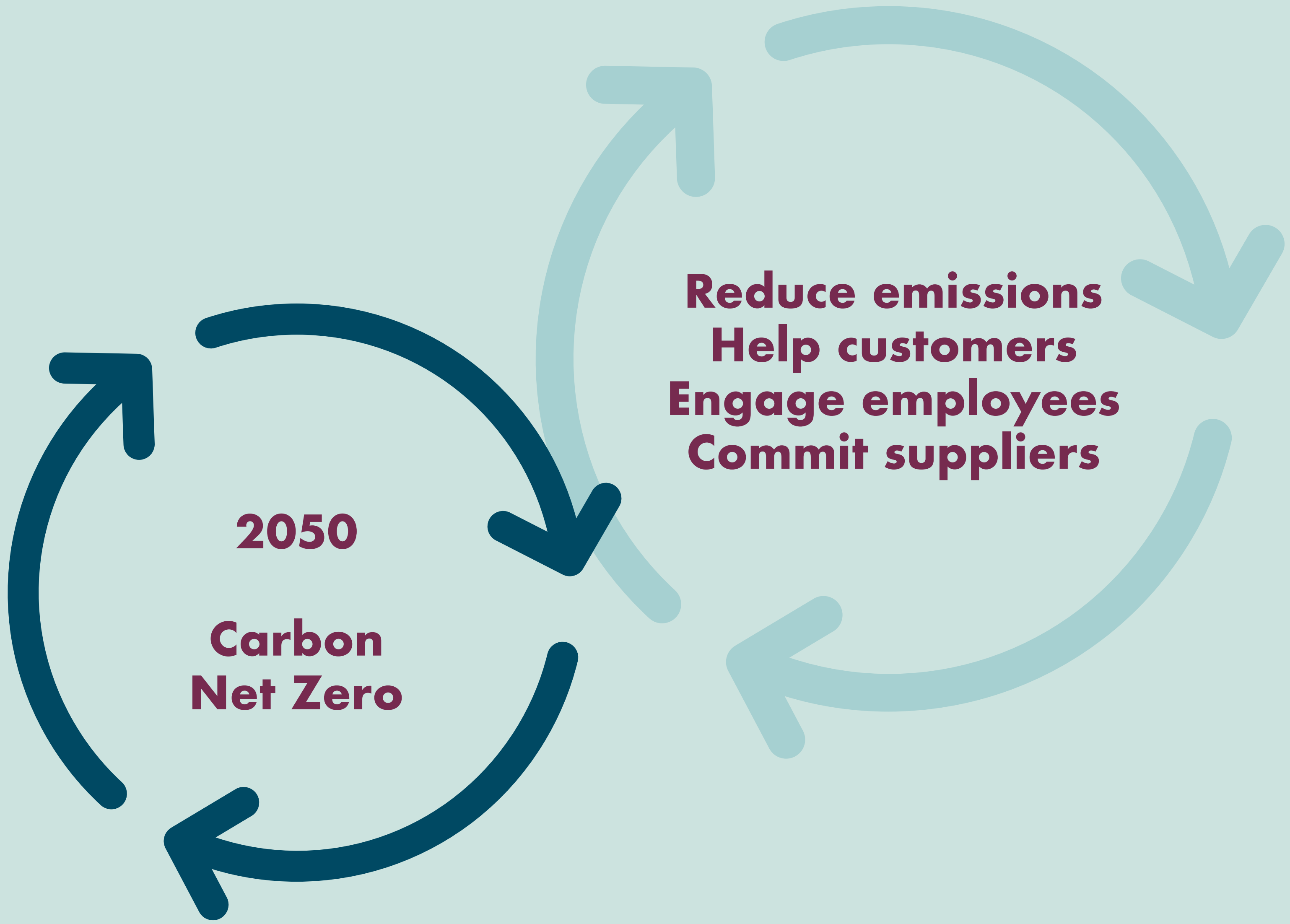
Therefore, in 2021 Salling Group chose to intensify its investments and commitment to battling climate change. We set ambitious targets which we will use all our executional power over the coming years to reach.

In 2021 we committed ourselves to setting goals in line with the Science Based Targets initiative (SBTi).

Our aim is to contribute to the common ambition to limit the global temperature rise to 1.5 degrees by living up to the Paris Agreement and Race Against Zero. At the same time, we partnered with the Carbon Disclosure Project to help us achieve our ambition.

For Salling Group's own operations we plan to fulfill our objective by switching to renewable energy sources in Denmark, Germany and Poland, changing to more climate friendly heating sources, changing coolers and reducing emissions from refrigerants while also exchanging the company car fleet to electrical or hybrid cars.

The goal for our overall value chain is net zero carbon emissions by 2050.
We will continue to take an active role in overcoming the challenges facing the world today. Not by ourselves, but in close collaboration and partnership with our customers, employees, suppliers, and partners.



PEOPLE

Our values

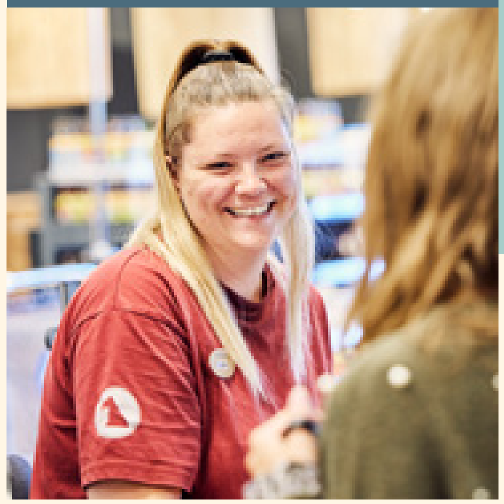
Integrity

Passionate

Agile

Efficient

Competitive



Our people

Developing the foundation of Salling Group

For the world around us our business may be mostly about goods, stores or delivery trucks. But it is the people of Salling Group who truly make a difference.

As one of Denmark's largest companies we acknowledge that our employees are by far our greatest asset and the foundation of our continuous development – as they prove day in, day out delivering first class execution, problem solving and customer service.

Home to more than 61,800 employees encompassing a total of 111 different nationalities we know that attracting, developing and retaining colleagues with sound personal values, the right skill set and strong work ethics is key to our ability to deliver on our long term strategic priorities and provide the Salling Foundations with the opportunity to impact our local communities positively.

While battling the effects of the Corona pandemic on the labour force, Salling Group undertook a massive recruitment and training challenge in 2021 when launching føtex Home Delivery in Denmark and expanding Netto in Poland. Pressure on the labour market and shortage of hands and heads primarily in Denmark but in the latter stages of 2021 also in Poland and Germany threatens to be one of the key risks for retailers and businesses in general in 2022 and beyond. Developing our strategic initiatives further in the coming years we strive to gain a competitive advantage when battling for talent by navigating with a strong moral compass, following a clear business strategy and continuing to promote opportunities for career development and personal growth.

More than 61,800 employees encompassing a total of 111 different nationalities.

Diverse by nature

Last year, the Financial Times named Salling Group one of the best companies in Europe to promote diversity and inclusion in the workplace. 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.

At Salling Group, we take pride in creating a working environment with room for everyone and where everybody has the opportunity to make a difference and as one of just two Danish companies in the Top 100 of the Financial Times ranking, Salling Group came in at number six overall. This is testament to the relentless work done by the Group for a number of years to ensure diversity, making it an essential part of the company's DNA today. Being ranked highly in the prestigious third annual Financial Times Diversity Leaders grading is by no means our end goal. Instead, we see it as the starting point of our enhanced efforts to ensure equal opportunities for all.

PEOPLE

Our people

Growing our people to win

Last year, Salling Group launched a new Executive Development Programme tailored for the company's VP* Forum, taking leadership in Salling Group to the next level. Focusing even more on both people and business management the programme enables our vice presidents to further grow in leadership and functional skills while at the same time setting the direction to drive our ambitions with one voice.

Simultaneously, our first internal Salling Group team received their 'Diploma in Management for store and warehouse managers'. For three years, to obtain 60 ECTS** points these passionate colleagues have juggled studies with their busy day jobs in stores and family life. They have gained deeper insights and advanced tools, balancing execution and reflection to exercise leadership and management support in an even more qualified way to the benefit of Salling Group, their employees and colleagues and not least to that of our customers.

Making a great workplace stronger

Salling Group introduced a new employee engagement survey called myVoice in 2021, providing all employees in Denmark the opportunity to help make the workplace even better for themselves and their colleagues in our stores, restaurants, warehouses and back office functions. Through employee feedback and insights into how engaged a team is and how Salling Group is perceived as a workplace, myVoice provides valuable directions for what actions and behaviours should be continued or strengthened and what needs to be discontinued or improved. A total of 22,075 employees participated over a three week period leading to tangible next steps in all teams and departments. In 2022 myVoice will be implemented in Germany and Poland as well.

Developed last year, the performance management tool myFeedback will be rolled out across all three countries in 2022 improving assessments, development and ongoing feedback through a holistic perspective of all management levels in stores, warehouses and distribution centres and of apprentices, specialists and all administrative employees.

Aiding future talents to excel

Together with fellow founding partners such as BESTSELLER, Danish Crown and Arla, Salling Group initiated and helped launch the MSc in Commercial and Retail Management at Aarhus University in 2020. The masters programme aims at preparing students for a career in back office functions of the rapidly evolving retail and consumer goods industry and in 2021 the first team of students applied for internships across retail. It is highly encouraging that more than half of the enrolled students from the MSc in Commercial and Retail Management applied at Salling Group, with the company taking on a total of 39 future interns across formats, Commercial, Supply Chain & Logistics, Finance, Business Development and Digital & E-commerce.

