

MATAS A/S
Annual Report
2018/19

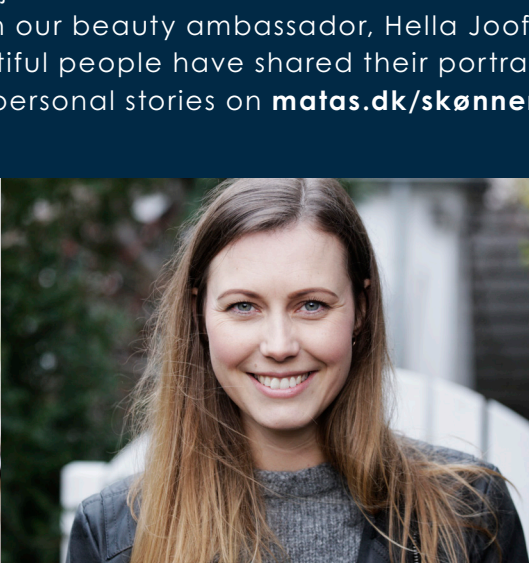
1 April 2018 - 31 March 2019

matas



THE FEELING OF BEAUTY

Beauty is not just about how we look – it's about how we feel. Together with our beauty ambassador, Hella Joof, more than 10,000 beautiful people have shared their portraits and, not least, their personal stories on matas.dk/skonneresammen



THE FEELING OF BEAUTY IS

humour, the ability to laugh at yourself and having gorgeous hair.

When I feel good on the inside and show it on the outside.

Being in good physical and psychological shape, having a great time with great friends and when my daughter says: Mummy, you're so soft and beautiful!

Feeling feminine, seeing the perfect in the imperfect, having the courage to be myself and being there for my loved ones.



THE FEELING OF BEAUTY IS

*always being true to yourself,
no matter what.*

*Feeling good on the outside
and on the inside.*

Camilla Josephine Grann,
Club Matas member

Five-year key financials

DKKm	2018/19	2017/18	2016/17	2015/16	2014/15
Statement of comprehensive income					
Revenue	3,541.3	3,464.8	3,510.8	3,471.3	3,474.7
Gross profit	1,588.8	1,549.3	1,611.8	1,604.5	1,595.0
EBITDA	529.7	534.5	620.1	652.1	660.5
EBIT	363.3	368.9	475.1	513.6	526.2
Net financials	(21.4)	(19.7)	(38.7)	(36.5)	(64.5)
Profit before tax	341.9	349.2	436.4	477.1	461.7
Profit for the year	263.1	280.3	338.7	364.5	340.3
Exceptional items	18.9	20.1	0.0	0.0	0.0
EBITDA before exceptional items	548.6	554.6	620.1	652.1	660.5
Adjusted profit after tax	343.2	356.2	398.0	422.5	397.5
Statement of financial position					
Assets	5,538.8	5,303.6	5,270.6	5,315.3	5,336.8
Equity	2,669.9	2,620.9	2,572.5	2,658.3	2,643.5
Net working capital	(60.1)	(127.3)	(158.0)	(172.0)	(77.4)
Net interest-bearing debt	1,504.1	1,471.9	1,515.0	1,423.6	1,564.4
Statement of cash flows					
Cash flow from operating activities	451.4	383.6	482.6	566.9	422.3
Investments in property, plant and equipment	(63.5)	(51.7)	(43.3)	(45.4)	(27.9)
Free cash flow	212.4	281.5	348.1	496.6	360.2
Ratios					
Revenue growth	2.2%	(1.3)%	1.1%	(0.1)%	3.2%
Underlying (like-for-like) revenue growth	0.5%	(1.4)%	1.3%	0.3%	1.5%
Gross margin	44.9%	44.7%	45.9%	46.2%	45.9%
EBITDA margin	15.0%	15.4%	17.7%	18.8%	19.0%
EBITDA margin before exceptional items	15.5%	16.0%	17.7%	18.8%	19.0%
EBIT margin	10.3%	10.6%	13.5%	14.8%	15.1%
Cash conversion	82.0%	75.9%	85.0%	103.6%	85.9%
Earnings per share, DKK	6.96	7.45	8.79	9.17	8.39
Diluted earnings per share, DKK	6.93	7.43	8.75	9.11	8.38
Dividend per share (proposed), DKK	3.00	6.30	6.30	6.30	5.80
Share price, end of year, DKK	65.8	65.4	99.0	132.5	158.5
ROIC before tax	11.7%	11.6%	13.6%	14.3%	14.3%
Net working capital as a percentage of revenue	(1.7)%	(3.7)%	(4.5)%	(5.0)%	(2.2)%
Investments as a percentage of revenue	6.7%	2.9%	3.8%	2.0%	1.8%
Net interest-bearing debt/adjusted EBITDA	2.7	2.7	2.4	2.2	2.4
Number of transactions (millions)*	21.0	21.2	22.3	22.7	23.7
Average basket size (DKK)*	163.5	159.4	150.3	144.1	137.8
Average number of employees (FTE)	2,149	2,164	2,197	2,163	2,226

For definitions, see "Definitions of key financials" on page 99. * Excluding numbers for Firtal Group. Firtal Group is included in other key financials from 13 November 2018.

