F. Salling A/S

Højbjerg

Annual report

2013

CVR no. 30 51 13 36

The Annual report has been presented and approved on the company's annual general meeting at 3 / 4 2014

Chair

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Financial highlights

DKK million	2013	2012	2011	2010	2009
Net revenue	900	927	874	899	910
Result before financial items	76	1	95	109	110
Net financial items	118	110	55	176	142
Result for the year	151	83	112	211	191
Total assets	3,109	2,610	2,573	2,826	2,684
Equity	1,588	1,519	1,548	1,647	1,626
Investment in property, plant and equipment	60	154	18	2	1
Profit margin	8.4	0.1	10.9	12.1	12.1
Return on equity	9.7%	5.4%	7.0%	12.9%	12.5%

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

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

Management's review

Primary business area

The company's activities primarily consist of retailing in 2 department stores.

Development during the financial year

In 2013 the company has realised a result for the year after tax of DKK 151 million against a result after tax of DKK 83 million in 2012.

Result before financial items (EBIT) was DKK 76 million against DKK 1 million in 2012. The result in 2013 was positively affected by cost reduction initiatives primarily in the second half of the year. In 2012 the renovation costs of Salling Aalborg had a negative effect on the result. In 2013 net revenue has declined by 3 % to DKK 900 million.

The increase in the financial items to DKK 118 million against DKK 110 million in 2012 is due to a positive development in the financial markets.

The result for 2013 is satisfactory.

Employees

In 2013 F. Salling A/S employed 1.245 employees against 1.167 in 2012. Converted into the average number of full time employees this equals 679 against 700 in 2012.

Social responsibility

F. Salling A/S considers social responsibility to be important for the Company. Regarding the efforts in 2013 we refer to our report on social responsibility. The report is available on: http://dansksupermarked.dk/en/about-us/the-company/dansk-supermarked-in-numbers/csr-reporting/.

Particular risks

The retailing activities include sale of consumers' goods and is to a degree market sensitive. The company is not significantly dependent on certain customers or suppliers. The company's financial risks include the returns on the company's excess liquidity, which is placed with the investment manager at an agreed risk profile that is depended on the development on the equity market, the interest market and the credit market.

Expected development

The company expects a result before financial items in 2014, which is at the same level as in 2013.

Subsequent events

No subsequent events have occurred that would affect the annual report for 2013.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of F. Salling A/S for the financial year 1 January – 31 December 2013.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Company's operations for the financial year 1 January – 31 December 2013.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Højbjerg, 3 April 2014

Executive Board

Nicolai Gradman
CEO

Board of Directors

Per Bank Chairman	Jette Christiansen	Karin Salling
Henrik Kirketerp	Marianne Larsen Employee representative	Marianne Olsen Employee representative

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Independent auditors' reports

To the Shareholders of F. Salling A/S

Independent auditors' report on the financial statements

We have audited the financial statements of F. Salling A/S for the financial year 1 January - 31 December 2013. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Company's operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act.

Independent auditors' reports

Statement on the Management's review

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

Højbjerg, 3 April 2014

KPMG
Statsautoriseret Revisionspartnerselskab

Henrik Kronborg Iversen	Morten Friis
State Authorised Public Accountant	State Authorised Public Accountant

Accounting policies

The annual report for F. Salling A/S for 2013 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Accounting policies are unchanged compared to last year.

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

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

Income statement

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

Financial items
Financial income and expenses comprise interest income and expenses and capital gains and losses on securities and price adjustment of receivables.

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

F. Salling A/S is jointly taxed with A. P. Møller – Mærsk A/S. The tax effect of the joint taxation is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

Balance sheet

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

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

Buildings	40 years
Fixtures and fittings, tools and equipment	3-10 years

Accounting policies

Property, plant and equipment (continued)
Impairment losses in excess of depreciations are recognised when deemed necessary.

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

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

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

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

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

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

Other liabilities are measured at net realisable value.

Cash flow statement

The Company is included in the consolidated financial statements for A. P. Møller – Mærsk A/S, København, and in accordance with section 86, paragraph 4 of the Danish Financial Statements Act no cash flow statement has been prepared.

Segment information

The company's main activity is retailing in Denmark. The company has no other significant activities.

Income statement

DKK million

Notes		2013	2012
	Net revenue	900	927
	Other operating income	57	53
		957	980
	Consumption of goods	-526	-547
1	Other external expenses	-133	-218
	Gross profit	**298**	**215**
2	Staff expenses	-205	-206
3	Depreciation and impairment losses	-17	-8
	Result before financial items	**76**	**1**
4	Financial income	121	118
5	Financial expenses	-3	-8
	Result before tax	**194**	**111**
6	Tax on the result for the year	-43	-28
	Result for the year	**151**	**83**
	Proposal for distribution of the result:		
	Proposed dividends	1,311	82
	Retained earnings	-1,160	1
		151	**83**

Balance sheet

DKK million

Assets

Notes		31/12 2013	31/12 2012
	Land and buildings	555	533
	Fixtures and fittings, tools and equipment	50	26
	Assets under construction	6	9
7	**Property, plant and equipment**	**611**	**568**
	Total non-current assets	**611**	**568**
	Inventories	**159**	**126**
8	Receivables from affiliated companies	685	844
9	Other receivables	1,635	1,060
	Prepayments	1	1
	Receivables	**2,321**	**1,905**
	Cash at bank and in hand	**18**	**11**
	Total current assets	**2,498**	**2,042**
	Total assets	**3,109**	**2,610**