Passing on the learnings from COVID-19

With store closures, heavy restrictions on everyday life and an increasing number of colleagues affected by the pandemic, battling the Corona virus took its toll on retail this past year. Under the auspices of the Crown Prince Frederik Centre for Public Leadership, which the Salling Foundations have helped make possible at Aarhus University, a major conference on citizenship and strong leadership in crisis situations took place in November.

Following an introductory speech on personal leadership in times of crises given by HRH The Crown Prince himself, both CEO Per Bank and EVP HR Louise Gade of Salling Group had the opportunity to share their perspectives on obligations, opportunities and leadership during the pandemic together with Permanent Secretary Svend Særkjær, the Danish Ministry of Health, CEO Jens Bjørn Andersen, DSV, and CEO Peter Tuborgh, Arla, among others.

Moving on with the pandemic – or hopefully from the pandemic – Salling Group will continue to share our learnings as we hope to also improve our own actions going forward through inspiration and knowledge gained by others.

* Vice President
** European Credit Transfer System

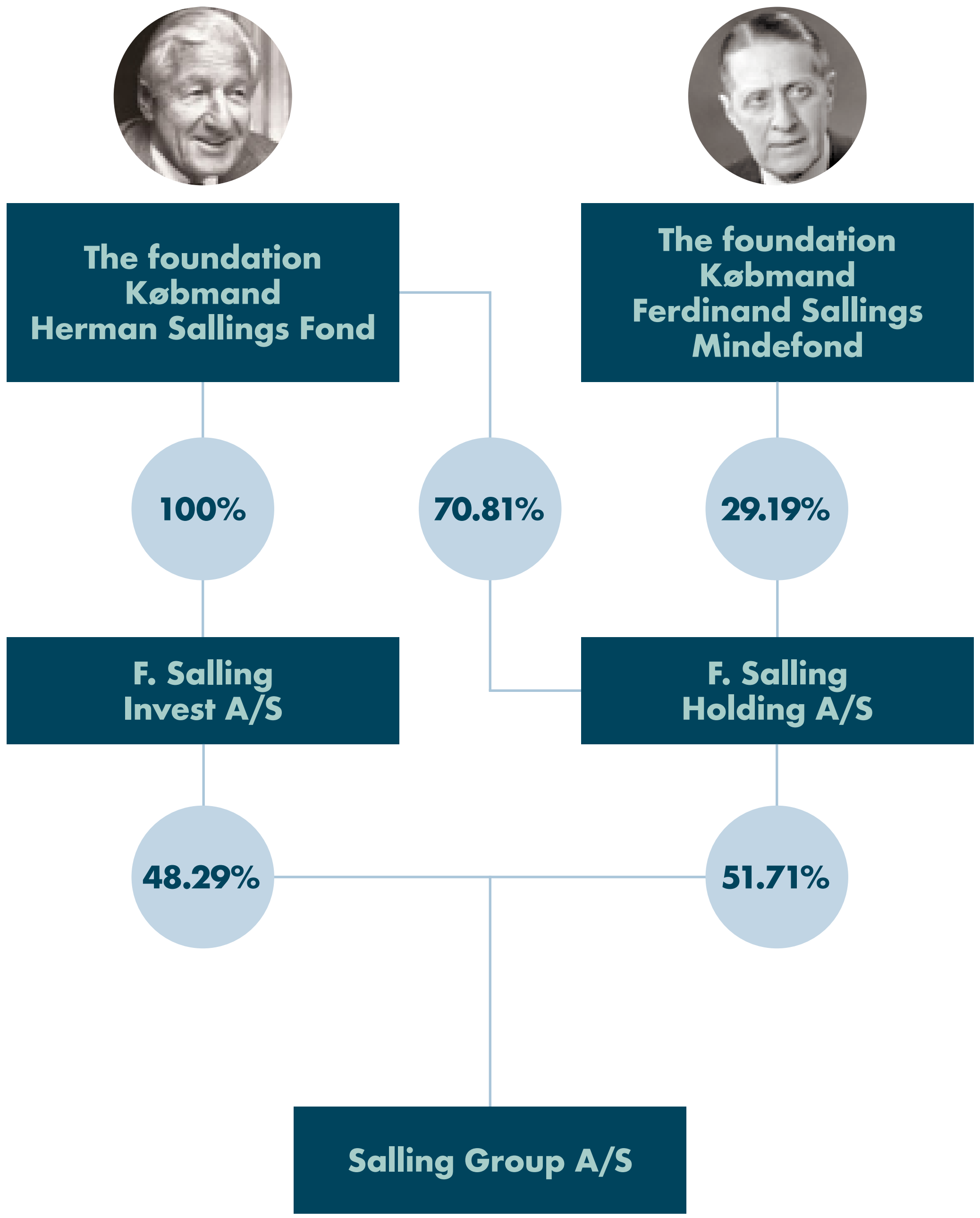
OWNERSHIP AND DONATIONS

Giving back to local communities

Salling Group is 100% owned by the two Danish foundations Købmand Herman Sallings Fond and Købmand Ferdinand Sallings Mindefond. Together they make up the Salling Foundations. 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 by the Sallings Foundations. Since 2012, the Salling Foundations have donated about DKK 1.5 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 the first Salling department store was opened. After Ferdinand Salling's 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 reacquisition of shares in the company, the Salling Foundations resumed full ownership in 2017 and subsequently renamed Dansk Supermarked A/S to its current name, Salling Group A/S. A name which encompasses what we are today and honours our history and founder.

In 2021, the Salling Foundations donated a total of DKK 220 million to beneficiaries across Denmark.



HIGHLIGHTS

Significant donations in 2021

– from the Salling Foundations

35 MDKK

Salling RoofGarden

Establishing a public park, six floors up overlooking the Aarhus skyline

0.5 MDKK

Stop Spild Lokalt

Building a platform for strengthening food waste reduction locally

1 MDKK

Det Kærlige Måltid

Anchoring the unit in Aalborg where families severely affected by acute critical illness receive healthy meals for eight weeks

10 MDKK

KATA Foundation

Establishing Project LEAPS aiming to increase students' commitment to school

50 MDKK

Team Danmark

Supporting Danish elite athletes in 2022-2024 towards the Olympic and Paralympic Games in Paris

10 MDKK

Allin 2022

Denmark's largest company get together for more than 20,000 Salling Group colleagues following their extraordinary efforts during the pandemic

4.5 MDKK

The Natural History Museum

Preliminary study of the relocation of the popular museum in Aarhus

smil FONDEN

1 MDKK

SMILfonden

Establishing "SMILET", a staffed creative workshop for children and their relatives at Aarhus University Hospital

5 MDKK

Cultural centre Vaerket in Randers

Modernisation of guest facilities including foyer, restaurant and arrival terrace

GROUP PERFORMANCE

Financial year 2021

Salling Group runs five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling and BR are operated as physical stores, while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group 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 has been 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 June 2020, Salling Group announced the largest acquisition in the history of the Group, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021, and Salling Group A/S acquired 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.

Market development

During 2021, 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 2021, 95 Netto stores were refurbished as 3.0 stores, and the customer response to the new concept continues to be promising. In Denmark the number of 3.0 conversions was 51, and in Germany the number of 3.0 conversions was 44 stores. In Poland, 189 of the former Tesco stores were converted to new Netto 3.0 stores.

The non-food market continued to grow at a higher pace than previous years due to the COVID-19 pandemic.

At the beginning of the year føtex Home Delivery was launched in the Greater Copenhagen area.

Salling Group gained significant market share on food in Denmark in 2021 and continues to be the largest player in the Danish grocery market.

GROUP PERFORMANCE

Financial year 2021

Result for the year
The annual report for Salling Group A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU.

The total revenue for 2021 amounts to DKK 66,202 million, an increase of DKK 5,347 million compared to 2020 of which DKK 3,806 million relate to the Netto Indygo group of companies. The expansion continued in all countries in 2021 with the opening of 212 new stores of which 189 stores were former Tesco Stores, which were converted to Netto 3.0. During the year Salling Group closed 7 stores.

Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA before special items) is DKK 4,992 million (DKK 4,702 million in 2020).

Profit before tax is DKK 2,486 million (DKK 2,339 million in 2020).

The result in 2021 is better than expected mainly due to strong operational results in Danish formats. Special items do not include the negative operational result from Tesco Poland, as this is still reflected in the EBITDA reported number. Combining the impact from the operational result and the amount reported as special items, the financial impact from the wind-down of Tesco Poland is immaterial.

Net cash flows from operating activities amount to DKK 3,719 million (DKK 4,285 million in 2020). Investments in intangible assets, properties, plant and equipment and investment properties amount to DKK 2,270 million in 2021 (DKK 2,182 million in 2020). Net cash flows from financing activities include dividend paid out of DKK 200 million (DKK 200 million in 2020).

Employees
As at 31 December 2021 Salling Group employed 61,874 employees (55,471 as at 31 December 2020). The average number of full-time employees in Salling Group equals 32,899 in 2021 (26,693 in 2020).

Social responsibility and diversity in management
Salling Group considers social responsibility and diversity in management to be important for the Group. Regarding the efforts in 2021 please refer to our report on social responsibility in pursuance of sections 99a and 99b of the Danish Financial Statements Act. The report is available on: https://sallinggroup.com/rapporter/csr-report-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 turnover in 2022 to be at the same level as in 2021. The total profit for the year for 2022 is expected to be below that of 2021.