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To our shareholders

Headway in implementing strategy – and positive first results

About a year ago, we launched our new strategy, Renewing Matas, setting out to adapt to a market affected by new customer requirements, intensified competition and retail sector digitalisation. The strategy is fuelled by a DKK 600 million investment programme to be rolled out over five years with a view to retaining our position as our customers' preferred choice – whether shopping at physical stores or online. The strategy sets out to lift customer engagement and revenue and secure long-term earnings.

In 2018/19, our focus was on executing the strategy. We have put words into action and are now seeing the first clear results of our efforts. Driven by a swift pace of execution, the progress achieved was clear to see – both for our customers and inside our organisation. *Vis-à-vis customers*, we made our mark on several fronts.

Digital growth breakthrough

We have started a massive digital build-up to enhance the customer experience on *matas.dk* and to strengthen Matas' social media presence. Delivery is one of the areas we have addressed. We strive to constantly reduce the time lag between purchase and delivery. We offer nationwide day-to-day delivery and same-day delivery in the Greater Copenhagen area. The results of our digital build-up are noticeable: In every quarter, our online sales hit a new high. Overall sales on *matas.dk* have grown by more than 50% – the highest growth rate ever.

In autumn 2018, we acquired Firtal Group, an e-business based in Aarhus. Firtal operates a number of webshops focusing on well-defined customer segments, including *helsebixen.dk*, *jala-helsekost.dk* and *made4men.dk*. We aim to reach new customer groups through several niche channels, especially in the health area, by combining Firtal's entrepreneurial strength and digital skills with Matas' marketing muscle and purchasing power.

Adding Firtal Group's business to the growth reported by *matas.dk*, online sales accounted for 11% of revenue at the end of the financial year, compared with 4% a year earlier. Our ultimate goal is online market leadership, and we will continue to allocate resources to the digital area in order to outgrow the competition also in the years ahead.

Staking on 'Green beauty and wellbeing'

In autumn 2018, we opened a dedicated Matas Natur shop on *matas.dk* and two Matas Natur concept stores, one in Copenhagen and one in Aarhus, targeting the green consumer. At the same

time, we expanded the range of green products carried at our stores. Combined with the acquisition of Firtal, this has boosted sales of health and wellbeing products (Vital) by 12.6%, and we are taking market share in a growing and attractive market.

Kicking off a store upgrade programme

Based on extensive customer surveys, we have developed the Matas Life concept, which focuses on customer satisfaction, product range development, physical store design, better locations and sensuous customer experiences. The first store openings in March 2019 attracted significant local attention. By 31 March 2019, we had opened four Matas Life concept stores – in Haderslev, Espergærde, Copenhagen and Herning. Concurrently, we are adjusting the retail network, focusing on store expansion, mergers, relocations and closures.

Internally, we have made efforts to streamline operations to free up time for our customers. New technology enables customers to skip the checkout line and pay using their mobile phone. A new management team is in place, and new skills have been added to the organisation, not least in the digital field and in relation to capitalising on the huge data volumes generated by Club Matas.

At a time when many organisations are trimming their budgets, we have increased our focus on training to equip our employees to continually offer our customers professional and committed service. We have forged closer ties with our suppliers in order to align our strategic targets and embark on the future, committed to growing together.

Based on the performance for the year, the acquisition of Firtal Group, the expected acquisition of Kosmolet A/S and the financial guidance for 2019/20, the Board of Directors proposes to pay a dividend of DKK 3.00 per share.

Ongoing change

Matas is currently in the midst of a market transformation. We will continue our efforts to transform our many assets into new business opportunities. Such change often requires an extra effort on the part of our employees, and we would like to extend our warmest thanks to each of our more than 2,500 employees. Every day, our employees provide great customer service at our stores and online, and they contribute to renewing the Matas with which so many Danish consumers have strong and close relations.