Balance sheet
DKK million

Equity and liabilities

Notes		31/12 2013	31/12 2012
	Share capital	200	200
	Retained earnings	77	1,237
	Proposed dividends	1,311	82
	Total equity	**1,588**	**1,519**
10	Deferred tax	37	33
	Total provisions	**37**	**33**
	Mortgage credit institutions	685	685
11	**Non-current liabilities other than provisions**	**685**	**685**
	Payables to affiliated companies	591	168
	Trade payables	81	84
	Corporation tax	40	18
	Other payables	84	103
	Deferred income	3	0
	Current liabilities other than provisions	**799**	**373**
	Total liabilities other than provisions	**1,484**	**1,058**
	Total equity and liabilities	**3,109**	**2,610**

12 Contractual obligations and contingencies, etc.

13 Related party disclosures

Statement of changes in equity

DKK million

	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2013	**200**	**1,237**	**82**	**1,519**
Dividends paid			-82	-82
Result for the year		-1,160	1,311	151
Equity at 31 December 2013	**200**	**77**	**1,311**	**1,588**

The share capital is composed as follows:

2,000,000 shares of DKK	100	200
		200

Notes to the financial statements

DKK million

	2013	2012
1 Other external expenses		
Fees to the statutory auditors		
KPMG:		
Fee for auditing	0.2	0.2

	2013	2012
2 Staff expenses		
Salaries	186	186
Pensions	14	15
Other social security costs	5	5
	205	**206**
Average number of full-time employees	679	700

The board of directors received no fees. During the financial year the company has changed the members of the executive board. The total remuneration to the registered members of the executive board during the year amounts to DKK 3,8 million (2012: DKK 4,6 million).

	2013	2012
3 Depreciation and impairment losses		
Land and buildings	10	6
Fixtures and fittings, tools and equipment	7	2
	17	**8**

	2013	2012
4 Financial income		
Interest from affiliated companies	9	14
Other financial income	112	104
	121	**118**

	2013	2012
5 Financial expenses		
Interest to affiliated companies	0	0
Other financial expenses	3	8
	3	**8**

Notes to the financial statements

DKK million

	2013	2012
6 Tax on the result for the year		
Current tax for the year	40	23
Adjustment to tax regarding previous years	-1	-7
Adjustment of deferred tax for the year	9	5
Adjustment of deferred tax regarding previous years	0	7
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	-5	0
	43	**28**

7 Property, plant and equipment

	Land and buildings	Fixtures and fittings, tools and equipment	Assets under construction
Cost:			
1 January 2013	1,267	52	9
Additions during the year	2	31	27
Disposals during the year	0	-5	0
Transfers	30	0	-30
31 December 2013	1,299	78	6
Depreciation and impairment losses:			
1 January 2013	-734	-26	0
Disposals during the year	0	5	0
Depreciation for the year	-10	-7	0
31 December 2013	-744	-28	0
Carrying amount at 31 December 2013	**555**	**50**	**6**

8 Receivables from affiliated companies

DKK 685 million of the receivables from affiliated companies falls due after more than 1 year (31 December 2012: DKK 685 mio.).

Notes to the financial statements

DKK million

9 **Other receivables**

Other receivables include excess liquidity, which bears interests equal to the returns achieved by the investment manager.

	2013	2012
10 **Deferred tax**		
Deferred tax at 1 January	33	21
Adjustment of deferred tax for the year	9	5
Adjustment of deferred tax regarding previous years	0	7
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	-5	0
Deferred tax at 31 December	**37**	**33**
Deferred tax relates to:		
Property, plant and equipment	37	33
	37	33

	2013	2012
11 **Non-current liabilities other than provisions**		
Mortgage credit institutions	685	685
Total non-current liabilities other than provisions	**685**	**685**
Due as follows:		
Between 1 and 5 years	0	0
After 5 years	685	685
	685	685

Notes to the financial statements

DKK million

12 Contractual obligations and contingencies, etc.

The Company has entered contractual agreements about leasing of property. The total income from leaseholds during the contractual lease period is DKK 26 million as of 31 December 2013 (31 December 2012: DKK 31 million).

The Company is part of the joint registration with companies in the Dansk Supermarked group regarding payment of VAT, PAYE taxes etc. and is thus jointly liable for the total liability of DKK 363 million at 31 December 2013 (31 December 2012: DKK 454 million).

The Company is jointly taxed with A. P. Møller – Mærsk A/S, and have limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

As security for mortgage loans land and buildings with at carrying amount of DKK 529 million have been provided as collateral (31 December 2012: DKK 514 million).

The Company has not entered contractual commitments regarding acquisition or construction of properties at 31 December 2013 (31 December 2012: DKK 8 million).

13 Related party disclosures

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

Controlling interest

The Company is included in the consolidated financial statements for A. P. Møller - Mærsk A/S, Esplanaden 50, København, which according to agreement has controlling interest.

Ownership

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

F. Salling Holding A/S, Bjødstrupvej 18, Højbjerg
A.P. Møller - Mærsk A/S, Esplanaden 50, København