Subsequent events
No subsequent events have occurred that affect the annual report for 2021.

66
BDKK REVENUE

3
BDKK EBIT

10
MILLION CUSTOMERS PER WEEK IN 2021

GROUP PERFORMANCE

Data ethics policy

Salling Group wishes to be a respected, competent and decent partner. It is essential to us that our customers, employees, partners and the surroundings have confidence in our processing and storage of data. Therefore, we have written down our position on data ethics in a policy that is available on Salling Group's website*.

The policy will help ensure that we not only comply with current legislation but also follow the general development, and the policy therefore contains Salling Group's ethical considerations in connection with the use of new technologies and increased amounts of data.

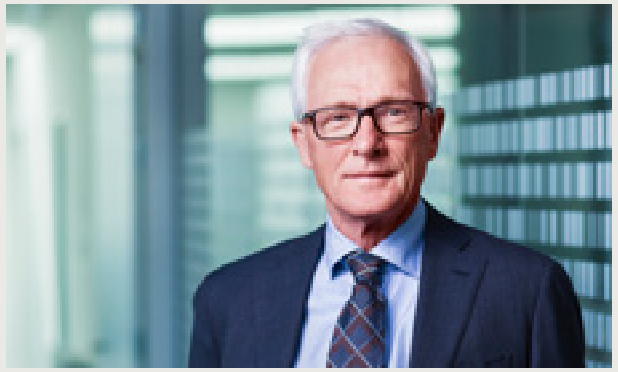
At Salling Group, we are aware of our responsibility in this matter and want to act in an ethically correct, responsible and transparent manner. We have a strong focus on continuous improvement of our data processing and the security associated with this, and we cooperate with relevant authorities in this area.

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

BOARD OF DIRECTORS

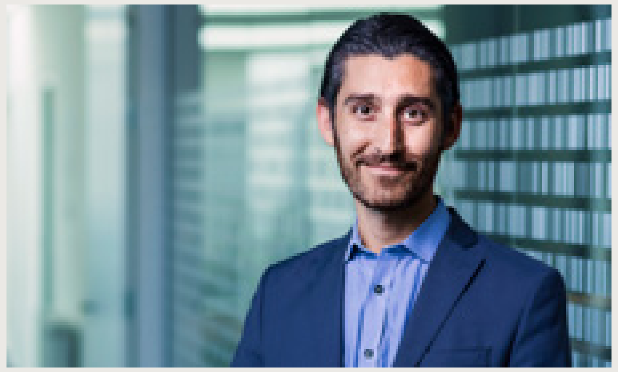
The Board of Directors consists of representatives with major international experience from the private sector, as well as members who represent the Group's employees. The Board is composed of Chairman Bjørn Gulden, four external members and three employee representatives.

Bjørn Gulden
Chairman
CEO, Puma SE



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

Marianne Kirkegaard
CEO, CSM Bakery Solutions



Freddy Sobin
CEO, Kicks AB

Thomas Tochtermann
Director Emeritus & Senior Advisor,
McKinsey & Co

Helle Bech
Employee Representative

Lasse Lippert Laursen
Employee Representative

Morten Agerholm
Employee Representative

Financial statements

Content

Consolidated financial statements

Consolidated income statement

DKK million

Notes		2021	2020
	Revenue from contracts with customers	65,759	60,489
	Other revenue	443	366
4	Total revenue	66,202	60,855
	Cost of sales	-47,285	-43,794
	Gross profit	18,917	17,061
5	Staff expenses	-8,688	-7,845
6	External expenses	-5,237	-4,514
	Operating profit before depreciation, amortisation and impairment losses before special items (EBITDA before special items)	4,992	4,702
	Depreciation and amortisation	-2,220	-1,878
	Impairment losses, net	-85	-19
	Net gain on disposal of investment properties, property, plant and equipment and intangible assets	64	13
7	Special items	201	-
	Operating profit (EBIT)	2,952	2,818
8	Financial income	98	38
9	Financial expenses	-564	-517
	Profit before tax	2,486	2,339
10	Income tax	-544	-487
	Total profit for the year	1,942	1,852

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

Consolidated statement of other comprehensive income

DKK million

Notes		2021	2020
	Profit for the year	1,942	1,852
	Other comprehensive income, net of tax:		
	Items that will not be reclassified to the consolidated income statement:		
10	Remeasurement of defined benefit plans	-3	2
		-3	2
	Items that subsequently are or may be reclassified to the consolidated income statement:		
10	Exchange rate differences on translating foreign operations	-68	-271
10	Cash flow hedges, value adjustment for the year	42	-43
10	Cash flow hedges, reclassified to financial expenses	78	80
		52	-234
	Other comprehensive income for the year, net of tax	49	-232
	Total comprehensive income for the year	1,991	1,620

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

Consolidated financial statements

Consolidated statement of financial position

DKK million

Assets

Notes		2021	2020
	Non-current assets		
11	**Intangible assets**		
	Goodwill	57	131
	Software	844	842
	Software development in progress	84	155
	Brands	84	93
	Other intangible assets	38	42
	Total intangible assets	1,107	1,263
12	**Property, plant and equipment**		
	Land and buildings	18,606	15,893
	Fixtures and fittings, tools and equipment	2,668	2,224
	Leasehold improvements	705	498
	Assets under construction and prepayments	285	274
	Total property, plant and equipment	22,264	18,889
13	**Right-of-use assets**		
	Land and buildings	5,803	5,023
	Fixtures and fittings, tools and equipment	69	82
	Total right-of-use assets	5,872	5,105
14	**Investment properties**	304	299
	Financial assets		
15	Other non-current financial assets	-	41
	Total financial assets	-	41
16	**Deferred tax assets**	88	75
	Total non-current assets	**29,635**	**25,672**

Consolidated statement of financial position

DKK million

Assets - continued

Notes		2021	2020
	Amount transferred	29,635	25,672
	Current assets		
17	**Inventories**	5,322	5,084
	Receivables		
15	Trade receivables	85	72
	Income tax receivables	10	149
15	Other receivables	599	507
	Prepayments	140	65
15	Other current financial assets	7	-
	Total receivables	841	793
15	**Securities**	2,766	4,452
15	**Cash and short-term deposits**	2,139	1,528
18	**Assets classified as held for sale**	16	4
	Total current assets	**11,084**	**11,861**
	Total assets	**40,719**	**37,533**

Consolidated financial statements

Consolidated statement of financial position

DKK million

Equity and liabilities

Notes		2021	2020
	Equity		
	Share capital	524	524
	Retained earnings	9,261	7,522
	Cash flow hedge reserve	-184	-304
	Foreign currency translation reserve	-400	-332
	Proposed dividends	200	200
	Total equity	**9,401**	**7,610**

Consolidated statement of financial position

DKK million

Equity and liabilities - continued

Notes		2021	2020
	Amount transferred	9,401	7,610
	Liabilities		
	Non-current liabilities		
19	Pensions	243	254
16	Deferred tax liabilities	589	524
20	Provisions	158	153
15	Mortgage loans	7,462	7,520
13, 15	Lease liabilities	5,689	4,866
15	Other non-current financial liabilities	155	311
15	Other non-current payables	-	619
	Total non-current liabilities	14,296	14,247
	Current liabilities		
20	Provisions	44	37
15	Mortgage loans	150	269
13, 15	Lease liabilities	701	600
15	Bank loans	2	1
15	Other current financial liabilities	637	699
15	Trade payables	12,611	11,558
	Income tax payable	63	41
15	Other payables	2,801	2,423
	Deferred income	13	48
	Total current liabilities	17,022	15,676
	Total liabilities	**31,318**	**29,923**
	Total equity and liabilities	**40,719**	**37,533**

Consolidated financial statements

Consolidated cash flow statement

DKK million

Notes		2021	2020
	Profit before tax	2,486	2,339
21	Adjustments	2,280	2,371
22	Change in working capital	-91	601
	Net cash flows from operating activities before financial items and tax	4,675	5,311
	Financial income received	78	49
	Financial expenses paid	-564	-512
	Income tax paid	-470	-563
	Net cash flows from operating activities	**3,719**	**4,285**
11	Purchase of intangible assets	-175	-272
12	Purchase of property, plant and equipment	-2,080	-1,906
14	Purchase of investment properties	-15	-4
	Proceeds from sale of investment properties, property, plant and equipment and intangible assets	148	31
23	Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-192	-42
	Purchase of securities	-1,214	-5,061
	Sale of securities	2,900	3,413
	Repayment, receivables	-	10
	Net cash flows from investment activities	**-628**	**-3,831**

Consolidated cash flow statement

DKK million

Notes		2021	2020
	Amount transferred	3,091	454
	Net repayments to related parties	-54	-14
13	Payment of lease liabilities	-631	-536
	Net repayments from related parties	5	81
	Proceeds from borrowings	-	61
	Repayment of borrowings	-1,601	-
	Dividends paid to the shareholders of the parent	-200	-200
	Net cash flows from financing activities	**-2,481**	**-608**
	Net change in cash and cash equivalents	610	-154
	Cash and cash equivalents at 1 January	1,527	1,686
	Net foreign exchange difference	-	-5
24	**Cash and cash equivalents at 31 December**	**2,137**	**1,527**

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

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

Consolidated 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

Notes to the consolidated financial statements

DKK million

1 General information

The primary business area of Salling Group is the running of five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling and BR are operated as physical stores while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark. In the beginning of 2022 wupti.com has been 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 June 2020, Salling Group announced the largest acquisition in the history of the Group, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021, and the Group acquired 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..