Lars Vinge Frederiksen Chairman
Gregers Wedell-Wedellsborg CEO

Strategy and financial guidance

Renewing Matas – strategy going forward to 2023

'Renewing Matas', Matas' strategy going forward to 2023, which was launched in May 2018, led to the implementation of a number of specific measures in financial year 2018/19, including the introduction of the new store concept, Matas Life, and the acquisition of Firtal Group, a successful digital growth story.

Strategic ambitions going forward to 2023

The 'Renewing Matas' strategy comprises three key strategic goals, which are expected to be achieved by financial year 2022/23:

- **Lift customer engagement**
Index 110 relative to the 2018/19 level
- **Grow revenue**
Total revenue of about DKK 4 billion in 2022/23
- **Secure earnings**
An EBITDA margin before exceptional items above 14% in financial year 2022/23 (before effects of IFRS 16)

Our financial guidance for 2018/19 was met

Revenue grew by 2.2% to DKK 3,541.3 million in financial year 2018/19, in line with our revised full-year guidance.

The EBITDA margin before exceptional items was 15.5%, which was also in line with our revised full-year guidance.

With a view to lifting customer engagement, a basis for measuring customers' current engagement in relation to Matas, a Matas Net Promoter Score (M-NPS), was established in the financial year. The M-NPS measures our customers' willingness to promote Matas across our channels. The M-NPS for financial year 2018/19 was 64, and it remains our ambition to lift customer engagement by 10% by 2022/23.

Strategic focus areas going forward to 2023

'Renewing Matas' builds on five strategic focus areas intended to help us fulfil our strategic ambitions going forward to 2023. The five areas are:

1. Live our purpose
2. Win online
3. Reignite store growth
4. Open new growth tracks
5. Change how we work

Below follows a description of the main components of the strategy and the progress achieved in financial year 2018/19.

1. Live our purpose

Our strategy is based on Matas' purpose: 'Beauty and wellbeing for life'.

We have defined six guideposts to help us enhance the customer experience:

- **More personal** – even better at identifying and advising about what is right for each individual customer.
- **More green** – a lot of our customers care about living healthy, green and natural lives.
- **More Danish** – more Danish products created by local enthusiasts rooted in Danish values and Danish design traditions.
- **More sensuous** – beauty and wellbeing is about smelling, feeling, seeing and trying.
- **More simple** – shopping in our stores and online should be easier and quicker.
- **More for everyone** – all customers should feel welcome, respected and heard, and they should feel they get value for money.

	Realised for 2018/19	Guidance for 2018/19	Targets for 2022/23
Lift customer engagement (M-NPS)	64 (index 100)	Index 100	70 (index 110)
Grow revenue	DKK 3.5 bn	DKK 3.5 bn*	Approx. DKK 4.0 bn
Secure earnings (EBITDA margin before exceptional items)	15.5%	Above 15%	Above 14%**

* Upgraded from DKK 3.4 billion in connection with the release of the Q3 2018/19 financial statements due to the acquisition of Firtal Group. Includes revenue from Firtal Group for the period 13 November 2018 to 31 March 2019. ** Before effects of IFRS 16, including Firtal Group and Kosmolet A/S.

A specific example of our progress on this focus area is the launch of the Matas Life store concept, which includes innovative steps in relation to all six guideposts in the form of, e.g., the introduction of category centres where customers can try out products, improved navigation and a new check-out concept that combine to make shopping easier and the new service concept that sets out to serve customers based on their specific needs.

Other examples are increased focus on fast delivery from the webshop, matas.dk, adding more new Danish brands to the product range and opening Matas Natur concept stores in Aarhus and Copenhagen to cater for the growing green market.

2. Win online

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023.

Today's online market is fragmented and consists of Danish as well as international players. The Matas Group is among the three largest players, and we grew our online sales by more than 50% in financial year 2018/19. In addition, the Group has strengthened its online position through the acquisition of Firtal Group, which owns and runs, e.g., helsebixen.dk, jala-helsekost.dk and made4men.dk. In Q4 2018/19, the Group's webshops generated some 11% of consolidated revenue.

The ambition to become the online market leader remains founded on an omnichannel strategy, based on which the Matas Group works continually to forge sustainable ties between the 278 physical Matas stores and matas.dk, supported by more niche-driven webshops operated by Firtal.

Specifically, as regard the Matas brand, it is important to make customers feel that Matas is relevant and competitive, both online and in our stores. We convey this message by a strong online presence in addition to our physical stores.

This interaction is a significant value driver to both channels and means, among other things, that more than half of all customers shopping on matas.dk pick up their purchases at a physical Matas store. And one in three of those customers buy additional products when picking up their purchases. Also, data show that omnichannel customers generally shop more often with bigger baskets than customers confining their shopping to physical Matas stores.