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 2021 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 2021. 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 2021, 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	51 %	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
Netto Indygo Dystrybucja Sp. Z o.o.	100 %	Szczecin, Poland
Jasper Sp. Z o.o.	100 %	Szczecin, Poland
Genesis 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. Netto Indygo Sp. Z o.o. and Netto Indygo Dystrybucja Sp. Z o.o. were named Tesco (Polska) Sp. Z o.o. and Tesco Dystrybucja Sp. Z o.o., when the acquisition took place, and have subsequently been renamed. Also, during 2021 the subsidiary Salling Group Sverige AB has been liquidated.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Staff expenses

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

External expenses

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation 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, as well as impairment losses.

Special items

Special items comprise non-recurring items secondary to the principal activities of the Group. Among others, special items comprise the gain that has been recognised on the discounted purchase (the business combination, where the identifiable assets acquired and liabilities assumed exceed the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held).

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 statement of financial position using the equity method. The share of profit/loss from subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

Accounting policies, statement of financial position

Intangible assets

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

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

Consolidated financial statements

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 - 20 years

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

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

Right-of-use assets

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

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 statement of financial position using the equity method. The share of profit/loss from subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Impairment testing of non-current assets
Goodwill and software development in progress are tested annually. The carrying amount of other non-current assets is evaluated annually for indications of impairment.

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

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

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

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

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

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

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

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

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

Consolidated financial statements

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

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

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 statement of financial position under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

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

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

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

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

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

Consolidated financial statements

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or 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.

Lease liabilities

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Deferred income

Deferred income is measured at the consideration received or receivable.

Taxes

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

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

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

Accounting policies, cash flow statement

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

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

Accounting policies, other

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. The comparative figures are restated. Eliminations between the continuing and the discontinued operations are presented to reflect continuing operations as post-separation. Assets and liabilities related to the discontinued operations disposed of are not presented as separate line items in the comparative figures in the statement of financial position unless the criteria for held for sale classification is regarded as met for the discontinued operations at the end of the comparative period. Cash flows from discontinued operations are not presented serarately in the cash flow statement, but are included in net cash flows from operating activities, from investment activities and from financing activities.

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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

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

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

The main and key figures for the financial years 2017 - 2018 have not been adjusted to reflect the changed accounting principles resulting from the implementation of IFRS 16 regarding leases in the Group, as the changes have been implemented retrospectively but with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The comparative figures have not been restated as permitted by the specific transition provisions in the standard.

Discontinued operations are included in all the main and key figures for the financial year 2017 presented in the 5-year summary. Thus, the main and key figures for the financial year 2017 are not comparable to the main and key figures for the financial years 2018 - 2021.

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

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

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

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

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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.

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.

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.

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

Depreciation and amortisation
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)
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.

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Notes to the consolidated financial statements

DKK million

	2021	2020
4 Total revenue		
Revenue from contracts with customers, retail and e-commerce activities	65,759	60,489
Total revenue from contracts with customers	65,759	60,489
Rental revenue, investment properties	59	59
Other rental revenue	228	188
Other revenue	156	119
Total other revenue	443	366
Total revenue	66,202	60,855
Geographical split		
Denmark	47,410	45,832
Abroad	18,792	15,023
Total revenue	66,202	60,855

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 2021 or 31 December 2020.

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

Notes to the consolidated financial statements

DKK million

	2021	2020
5 Staff expenses		
Wages and salaries incl. termination benefits	7,559	6,917
Post-employment benefits – defined contribution plans	434	369
Post-employment benefits – defined benefit plans	1	1
Social security costs	449	376
Other staff expenses	245	182
Total staff expenses	8,688	7,845
Average number of full-time employees	32,899	26,693

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:

	2021	2020
Fee regarding statutory audit	3.4	2.6
Tax assistance	0.1	0.1
Assurance engagements	0.6	0.8
Other assistance	1.3	0.8
Total fee paid to the auditors appointed at the annual general meeting	5.4	4.3

In 2021 fee regarding statutory audit includes DKK 0.3 million (DKK 0.3 million in 2020) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Forsikring A/S). All other fees mentioned above are paid to EY.

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	2021	2020
7 Special items		
As a consequence of the business combination, that has been finalised in 2021, a number of items of a non-recurring nature have been recognised. The items contain the gain, that was recognised on the discounted purchase, and different restructuring and advisory expenses and all other acquisition related costs.		
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	-
8 Financial income		
Interest income on loans and receivables	5	3
Net gain on derivatives not designated as hedging instruments	27	-
Net gain on financial instruments held for trading	-	19
Net foreign exchange gain	66	15
Other financial income	-	1
Total financial income	98	38
9 Financial expenses		
Interest expense on mortgage loans	42	62
Interest expense on lease liabilities	353	304
Interest expense paid to banks	23	11
Cash flow hedges reclassified from other comprehensive income	100	103
Net loss on derivatives not designated as hedging instruments	-	7
Net loss on financial instruments held for trading	34	-
Other financial expenses	12	30
Total financial expenses	564	517

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DKK million

	2021	2020
10 Income tax		
Current income tax	-636	-476
Adjustment regarding prior years, current income tax	5	-11
Change in deferred tax	55	-53
Adjustment regarding prior years, deferred tax	-1	42
Total income tax	-577	-498
Income tax recognised in the income statement	-544	-487
Income tax recognised in other comprehensive income	-33	-11
Total income tax	-577	-498

Reconciliation of income tax recognised in the income statement

	2021		2020	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-547	22.0 %	-515	22.0 %
Non-deductible costs	-38	1.5 %	-31	1.3 %
Non-taxable income	103	-4.1 %	10	-0.4 %
Deviating tax rates in foreign operations	12	-0.5 %	18	-0.8 %
Adjustment to prior periods	4	-0.1 %	31	-1.3 %
Not capitalised tax loss carry forwards	-78	3.1 %	-	0.0 %
Income tax recognised in the income statement	-544	21.9 %	-487	20.8 %

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	2021	2020
10 Income tax - continued		
Divided on countries, where Salling Group has operating activities, the effective tax rate of 21.9 % (20.8 % in 2020) shown above can be specified as follows:		
Denmark	22.6 %	23.2 %
Germany	20.2 %	3.8 %
Poland:		
Netto Sp. Z o.o.	20.5 %	19.8 %
Netto Indygo Sp. Z.o.o - the Group	7.8 %	NA
Gain on discounted purchase	0.0 %	NA
Sweden	0.0 %	4.8 %

The low effective tax rate in Germany for 2020 was due to adjustments to prior periods' taxes on Group level. The companies within the Netto Indygo Sp. Z o.o. Group are unprofitable in 2021, and the deferred tax asset related to the tax loss carryforward is only partially recognised. At the same time the acquisition was a discounted purchase, and no taxes are recognised related to the gain on the acquisition. In 2021 Salling Group Sverige AB was liquidated, and the effective tax rate was 0 % (4.8 % in 2020). The low effective tax rate in Sweden for 2020 was due to not capitalised tax losses carry forwards.

Tax on other comprehensive income

	2021			2020		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-4	1	-3	2	-	2
Exchange rate differences on translating foreign operations	-68	-	-68	-271	-	-271
Cash flow hedges, value adjustment for the year	54	-12	42	-55	12	-43
Cash flow hedges, reclassified to financial expenses	100	-22	78	103	-23	80
	82	-33	49	-221	-11	-232

Notes to the consolidated financial statements

DKK million

11 Intangible assets

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

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DKK million

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

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

Impairment losses during the year

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

Carrying amount of goodwill within the Group:

	Danish retail activities		German retail activities	
	2021	2020	2021	2020
Goodwill	18	92	39	39

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

In January 2022 wupti.com has been closed, and as a consequence an impairment loss has been recognised 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.

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 pre-tax discount rate applied to the cash flow projections is 6 % (6 % in 2020), 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 2020). As a result of the impairment test management did not identify any further impairment losses regarding goodwill.

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and gross margins during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period, as well as the discount rate used. Development in turnover and gross margins is based on expectations of an average growth for 2022 - 2026.

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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 pre-tax discount rate.

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

During 2021 an impairment loss of DKK 4 million has been recognised regarding the remaining carrying amount of software related to wupti.com. No other impairment losses have been recognised regarding intangible assets (DKK 0 in 2020).

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

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment

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

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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

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

Impairment losses during the year

During 2021 an impairment loss has been recognised regarding a Danish building that has been vacated, and where it has been assessed that the expected sales price of the building will be lower than the carrying amount of the building, and impairment losses have been recognised regarding a few leaseholds that have been closed or vacated in connection with relocations. Also a few stores were, due to competitive pressures in the local areas of the stores, not sufficiently profitable to cover the full carrying amount of the investments. In total impairment losses were recognised regarding 11 Danish stores, 1 German store and 2 Polish stores. At the same time, impairment losses have been reversed regarding 9 German stores, where the profitability has increased sufficiently to cover the investments. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Impairment losses.

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DKK million

13 Leases

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

Right-of-use assets

2020:

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

Notes to the consolidated financial statements

DKK million

13 Leases - continued

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

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DKK million

13 Leases - continued

Lease liabilities

	2021		2020	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	988	701	835	600
1 to 5 years	3,630	2,717	3,067	2,228
After 5 years	3,598	2,972	3,081	2,638
Total	8,216	6,390	6,983	5,466

	2021	2020
Amounts recognised in the consolidated income statement		
Interest expense on lease liabilities	353	304
Expenses related to leases of low value assets	35	32
Income from subleasing of right-of-use assets	70	65

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2021 and 2020.

In 2021 the Group has paid DKK 984 million related to lease contracts (DKK 840 million in 2020), of which DKK 353 million relate to interest payments regarding recognised lease liabilities (DKK 304 million in 2020) and DKK 631 million relate to payment of recognised lease liabilities (DKK 536 million in 2020).

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

Notes to the consolidated financial statements

DKK million

	2021	2020
14 Investment properties		
Cost		
Balance at 1 January	967	968
Foreign currency translation	-	-1
Additions	15	4
Reclassifications	2	-
Reclassified as held for sale	-7	-
Disposals	-2	-4
Balance at 31 December	975	967
Accumulated depreciation and impairment losses		
Balance at 1 January	-668	-657
Foreign currency translation	-	1
Depreciation	-7	-8
Impairment losses recognised in the income statement	-	-5
Reclassifications	-2	-
Reclassified as held for sale	4	-
Disposals	2	1
Balance at 31 December	-671	-668
Carrying amount at 31 December	304	299

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

During 2021 no impairment losses have been recognised. During 2020 impairment losses were recognised regarding one Danish and a few German investment properties, where the expected sales prices of the investment properties are lower than the carrying amount of the investment properties. The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of Impairment losses.

The estimated fair value of investment properties amounted to DKK 1,250 million at 31 December 2021 (DKK 1,221 million at 31 December 2020). The fair value is not based on a valuation by an independent valuer.

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DKK million

	2021	2020
14 Investment properties - continued		
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.		
Rental income from investment properties	59	59
Direct operating expenses from investment properties that generated rental income	-25	-28
Direct operating expenses from investment properties that did not generate rental income	-2	-
Profit arising from investment properties	32	31

15 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2021	2020	2021	2020
Prepayment	-	41	-	41
Other non-current financial assets	-	41	-	41
Trade receivables	85	72	85	72
Other receivables	599	507	599	507
Other current financial assets	7	-	7	-
Other current financial assets	7	-	7	-
Securities	2,766	4,452	2,766	4,452
Cash and short-term deposits	2,139	1,528	2,139	1,528

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2021	2020	2021	2020
Mortgage loans - non-current	7,462	7,520	7,499	7,466
Mortgage loans - current	150	269	150	269
Mortgage loans	7,612	7,789	7,649	7,735
Bank loans - current	2	1	2	1
Bank loans	2	1	2	1
Lease liabilities - non-current	5,689	4,866		
Lease liabilities - current	701	600		
Lease liabilities	6,390	5,466		
Derivatives designated as hedging instruments (cash flow hedges)	138	292	138	292
Other non-current financial liabilities	17	19	17	19
Other non-current financial liabilities	155	311	155	311
Payables to entities with controlling influence	62	57	62	57
Payables to entities with significant influence	471	525	471	525
Derivatives not designated as hedging instruments	1	14	1	14
Derivatives designated as hedging instruments (cash flow hedges)	103	103	103	103
Other current financial liabilities	637	699	637	699
Trade payables	12,611	11,558	12,611	11,558
Other payables - non-current	-	619	-	619
Other payables - current	2,801	2,423	2,801	2,423
Other payables	2,801	3,042	2,801	3,042

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DKK million

	2021	2020
15 Financial assets and financial liabilities - continued		
Financial instruments by category		
Financial assets at amortised cost:		
Trade receivables	85	72
Other receivables	599	507
Other financial assets excluding derivatives	7	41
Cash and short-term deposits	2,139	1,528
Financial assets at fair value through profit or loss:		
Securities	2,766	4,452
Financial liabilities measured at amortised cost:		
Mortgage loans	7,612	7,789
Lease liability	6,390	5,466
Bank loans	2	1
Other financial liabilities excluding derivatives	550	601
Trade payables	12,611	11,558
Other payables	2,801	3,042
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	1	14
Financial liabilities at fair value through other comprehensive income:		
Derivatives designated as hedging instruments (cash flow hedges)	241	395

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

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

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

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities: Interest-bearing mortgage loans including hedges

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

		Next interest rate fixing		
31 December 2021	Carrying amount	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 %			

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

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.

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DKK million

15 Financial assets and financial liabilities - continued

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.

31 December 2021	Notional amount	Carrying amount	Line item in the statement of financial position
CIBOR-based mortgage loans (hedged items)	6,165	6,165	Mortgage loans
Interest rate swap contracts (active)	5,900	241	Other non-current and current financial liabilities

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

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. During the coming year DKK -103 million is expected to affect profit before tax (DKK -103 million in 2020), DKK -129 million is expected to affect profit before tax during 1 - 5 years (DKK -266 million in 2020), and after 5 years DKK -9 million is expected to affect profit before tax (DKK -26 million in 2020).

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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 2021 or 2020.

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

Fair value

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

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

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

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

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DKK million

15 Financial assets and financial liabilities - continued

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 2020. 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 2021 and 2020. 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.

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.

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

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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

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

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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

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 4 to 8. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

As at 31 December 2021, after taking into account the effect of interest rate swaps, approximately 95 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 96 % as at 31 December 2020.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -32 million (DKK -13 million in 2020), and pre-tax equity by DKK 76 million (DKK 156 million in 2020). 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 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

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15 Financial assets and financial liabilities - continued

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

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.

Liquidity risks

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

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

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

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15 Financial assets and financial liabilities - continued

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

As at 31 December 2021 the Group has utilised the SCF facility by DKK 6.7 billion (DKK 6.5 billion in 2020).

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 2021	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	203	1,397	6,743
Lease liabilities	988	3,630	3,598
Bank loans	2	-	-
Trade and other payables	15,945	17	-
Derivatives	102	170	18
Total	17,240	5,214	10,359

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

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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. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

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

	2021	2020
The table below summarises the ageing analysis of trade receivables:		
Not due	73	63
< 30 days past due	10	4
30 to 90 days past due	1	-
90 to 180 days past due	-	-
> 180 days past due	1	5
Total	85	72

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15 Financial assets and financial liabilities - continued

The Group recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2021 the provision amounts to DKK 18 million (31 December 2020: DKK 7 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral or other forms of credit insurance as security. The Group assesses the concentration of credit risk with respect to receivables as low.

Changes in assets and liabilities arising from financing activities

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

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

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16 Deferred tax

Specification of deferred tax

	Consolidated income statement		Consolidated statement of financial position	
	2021	2020	2021	2020
Intangible assets	10	-11	-203	-212
Property, plant and equipment	-47	-33	-592	-439
Investment properties	-2	2	7	9
Financial assets	2	5	7	5
Other assets	-4	1	-6	-2
Provisions	-2	-2	86	87
Other liabilities	22	-22	60	38
Leases	25	27	89	63
Tax loss carryforward	51	-	51	-
Other	-2	22	-	2
Deferred tax income/expense / Net deferred tax	53	-11	-501	-449

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

	2021	2020
Deferred tax assets	88	75
Deferred tax liabilities	-589	-524
Net deferred tax	-501	-449

Reconciliation of net deferred tax

	2021	2020
Opening balance at 1 January	-449	-435
Foreign currency translation adjustments	-	-2
Adjustment of deferred tax recognised in the income statement	53	-11
Adjustment of deferred tax recognised in other comprehensive income	1	-
Deferred tax acquired in business combinations	-106	-1
Closing balance at 31 December	-501	-449

In the Group an unrecognised deferred tax asset of DKK 831 million exists as at 31 December 2021 related to Netto Indygo Sp. Z o.o. (in 2020 DKK 6 million related to the now liquidated Swedish subsidiary). The deferred tax asset is unrecognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised. Netto Indygo Sp. Z o.o. has suffered a loss in 2021, and the Swedish subsidiary suffered a loss in 2020.

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17 Inventories

	2021	2020
Goods held for resale	5,231	4,988
Consumables	91	96
Total inventories	5,322	5,084

In the income statement as part of cost of sales an expense of DKK 23 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 3 million in 2020).

18 Assets classified as held for sale

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

	2021	2020
Land and buildings	13	4
Investment properties	3	-
Assets classified as held for sale	16	4

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.

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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:

	2021	2020
Defined benefit obligation at 1 January	254	271
Interest expenses recognised as part of staff expenses	1	1
Actuarial gains / losses, financial assumptions	-4	-3
Actuarial gains / losses, experience adjustments	8	-
Payments from the plan	-16	-15
Defined benefit obligation at 31 December	243	254

The following significant actuarial assumptions are applied:

	2021	2020
Discount rate	-0.2 %	-0.5 %
Price inflation	1.1 %	1.0 %

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19 Pensions - continued

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

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

	2021	2020
Discount rate:		
Increase of 0.5 % point	-11	-12
Decrease of 0.5 % point	12	13
Price inflation:		
Increase of 0.5 % point	12	13
Decrease of 0.5 % point	-11	-12

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 2021 is 29 years (30 years in 2020). DKK 16 million is expexted to be paid from the plans in 2022.