As an additional service, almost 800,000 households in the Greater Copenhagen Area are offered same day delivery for orders placed by 3 p.m.

Our newest online initiative is the introduction in Q4 2018/19 of a subscription service focused initially on

making it even easier for customers to shop a range of health products.

3. Reignite store growth

Matas aims to reignite growth in the physical retail network during the strategy period. Accordingly, a major priority in the past financial year was to develop a new store concept that captures all aspects of the strong relations built through 70 years of doing business with Danish consumers. The concept is also intended to transform the challenges that come with being a physical store at a time when an increasing share of retail shopping takes place online into solutions that differentiate Matas from online players and provide customers with sensuous and personal experiences.

Our work in this respect has resulted in the new Matas Life store concept, which is currently being rolled out across the Matas Group.

The focus of Matas Life is to enhance the individual customer experience. The concept tests a number of new service elements such as mobile check-out devices and segregation of service and payment functions and generally offer customers more activities and personal experiences.

In addition, Matas Life stores have markedly different physical layouts than traditional Matas stores. For example, the stores have one central line of cash registers and separate category centres for makeup and skincare across mass beauty and high-end (selective) beauty products. The store concept invites customers to explore, to be inspired and to indulge, while also offering personalised advice and allowing busy customers to have their purchases processed quickly.

Setting the direction for tomorrow's Matas stores, the new Matas Life concept stores are evaluated on an ongoing basis and adapted to local conditions.

We opened four new Matas Life stores in Q4 2018/19. The work to adjust the retail network continues alongside the introduction of the Matas Life concept. In 2018/19, Matas closed four stores and merged two small stores in Haderslev into one large Matas Life concept store with a broader product range and a better location. Merging two small stores into one also entails a number of operational benefits, primarily in the form of an optimised and brushed-up product range, better staff planning and lower operating costs.

We plan to continue the roll-out of Matas Life in 2019/20, upgrading at least 30 additional stores. The roll out will consist of both upgrades and mergers of a number of small stores into larger stores with more attractive locations.

During the strategy period, Matas will continue to develop and adjust the store network to ensure that customers are served through the optimum number of stores in each district. We still expect the portfolio to consist of fewer and bigger stores by the end of 2022/23 as compared with 31 March 2019.

4. Open new growth tracks

Matas aims to open new growth tracks through new business areas and concepts, bringing the Group's assets into play in new ways. Growth will come from areas that are closely related with the existing business and that are consistent with Matas' purpose of promoting the feeling of beauty and wellbeing for life.

The first growth track, which was launched in financial year 2018/19, was a new concept, 'Matas Natur', designed to meet growing customer demand for green products produced with care and consideration for human health and the environment. Matas Natur was developed as an omnichannel concept, meaning that a broad range of green, natural products is available to our customers across channels.

In September 2018, we opened two Matas Natur stores, one in Copenhagen and one in Aarhus. These two stores provide a unique opportunity for building knowledge and experience about the green market that can be leveraged across the entire Group.

In August 2018, the Matas Group announced the acquisition of Firtal Group, the successful webshop business. The strategic purpose of this acquisition is to develop the Matas Group's online position and strengthen our green market position through helsebixen.dk and jala-helsekost.dk.

5. Change how we work

A renewed Matas calls for new ways of working, particularly within four key areas:

Commercial excellence will, through initiatives in a number of key areas, help enhance the shopping experience, strengthen customer satisfaction and drive earnings. Efforts in financial year 2018/19 included extensively renewing the assortment with a view to making room for new brands and products as well as a stronger approach to pricing and promotions to ensure everyday fair prices and relevant offers. Concurrently, we will step up the work to form strategic supplier partnerships and strengthen our focus on house brands.

Sales excellence will, through a wide range of initiatives, optimise our focus on how we meet customers in the new Matas Life stores, but also in the chain's other stores. This will be achieved through a strong organisational omnichannel focus, new strategic tools to ensure local allegiance and identification of additional lean store potential. These

three areas will be instrumental in enhancing customer satisfaction and cutting costs.

Customer excellence will drive greater Club Matas engagement and help improve customer satisfaction. These efforts include new ways of engaging customers, including through SoMe; focus on simplifying and digitalising the customer journey; and data-driven customer insight efforts to ensure relevant, personalised communication with members.

Tech excellence involves the development of two key assets: the technological platform and Matas' employees. We have the IT platform in place to support our strategic priorities. Our technological focus will be on sustaining a strong IT platform to provide strategic and operational agility.

To support all four areas, Matas made a number of strong hires and organisational changes during the past financial year. We established a new department for business development, significantly strengthened the department for E-commerce by a number of important hires and appointed new heads of the commercial department and the sales department.

Financial targets

The Group's financial targets for 2019/20 is shown below. After the date of the statement of financial position for 2018/19, Matas signed a conditional agreement to acquire Kosmolet A/S, the owner of the successful Danish makeup brand Nilens Jord (see page 19). The financial targets is presented inclusive of the full-year effects of Firtal Group and the expected effects of the acquisition of Kosmolet A/S.

- Overall revenue growth of 3.5% – 6.5%
- Underlying like-for-like revenue growth of 0.5% – 2.5%
- An EBITDA margin before exceptional items of 14% – 15% (before effects of IFRS 16)
- CAPEX of DKK 200 – 220 million
- Estimated investment of DKK 145 million in acquisition of Kosmolet A/S, of which DKK 10 million in Matas shares

The EBITDA margin is expected to increase by about 4 percentage points as a result of IFRS 16 implementation.

Our financial targets for 2019/20 is based on assumptions of slightly growing customer demand for beauty, health and personal care products, a continuing decline in physical store footfall and persistently intensive competition in the beauty, health and personal care market.

The 2019/20 financial year contains an extra trading day compared with 2018/19, which is expected to have a slightly positive effect on revenue.

Financial ambitions

Our financial ambitions going forward to 2022/23 are specified as follows:

- Overall 2022/23 revenue of about DKK 4 billion.
- Positive underlying like-for-like revenue growth going forward to 2022/23 (revised). Previously: positive underlying like-for-like growth at the latest from financial year 2020/21.
- An EBITDA margin before exceptional items above 14% (before effects of IFRS 16) towards the end of the strategy period.
- Average annual CAPEX of DKK 120 –140 million, with investments skewed to the first three years of the strategy period.
- A gearing ratio (before effects of IFRS 16) of 2.5 – 3 (ratio of net interest-bearing debt to EBITDA before exceptional items). The gearing ratio should not materially exceed 3 for longer periods of time (specified).

The financial ambition for the gearing ratio is exclusive of the impact of IFRS 16 implementation as the definitions of EBITDA and net interest-bearing debt in the Group's loan agreements are exclusive of the effects of IFRS 16.

The effects of the acquisition of Firtal Group and Kosmolet A/S as well as green market initiatives (Matas Natur etc.) are reflected in our financial ambitions going forward to 2022/23. The effects of as yet unpublished growth initiatives have not been factored into the financial ambitions for the strategy period.

Our financial ambitions going forward to 2022/23 are based on continued steady market growth and slightly increased competition.

In addition, the ongoing shift from physical store trading to online trading is expected to continue through the strategy period.

Allocation of capital and dividend policy

The Group's capital structure must at all times ensure the financial flexibility required to implement the strategic objectives announced.

The financial gearing ratio, measured as net interest-bearing debt (before effects of IFRS 16) to EBITDA before exceptional items, may under exceptional circumstances, such as major strategic initiatives, temporarily exceed 3.

Going forward, specifically towards the end of the strategy period, the Group expects to generate a substantial free cash flow once more. The free cash flow will, in order of priority, be used to bring down debt if the financial gearing target has not been met; for investing for profitable growth within the existing business; and for distribution to the shareholders by way of dividends and, possibly, share buybacks.

Going forward, a payout ratio of minimum 30% of adjusted net profit is expected.

Forward-looking statements

The annual report contains statements relating to the future, including statements regarding the Matas Group's future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on management's reasonable expectations and forecasts at the time of release of the annual report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond the Matas Group's control. This may have the effect that actual results may differ significantly from the expectations expressed in the annual report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues.

Financial targets and ambitions	Realised for 2018/19	Guidance for 2019/20	Ambitions for 2022/23
Customer engagement (M-NPS)	64 (index 100)	Ongoing improvement	70 (index 110)
Revenue/revenue growth*	DKK 3.5 bn	3.5 – 6.5%	About DKK 4.0 bn
Underlying like-for-like revenue growth	0.5%	0.5 – 2.5%	Positive
EBITDA margin bef. excep. items (before IFRS 16)**	15.5%	Between 14 and 15%	Above 14%
CAPEX	DKK 128.3 m	DKK 200 – 220 m	Below DKK 90 m
Gearing (without effects of IFRS 16)	2.7	Between 2.5 and 3	Between 2.5 and 3

* Includes revenue from Firtal Group from 13 November 2018 and revenue from Kosmolet A/S from closing. ** Includes EBITDA from Firtal Group from 13 November 2018 and from Kosmolet A/S from closing. The EBITDA margin is expected to increase by about 4 percentage points as a result of IFRS 16 implementation.