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20 Provisions

2020:

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

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
Current	36	8	44
Non-current	110	48	158
Balance at 31 December 2021	146	56	202

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20 Provisions - continued

The insurance provision comprises the estimated expenditure based on actuarial calculations that the Group expects to incur. The insurance provision is based on insured events that have taken place before year end. The estimate includes the direct and indirect amounts that the Group expects to pay to settle the outstanding claims. The provision is discounted based on estimates of the payment period, and DKK 44 million is expected to fall due after more than 5 years (DKK 59 million in 2020).

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 19 million is expected to fall due after more than 5 years (DKK 17 million in 2020). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

21 Adjustments

	2021	2020
Financial income	-98	-38
Financial expenses	564	517
Amortisation and impairment of intangible assets	336	236
Depreciation and impairment of property, plant and equipment	1,191	1,007
Depreciation and impairment of right-of-use assets	771	641
Depreciation and impairment of investment properties	7	13
Net gain on sale of non-current assets etc.	-64	-13
Gain on discounted purchase	-419	-
Other adjustments	-8	8
Adjustments	2,280	2,371

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	2021	2020
22 Change in working capital		
Change in trade and other receivables and prepayments	58	22
Change in inventories	216	-208
Change in trade and other payables	-365	787
Change in working capital	-91	601

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.

On 16 March 2021 the acquisition of the UK retailer Tesco's Polish business was finalised, and Netto Indygo Sp. Z o.o. and the subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., have been 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 intended acquisition of UK retailer Tesco's Polish business, and Skagenfood A/S acquired 51 % of the issued share capital and voting rights in Bodebjerg ApS.

	2021	2020
Brands	-	6
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	-
Right-of-use assets: Fixtures and fittings, tools and equipment	-	1
Inventory	462	1
Trade receivables	48	-
Income tax receivables	2	-
Other receivables	112	-
Cash and bank balances	46	-
Total assets	4,503	8

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	2021	2020
23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries - continued		
Amount transferred	4,503	8
Deferred tax liability	106	1
Provisions	8	-
Lease liabilities	1,233	1
Bank loans	124	-
Other current financial liabilities	1,300	-
Trade payables	486	-
Other payables	394	2
Deferred income	25	-
Total liabilities	3,676	4
Total identifiable net assets at fair value	827	4
Gain on discounted purchase	-419	-
Prepayment related to the intended acquisition of UK retailer Tesco's Polish business	-	41
Total	408	45
Cash payment during the financial year	238	42
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	-
Contingent consideration arrangement	-	3
Total amount to be paid	408	45
Cash acquired with the subsidiary	46	-
Cash paid	-238	-42
Net cash flow on acquisition	-192	-42

Of the total purchase price for Netto Indygo Sp. Z o.o. and the subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., DKK 41 million was paid in 2020 as a prepayment. As at 31 December 2021 DKK 129 million has not yet been paid, as the final payment will not take place until the outcomes of the sale of 2 buildings and a lawsuit are known.

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	2021	2020
24 Cash and cash equivalents		
Cash and short-term deposits	2,139	1,528
Current liabilities - bank loans	-2	-1
Cash and cash equivalents available to the Group	2,137	1,527

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 20 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:

	2021	2020
Within 1 year	198	179
1 to 5 years	259	272
After 5 years	102	104
Total	559	555

Contingent liabilities and financial commitments

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 1,382 million (DKK 904 million in 2020).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 14 million (DKK 25 million in 2020).

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25 Contingent assets and liabilities and other financial commitments - continued

As security for mortgage loans, land and buildings with a carrying amount of DKK 5,689 million have been provided as collateral (DKK 5,625 million in 2020).

As security for interest rate swap contracts securities with a carrying amount of DKK 168 million have been provided as collateral (DKK 262 million in 2020).

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 519 million at 31 December 2021 (DKK 494 million in 2020).

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 247 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 248 million in 2020).

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 114 million (DKK 109 million in 2020).

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:

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	2021	2020
26 Related party disclosures - continued		
Entities with controlling or significant influence over the Group:		
Sales of services	3	2
Lease payments	-28	-28
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	1	13

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 2021 (DKK 0 in 2020). No expense has been recognised in 2021 or 2020 for bad or doubtful debts.

Key management personnel

Key management personnel includes the Board of Directors, the Executive Board and other executive employees. For 2021 other executive employees comprise 9 persons, and for 2020 other executive employees comprised 8 persons. The key management personnel remuneration is shown below:

	2021	2020
Short-term employee benefits	85	77
Post-employment benefits - defined contribution plans	4	3
Other long-term benefits	25	22
Total remuneration	114	102

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 2019 - 2021, 2020 - 2022 and 2021 - 2023 long-term incentive plans have been granted to the Executive Board and other executive employees. The estimated provision expensed in 2021 amounts to DKK 25 million (DKK 22 million in 2020).

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DKK million

26 Related party disclosures - continued

The total remuneration of the Board of Directors amounts to DKK 5.0 million. The total remuneration of the Executive Board amounts to 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 (in 2020 the total remuneration of the Board of Directors and the Executive Board amounted to DKK 35.1 million).

27 Business combinations

During 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., which owns the subsidiaries Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o.. Netto Indygo Sp. Z o.o. and Netto Indygo Dystrybucja Sp. Z o.o. were named Tesco (Polska) Sp. Z o.o. and Tesco Dystrybucja Sp. Z o.o., when the acquisition took place, and have subsequently been renamed.

Netto Indygo Sp. Z o.o. and the subsidiaries were acquired in order to strenghten the posistion of the Netto format in Poland. During 2021 in the period from the acquisition date Netto Indygo Sp. Z o.o. and the subsidiaries have 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 is recognised in the consolidated income statement as Special items. There are 2 main reasons for the business combination being a discounted purchase. The first reason is the fact that Netto Indygo Sp. Z o.o. for a number of years has not be able to run the retail business in Poland on a profitable manner. The second reason is the fact that Salling Group A/S as a consequence of the acquisition has 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.

The acquisition of UK retailer Tesco's Polish business was announced during June 2020, and a prepayment took place related to the acquisition during 2020.

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27 Business combinations - continued

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

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

As the call options in reality give Skagenfood A/S present access to the returns associated with that ownership interest, the non-controlling interests that are comprised by the call options are considered to be purchased at the point in time, where the call options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. The call options are recognised in the Group at DKK 4 million as at 31 December 2021 (DKK 3 million in 2020).

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

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

The remaining put option is treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put options are considered to be purchased at the point in time, where the put options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. The remaining put option is recognised at DKK 13 million as at 31 December 2021 (DKK 16 million in 2020).

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 2021 or 2020 no covenants exist.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

29 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2021.

30 Standards issued but not yet effective

The new and amended standards IFRS 17 Insurance Contracts, Amendments to IAS 1: Classification of Liabilities as Current or Non-current, Amendments to IAS 1 and IFRS Practice Statement 2: Disclsure of Accounting Policies, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use, Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract, Amendments to IFRS 3: Reference to the Conceptual Framework, Annual Improvements to IFRS Standards 2018–2020 and Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture have been issued, but are not yet effective. The Group plans to adopt the new standards on the required effective dates. Overall the Group expects no significant impact on its statement of financial position and equity of the standards.

Parent company financial statements

Parent company income statement

DKK million

Notes		2021	2020
	Revenue from contracts with customers	47,012	45,478
	Other revenue	241	206
4	Total revenue	47,253	45,684
	Cost of sales	-32,612	-32,099
	Gross profit	14,641	13,585
5	Staff expenses	-6,705	-6,342
	External expenses	-3,614	-3,342
	Operating profit before depreciation, amortisation and impairment losses before special items (EBITDA before special items)	4,322	3,901
	Depreciation and amortisation	-2,067	-1,969
	Impairment losses, net	-83	2
	Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets	13	-2
6	Special items	-9	-
	Operating profit (EBIT)	2,176	1,932
14	Share of profit from subsidiaries, net of tax	785	960
7	Financial income	108	52
8	Financial expenses	-776	-804
	Profit before tax	2,293	2,140
9	Income tax	-351	-288
	Total profit for the year	1,942	1,852
	Proposal for distribution of profit for the year:		
	Proposed dividends	200	200
	Equity reserves	1,742	1,652
	Total profit for the year	1,942	1,852

Parent company statement of other comprehensive income

DKK million

Notes		2021	2020
	Profit for the year	1,942	1,852
	Other comprehensive income, net of tax:		
	Items that will not be reclassified to the income statement:		
9	Remeasurement of defined benefit plans	-3	2
		-3	2
	Items that subsequently are or may be reclassified to the income statement:		
14	Exchange rate differences on translating foreign operations	-68	-271
14	Other comprehensive income to be reclassified in subsidiaries	120	37
		52	-234
	Other comprehensive income for the year, net of tax	49	-232
	Total comprehensive income for the year	1,991	1,620

Parent company financial statements

Parent company statement of financial position

DKK million

Notes	Assets	2021	2020
	Non-current assets		
10	**Intangible assets**		
	Goodwill	18	92
	Software	829	832
	Software development in progress	81	148
	Brands	21	23
	Other intangible assets	2	1
	Total intangible assets	951	1,096
11	**Property, plant and equipment**		
	Land and buildings	430	438
	Fixtures and fittings, tools and equipment	1,687	1,656
	Leasehold improvements	169	148
	Assets under construction and prepayments	71	53
	Total property, plant and equipment	2,357	2,295
12	**Right-of-use assets**		
	Land and buildings	11,378	11,810
	Fixtures and fittings, tools and equipment	56	70
	Total right-of-use assets	11,434	11,880
13	**Investment properties**	123	127
	Financial assets		
14	Investments in subsidiaries	12,910	9,867
15	Other non-current financial assets	138	333
	Total financial assets	13,048	10,200
16	**Deferred tax assets**	25	-
	Total non-current assets	**27,938**	**25,598**

Parent company statement of financial position

DKK million

Notes	Assets - continued	2021	2020
	Amount transferred	27,938	25,598
	Current assets		
17	**Inventories**	4,028	4,151
	Receivables		
15	Trade receivables	42	48
	Income tax receivables	-	100
15	Other receivables	406	298
	Prepayments	84	35
15	Other current financial assets	1,042	280
	Total receivables	1,574	761
15	**Securities**	2,456	4,159
15	**Cash and short-term deposits**	1,396	1,284
	Total current assets	**9,454**	**10,355**
	Total assets	**37,392**	**35,953**

Parent company financial statements

Parent company statement of financial position

DKK million

Equity and liabilities

Notes		2021	2020
18	**Equity**		
	Share capital	524	524
	Reserve for net revaluation under the equity method	1,654	1,360
	Foreign currency translation reserve	-400	-332
	Development projects reserve	497	465
	Retained earnings	6,926	5,393
	Proposed dividends	200	200
	Total equity	**9,401**	**7,610**

Parent company statement of financial position

DKK million

Equity and liabilities - continued

Notes		2021	2020
	Amount transferred	9,401	7,610
	Liabilities		
	Non-current liabilities		
19	Pensions	243	254
16	Deferred tax liabilities	-	41
20	Provisions	39	34
15	Mortgage loans	193	198
12, 15	Lease liabilities	11,342	11,625
15	Other non-current financial liabilities	151	308
15	Other non-current payables	-	618
	Total non-current liabilities	11,968	13,078
	Current liabilities		
20	Provisions	7	6
15	Mortgage loans	5	5
12, 15	Lease liabilities	1,156	1,061
15	Other current financial liabilities	2,351	2,414
15	Trade payables	10,202	9,667
	Income tax payable	19	-
15	Other payables	2,275	2,049
	Deferred income	8	63
	Total current liabilities	16,023	15,265
	Total liabilities	**27,991**	**28,343**
	Total equity and liabilities	**37,392**	**35,953**

Parent company financial statements

Parent company cash flow statement

DKK million

Notes		2021	2020
	Profit before tax	2,293	2,140
21	Adjustments	2,012	1,746
22	Change in working capital	-69	389
	Net cash flows from operating activities before financial items and tax	4,236	4,275
	Financial income received	88	63
	Financial expenses paid	-779	-800
	Income tax paid	-298	-398
	Net cash flows from operating activities	**3,247**	**3,140**
10	Purchase of intangible assets	-167	-261
11	Purchase of property, plant and equipment	-607	-761
	Proceeds from sale of investment properties, property, plant and equipment and intangible assets	20	-
23	Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries	-238	-41
	Capital contribution to subsidiaries	-2,446	-
14	Dividends received from subsidiaries	650	1,427
	Purchase of securities	-1,184	-5,046
	Sale of securities	2,887	3,404
	Repayment, receivables	-	10
	Net cash flows from investment activities	**-1,085**	**-1,268**

Parent company cash flow statement

DKK million

Notes		2021	2020
	Amount transferred	2,162	1,872
	Net repayments from related parties	445	732
	Net repayments to related parties	-1,244	-1,282
	Repayment of borrowings	-5	-256
12	Net payment of lease liabilities	-1,046	-981
	Dividends paid	-200	-200
	Net cash flows from financing activities	**-2,050**	**-1,987**
	Net change in cash and cash equivalents	112	-115
	Cash and cash equivalents at 1 January	1,284	1,399
24	**Cash and cash equivalents at 31 December**	**1,396**	**1,284**

Parent company financial statements

Parent company statement of changes in equity

DKK million

2020:	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 2020	524	1,366	-61	387	3,774	200	6,190
Profit for the year	-	960	-	78	614	200	1,852
Remeasurement of defined benefit plans	-	-	-	-	2	-	2
Exchange rate differences on translating foreign operations	-	-	-271	-	-	-	-271
Other comprehensive income to be reclassified in subsidiaries	-	37	-	-	-	-	37
Other comprehensive income	-	37	-271	-	2	-	-232
Total comprehensive income for the year	**-**	**997**	**-271**	**78**	**616**	**200**	**1,620**
Dividends received from subsidiaries	-	-1,427	-	-	1,427	-	-
Reclassification related to dissolution of joint venture	-	424	-	-	-424	-	-
Payment of dividends	-	-	-	-	-	-200	-200
Total transactions with owners	**-**	**-1,003**	**-**	**-**	**1,003**	**-200**	**-200**
Equity at 31 December 2020	**524**	**1,360**	**-332**	**465**	**5,393**	**200**	**7,610**

Parent company 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

Notes to the parent company financial statements

DKK million

1 General information

The primary business area of Salling Group A/S is the running of five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling and BR are operated as physical stores. 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 has been closed.

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

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

	2021	2020
4 Total revenue		
Revenue from contracts with customers, retail and e-commerce activities	47,012	45,478
Total revenue from contracts with customers	47,012	45,478
Rental revenue, investment properties	33	34
Other revenue	208	172
Total other revenue	241	206
Total revenue	47,253	45,684

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

	2021	2020
5 Staff expenses		
Wages and salaries incl. termination benefits	5,968	5,689
Post-employment benefits – defined contribution plans	385	369
Post-employment benefits – defined benefit plans	1	1
Social security costs	154	144
Other staff expenses	197	139
Total staff expenses	6,705	6,342
Average number of full-time employees	18,649	17,991

Notes to the parent company financial statements

DKK million

6 Special items

As a consequence of the business combination, that has been finalised in 2021, a number of items of a non-recurring nature have been recognised. In the parent company the items contain different advisory expenses.

	2021	2020
7 Financial income		
Interest income on loans to related parties	6	12
Interest income on other loans and receivables	3	3
Net gain on derivatives not designated as hedging instruments	27	-
Net gain on financial instruments held for trading	-	18
Net foreign exchange gain	71	17
Other financial income	1	2
Total financial income	108	52
8 Financial expenses		
Interest expense on mortgage loans	2	7
Interest expense on lease liabilities	726	747
Interest expense paid to banks	9	6
Interest expense on loans from related parties	1	20
Net loss on derivatives not designated as hedging instruments	-	7
Net loss on financial instruments held for trading	34	-
Other financial expenses	4	17
Total financial expenses	776	804

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2021	2020
9 Income tax		
Current income tax	-418	-313
Adjustment regarding prior years, current income tax	2	-11
Change in deferred tax	67	36
Adjustment regarding prior years, deferred tax	-1	-
Total income tax	-350	-288
Income tax recognised in the income statement	-351	-288
Income tax recognised in other comprehensive income	1	-
Total income tax	-350	-288

Reconciliation of income tax recognised in the income statement

	2021		2020	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-505	22.0 %	-471	22.0 %
Non-deductible costs	-28	1.2 %	-18	0.8 %
Non-taxable income	181	-7.9 %	212	-9.9 %
Adjustment to prior periods	1	0.0 %	-11	0.5 %
Income tax recognised in the income statement	-351	15.3 %	-288	13.4 %

Tax on other comprehensive income

	2021			2020		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-4	1	-3	2	-	2
	-4	1	-3	2	-	2

Notes to the parent company financial statements

DKK million

10 Intangible assets

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

Parent company financial statements

Notes to the parent company financial statements

DKK million

10 Intngible 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

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

Notes to the parent company financial statements

DKK million

11 Property, plant and equipment

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

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

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

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

Right-of-use assets

2020:

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

Parent company financial statements

Notes to the parent company financial statements

DKK million

12 Leases - continued

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

	2021		2020	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	1,769	1,156	1,689	1,061
1 to 5 years	6,864	4,691	6,540	4,325
After 5 years	7,671	6,651	8,673	7,300
Total	16,304	12,498	16,902	12,686

	2021	2020
Amounts recognised in the parent company income statement		
Interest expense on lease liabilities	726	747
Expenses related to leases of low value assets	21	19
Income from subleasing of right-of use assets	3	3

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2021 and 2020.

In 2021 the parent company has paid DKK 1,772 million related to lease contracts (DKK 1,728 million in 2020), of which DKK 726 million relate to interest payments regarding recognised lease liabilities (DKK 747 million in 2020) and DKK 1,046 million relate to payment of recognised lease liabilities (DKK 981 million in 2020).

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

	2021	2020
13 Investment properties		
Cost		
Balance at 1 January	474	474
Balance at 31 December	474	474
Accumulated depreciation and impairment losses		
Balance at 1 January	-347	-342
Depreciation	-4	-4
Impairment losses recognised in the income statement	-	-1
Balance at 31 December	-351	-347
Carrying amount at 31 December	123	127

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

No impairment losses have been recognised in 2021. During 2020 an impairment loss was recognised regarding one investment property, where the expected sales price of the investment property is lower than the carrying amount of the investment property. The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of Impairment losses.

The estimated fair value of the investment properties amounted to DKK 931 million at 31 December 2021 (DKK 931 million at 31 December 2020). 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.