About Matas

The Matas Group is Denmark's largest beauty, personal care and healthcare products retailer. Over the past 70 years, Matas has been a preferred supplier to Danish consumers of nearly all categories of beauty, health and wellbeing products and has been named one of the best-known Danish brands several times.

Matas' history

Matas was established in 1949 as a chain of independent materialists. In 1956, the chain was unified under a common logo, and a year later Matas was granted permission to sell vitamins. In 1967, Matas introduced the first 'Stripes' and baby care products as low-end alternatives to common branded products. The Stripes family has since evolved into a leading beauty brand in Denmark for women, men and families.

The Vital shop with its product range of vitamins and supplements was launched in 1974. The Matas Natur brand was launched in 1989 and was followed by Plaisir in 1993. Two years later, in 1995, the first of Matas' private labels certified according to the Nordic Ecolabel standard were launched. In 2001, Matas launched a series of products and a shop under the name of Matas MediCare.

Changing ownership structure and new channels

- In 2006, the Matas chain consisted of almost 300 stores. In 2007, the store owners decided to sell Matas A/S to the private equity fund CVC, which also took over 208 Matas stores.
- Matas.dk was launched in 2008, and 2010 saw the launch of the Club Matas loyalty programme designed to strengthen relations between Matas and its customers. The Club Matas App was introduced in June 2011, and by 2012, Club Matas had more than 1 million members. The Club Matas partner programme was launched in 2012.
- Matas A/S was listed on OMX Copenhagen in June 2013.
- In 2015, Matas introduced the My Moments range of spa products and formed a partnership with a pharmacy, which opened the first Matas shop-in-shop.
- In 2018, Matas opened its first Matas Natur concept stores, in Copenhagen and Aarhus, and in 2019, the Group launched its new and more sensuous concept, Matas Life, opening concept stores in a number of Danish cities.

- In the second half of 2018, Matas acquired Firtal Group, which owns and operates a number of webshops, including helsebixen.dk, jala-helsekost.dk and made4men.dk.

Matas today

Over the past 70 years, Matas has built its market position to its current strong level. 99% of Danish women know Matas. This widespread awareness is a major asset in building a strong, popular position. Matas also has one of Denmark's largest loyalty clubs with more than 1.4 million active members shopping at Matas during financial year 2018/19.

The Matas concept is quite unique in both a national and an international context with Matas distributing up to 25,000 items across all price categories in its physical stores alone. While the store concept primarily builds on makeup, skincare and fragrances, the health and wellbeing categories also make up a significant part of the assortment. The green categories are generally given a gradually more prominent shelf position.

Two new Matas Natur stores were opened in 2018 to spearhead the development and integration of green products in Matas. Many of the new trends in the lucrative green area are tested in the Matas Natur stores, and products which are well received by customers are subsequently rolled out to the Group's other 277 stores.

In March 2019, Matas launched a new store concept, Matas Life. The new Matas Life stores are shaped around a completely different concept than conventional stores. The layout and services offered by the stores are customised to fit individual customer needs, which have changed in step with booming online sales. From March to May 2019, nine stores have been upgraded to the Matas Life concept, and additional stores will be upgraded by the end of the financial year.

Private labels

Matas markets a number of house brands, including "Stripes", "Matas Natur" and "Plaisir". Matas currently offers more than 1,200 different private label products characterised by a sound balance between price and quality and reduced use of substances harmful to human health and the environment. Private label products accounted for approximately 14% of total 2018/19 revenue, with the Beauty segment as the biggest contributor.

Competition

Matas' main competitors in the Beauty segment are supermarkets, department stores, perfumeries,

discount retailers, parallel importers and e-businesses. In the Vital segment, Matas primarily face competition from supermarkets, pharmacies, health food stores and e-businesses. Matas' principal competitors in the Material segment are supermarkets, while MediCare mainly competes with pharmacies, supermarkets and discount retailers.

Omnichannel marketing strategy

Matas' retail store concept is supported by centrally managed customer-focused marketing across channels. Based on their shopping patterns in Matas stores and on matas.dk, we personalise information and offers to customers across sales channels and communication platforms. In addition, advertising leaflets are distributed to some 60% of all Danish households every two weeks.

Marketing efforts are supported by Club Matas, which had more than 1.6 million members at 31 March 2019, of whom 1.4 million are active members collecting and using points. At the end of the financial year, more than 70% of all Danish women between the ages of 18 and 65 were members of Club Matas.

Club Matas enables Matas to communicate clearly, directly and individually to club members based on their shopping history. Matas continually works to personalise its communication in order to further enhance customer loyalty. We make this possible by closely coordinating Club Matas, the advertising leaflet and the webshop and our social media activities, primarily on Facebook and Instagram.



THE FEELING OF BEAUTY IS

*when you feel good in yourself
and true to who you are.*

Louise Jørgensen
Club Matas member

Group performance in 2018/19

Revenue

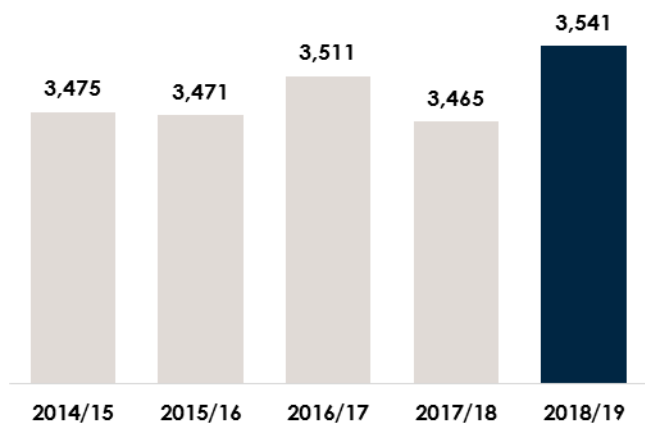
Revenue in 2018/19

Matas generated total revenue of DKK 3,541 million in financial year 2018/19, an increase of 2.2% compared with 2017/18.

Firtal Group was consolidated as of the date of closing, i.e. 13 November 2018. Reference is made to note 27 to the financial statements for more information.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers. The implementation has entailed a reclassification between revenue and cost of sales. Both items rose by DKK 45.7 million in 2017/18, increasing total revenue from the previously announced amount of DKK 3,419.1 million to DKK 3,464.8 million. For additional information, see note 1 to the financial statements.

Consolidated revenue (DKKm)



Sales in stores operated by the Group in both 2018/19 and 2017/18 were up by 0.5% (underlying growth), which was in line with the latest guidance of underlying revenue growth in 2018/19 in the -0.5% – +0.5% range.

The revenue performance was supported by improved High-End Beauty and Vital sales, while MediCare and Mass Beauty sales were slightly down compared with the year before. Overall footfall was muted, and the number of transactions fell by 0.5%. Adjusted for new, closed and acquired stores, the decline was 2.0%. The average basket size grew by 2.6%, which was satisfactory. Online sales on matas.dk were up by 54% year on year.

Sales in Matas' own retail stores and via webshops grew by DKK 94 million or 2.8% relative to 2017/18. The difference between the underlying increase of 0.5% and the own store revenue growth rate of 2.8% was attributable to revenue from Firtal Group and new stores, which is not included in underlying growth.

Wholesale sales etc. were down by DKK 18 million, mainly as a result of the remaining five associated stores exiting the Matas chain at the end of January 2018. Revenue from Club Matas relating to partners and value adjustments of Club Matas points are also included in this item.

Revenue by shops-in-shop

The Beauty segment grew revenue by 1.7% in 2018/19. Sales of High-End Beauty products were up by 3.5%, while Mass Beauty sales fell by 0.2%, reflecting the growing customer preference for High-End over Mass Beauty products.

(DKKm)	2018/19 FY	2017/18 FY	Growth	2018/19 Q4	2017/18 Q4	Growth
Beauty	2,500.3	2,457.8	1.7%	554.8	528.0	5.1%
Vital	475.4	422.1	12.6%	140.0	114.2	22.6%
Material	325.6	321.9	1.2%	69.4	68.1	1.8%
MediCare	185.6	186.9	(0.7)%	45.8	44.8	2.1%
Other	21.3	25.0	(15.1)%	9.6	5.7	67.3%
Total own store and webshop revenue	3,508.2	3,413.7	2.8%	819.6	760.9	7.7%
Wholesale sales etc.	33.1	51.1	(35.3)%	8.1	8.4	(4.0)%
Total revenue	3,541.3	3,464.8	2.2%	827.7	769.3	7.6%

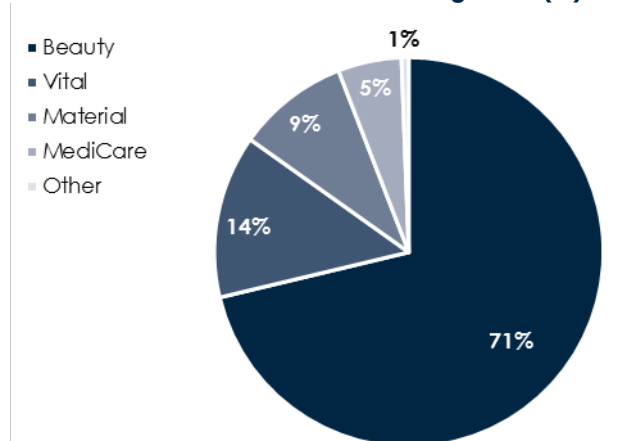
The Mass Beauty segment was once again adversely affected by slowing sales of colour cosmetics in the wake of increased competition from supermarkets and other competing outlets. Growth in High-End sales was driven by skincare and fragrances.