	2021	2020
Rental income from investment properties	33	34
Direct operating expenses from investment properties that generated rental income	-16	-11
Profit arising from investment properties	17	23

Notes to the parent company financial statements

DKK million

	2021	2020
14 Investments in subsidiaries		
Cost		
Balance at 1 January	8,839	8,839
Additions	2,856	-
Disposals	-39	-
Balance at 31 December	11,656	8,839
Value adjustments		
Balance at 1 January	1,028	1,729
Dividends	-650	-1,427
Foreign currency translation	-68	-271
Other comprehensive income for the year	120	37
Profit for the year	785	960
Disposals	39	-
Balance at 31 December	1,254	1,028
Carrying amount at 31 December	12,910	9,867

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	
	2021	2020	2021	2020
Prepayments	-	41	-	41
Derivatives not designated as hedging instruments	138	292	138	292
Other non-current financial assets	138	333	138	333
Trade receivables	42	48	42	48
Other receivables	406	298	406	298
Receivables from subsidiaries	932	177	932	177
Derivatives not designated as hedging instruments	110	103	110	103
Other current financial assets	1,042	280	1,042	280
Securities	2,456	4,159	2,456	4,159
Cash and short-term deposits	1,396	1,284	1,396	1,284

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	
	2021	2020	2021	2020
Mortgage loans - non-current	193	198	186	201
Mortgage loans - current	5	5	5	5
Mortgage loans	198	203	191	206
Lease liabilities - non-current	11,342	11,625		
Lease liabilities - current	1,156	1,061		
Lease liabilities	12,498	12,686		
Derivatives not designated as hedging instruments	138	292	138	292
Other non-current financial liabilities	13	16	13	16
Other non-current financial liabilities	151	308	151	308
Payables to entities with controlling influence	62	57	62	57
Payables to entities with significant influence	471	525	471	525
Payables to subsidiaries	1,714	1,715	1,714	1,715
Derivatives not designated as hedging instruments	104	117	104	117
Other current financial liabilities	2,351	2,414	2,351	2,414
Trade payables	10,202	9,667	10,202	9,667
Other payables - non-current	-	618	-	618
Other payables - current	2,275	2,049	2,275	2,049
Other payables	2,275	2,667	2,275	2,667

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2021	2020
15 Financial assets and financial liabilities - continued		
Financial instruments by category		
Financial assets at amortised cost:		
Trade receivables	42	48
Other receivables	406	298
Other financial assets excluding derivatives	932	218
Cash and short-term deposits	1,396	1,284
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments	248	395
Securities	2,456	4,159
Financial liabilities measured at amortised cost:		
Mortgage loans	198	203
Lease liabilities	12,498	12,686
Other financial liabilities excluding derivatives	2,260	2,313
Trade payables	10,202	9,667
Other payables	2,275	2,667
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	242	409

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 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 %			

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

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Hedge accounting and derivatives

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

Fair value

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

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

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

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 2020.

For an in-depth description of the policies for managing risks 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

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.

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 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

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

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

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Interest rate risks

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

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by DKK -34 million (DKK -21 million in 2020).

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

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

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

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

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

Parent company financial statements

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Liquidity risks

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

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

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

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

As at 31 December 2021 the parent company has utilised the SCF facility by DKK 6.4 billion (DKK 6.1 billion as at 31 December 2020).

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

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

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

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.

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2021	2020

15 Financial assets and financial liabilities - continued

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:

	2021	2020
Not due	39	41
< 30 days past due	3	3
30 to 90 days past due	-	-
90 to 180 days past due	-	-
> 180 days past due	-	4
Total	42	48

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 2021 the provision amounts to DKK 6 million (31 December 2020: DKK 6 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The parent company does not hold collateral or other forms of credit insurance as security. The parent company assesses the concentration of credit risk with respect to receivables as low.

Notes to the parent company financial statements

DKK million

15 Financial assets and financial liabilities - continued

Changes in assets and liabilities arising from financing activities

2021:	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

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

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 statement of financial position	
	2021	2020	2021	2020
Intangible assets	15	-8	-205	-220
Property, plant and equipment	-4	-8	-54	-50
Investment properties	-1	-	-13	-12
Provisions	-	-4	55	56
Leases	58	64	195	137
Other	-1	-8	47	48
Deferred tax income / Net deferred tax	67	36	25	-41

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

	2021	2020
Deferred tax assets	25	-
Deferred tax liabilities	-	-41
Net deferred tax	25	-41

Reconciliation of net deferred tax

	2021	2020
Opening balance at 1 January	-41	-77
Adjustment of deferred tax recognised in the income statement	67	36
Adjustment of deferred tax recognised in other comprehensive income	-1	-
Closing balance at 31 December	25	-41

Notes to the parent company financial statements

DKK million

17 Inventories

	2021	2020
Goods held for resale	3,953	4,067
Consumables	75	84
Total inventories	4,028	4,151

In the income statement as part of cost of sales an expense of DKK 4 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 1 million in 2020).

18 Equity

Share capital

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

	2021	2020
1,048,223 shares of DKK 500	524	524
Total share capital	524	524

There has been no changes to the share capital during 2017 - 2021. All shares have been fully paid.

Retained earnings

During the 2021 financial year an ordinary dividend of DKK 200 million has been paid (DKK 200 million in 2020). A dividend for the 2021 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

	2021	2020
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:

	2021	2020
Defined benefit obligation at 1 January	254	271
Interest expenses recognised as part of staff expenses	1	1
Actuarial gains / losses, financial assumptions	-4	-3
Actuarial gains / losses, experience adjustments	8	-
Payments from the plan	-16	-15
Defined benefit obligation at 31 December	243	254

The following significant actuarial assumptions are applied:

	2021	2020
Discount rate	-0.2 %	-0.5 %
Price inflation	1.1 %	1.0 %

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:

	2021	2020
Discount rate:		
Increase of 0.5 % point	-11	-12
Decrease of 0.5 % point	12	13
Price inflation:		
Increase of 0.5 % point	12	13
Decrease of 0.5 % point	-11	-12

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 2021 is 29 years (30 years in 2020). DKK 16 million is expexted to be paid from the plans in 2022.

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2021	2020
20 Provisions		
Balance at 1 January	40	42
Provisions made during the year	16	10
Provisions utilised during the year	-7	-8
Reversals during the year	-3	-4
Balance at 31 December	46	40
Current	7	6
Non-current	39	34
Balance at 31 December	46	40

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 19 million is expected to fall due after more than 5 years (DKK 17 million in 2020). No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.

Notes to the parent company financial statements

DKK million

	2021	2020
21 Adjustments		
Financial income	-108	-52
Financial expenses	776	804
Amortisation and impairment of intangible assets	311	221
Depreciation and impairment of property, plant and equipment	539	496
Depreciation and impairment of right-of-use assets	1,296	1,245
Depreciation and impairment of investment properties	4	5
Net gain/loss on sale of non-current assets etc.	-13	2
Share of profit from subsidiaries, net of tax	-785	-960
Other adjustments	-8	-15
Adjustments	2,012	1,746
22 Change in working capital		
Change in trade and other receivables and prepayments	-48	43
Change in inventories	123	-190
Change in trade and other payables	-144	536
Change in working capital	-69	389

23 Acquisition of subsidiaries and prepayments related to acquisition of subsidiaries

On 16 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 has 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.

Parent company financial statements

Notes to the parent company financial statements

DKK million

	2021	2020
24 Cash and cash equivalents		
Cash and short-term deposits	1,396	1,284
Cash and cash equivalents available to the parent company	1,396	1,284

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 20 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:

	2021	2020
Within 1 year	22	20
1 to 5 years	30	26
After 5 years	45	49
Total	97	95

Contingent liabilities and financial commitments

The parent company has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 20 million (DKK 26 million in 2020).

As security for mortgage loans land and buildings with a carrying amount of DKK 264 million have been provided as collateral (DKK 270 million in 2020).

Notes to the parent company financial statements

DKK million

25 Contingent assets and liabilities and other financial commitments - continued

As security for interest rate swap contracts securities with a carrying amount of DKK 168 million have been provided as collateral (DKK 262 million in 2020).

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 519 million at 31 December 2021 (DKK 494 million in 2020).

Guarantees of DKK 7,705 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 7,873 million in 2020).

Guarantees of DKK 197 million have been provided to external parties regarding subsidiaries' lease obligations (DKK 230 million in 2020).

The parent company has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 114 million (DKK 109 million in 2020).

Parent company financial statements

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:

	2021	2020
Entities with controlling or significant influence over the parent company:		
Sales of services	3	2
Lease payments	-28	-28
Dividends paid	-200	-200
Donations from Købmand Herman Sallings Fond	1	13
Subsidiaries:		
Sales of goods and services	105	101
Purchase of goods and services	-46	-47
Lease payments	-1,575	-1,496
Interests received/paid	5	-8
Dividends received	650	1,427

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 2021 (DKK 0 in 2020). No expense has been recognised in 2021 or 2020 for bad or doubtful debts.

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

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 notes to the consolidated 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 2021.

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.

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Management´s statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Salling Group A/S for the financial year 1 January – 31 December 2021.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the company's assets, liabilities and financial position at 31 December 2021 and of the results of the Group's and the company's operations and cash flows for the financial year 1 January – 31 December 2021.

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

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

Brabrand, 28 April 2022

Executive Board

Per Bank	Anders Hagh
CEO	CFO

Board of Directors

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

STATEMENTS

Independent auditor´s report

To the shareholders of Salling Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Salling Group A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2021 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2021 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 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

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Independent auditor´s report

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus C, 28 April 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Jes Lauritzen
State Authorised Public Accountant
mne10121

Jonas Busk
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mne42771

salling group

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