The Beauty segment's share of total revenue was 71.3% in 2018/19 against 72.0% in 2017/18.

The Vital segment reported a strong 12.6% increase in revenue in 2018/19 year on year, supported mainly by the Firtal Group acquisition.

The Material segment grew revenue by 1.2% in 2018/19, while MediCare reported revenue just below last year's level.

Breakdown of own store revenue in segments (%)



Revenue in Q4 2018/19

Revenue for Q4 2018/19 came to DKK 828 million, an increase of 7.6% relative to Q4 2017/18 (restated, see note 1).

Own store revenue was up by DKK 59 million to DKK 820 million, an increase of 7.7%, while wholesale revenue was largely unchanged compared with Q4 2017/18. The increase was primarily driven by the contribution from Firtal.

Underlying revenue growth in Q4 2018/19 was 2.1% against negative growth of 2.6% for the same period of 2017/18. Q4 2018/19 growth was supported by the extra trading day in the quarter compared with Q4 2017/18.

Shops-in-shop

Matas is characterised by its wide product range within beauty, personal care, healthcare and problem-solving household products. This broad product range creates a unique one-stop retail value proposition for our customers in the shape of four shops-in-shop.

Beauty

Everyday and luxury beauty products and personal care, including cosmetics, fragrances, skincare and haircare products.

Vital

Vitamins, minerals, supplements, specialty foods and herbal medicinal products.

Material

Household and personal care products, including household cleaning and maintenance products, baby care, foot care and sports-related products.

MediCare

OTC medicine, nursing products, etc.

Business developments

At the end of the financial year, Club Matas had a membership of +1.6 million against +1.8 million the year before. The decline was driven by the implementation of GDPR, primarily the requirement for updated consent, and a narrower definition of active members.

Although its membership declined, Club Matas retained its position as one of Denmark's largest customer clubs. At the end of the financial year, more than 70% of all Danish women between the ages of 18 and 65 were members of Club Matas. Of the more than 1.6 million members, 1.5 million had consented to being contacted by the club, while 1.4 million were active, shopping members.

At 31 March 2019, more than 700,000 members had downloaded the Club Matas app.

Customer satisfaction among Club Matas members improved slightly in financial year 2018/19 to 3.79 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. Customer satisfaction in 2017/18 was 3.72.

Matas continued the work to develop and improve the Club Matas partner programme throughout the financial year. At 31 March 2019, the programme had 25 external partners compared with 23 at 31 March 2018. These partners offer Club Matas members benefits in the categories of Travel, Shopping, Adventure, Home and Personal Care. Two new partners joined the programme during the financial year. Thiele, the chain of opticians, joined on 1 March 2018, and Værsgo, the lifestyle products retailer, joined on 1 August 2018.

The overall number of Matas stores remained unchanged in 2018/19. Six small stores owned by Matas A/S were closed. Of these six, two stores located in Haderslev were replaced by a new and bigger store. To further support the business, five new stores, including two Matas Natur stores, were opened during the financial year.

At 31 March 2019, the Matas Group consisted of 279 Matas stores, including 277 physical Matas-operated stores, an associated store in Greenland and the webshop, matas.dk, which also comprises the brand site matas.dk/natur. To this should be added ten webshops operated by Firtal Group ApS, the best-known of which are helsebixen.dk, jala-helsekost.dk and made4men.dk.

The 277 physical stores include 270 Matas stores in Denmark, one in the Faroe Islands, four Matas Life stores and two Matas Natur concept stores.

StyleBox was closed down as an independent chain in financial year 2017/18. The brand is now promoted exclusively through the webshop stylebox.dk, which is a part of matas.dk, and a StyleBox shop-in-shop in the Matas store located in the Rødovre Centrum shopping centre.

(DKKm)	2018/19 FY	2017/18 FY	Growth	2018/19 Q4	2017/18 Q4	Growth
Other external costs	354.9	319.6	11.0%	101.0	93.3	8.3%
As a percentage of revenue	10.0%	9.2%		12.2%	12.1%	
Staff costs	704.2	695.2	1.3%	183.6	166.8	10.1%
As a percentage of revenue	19.9%	20.1%		22.2%	21.7%	

Costs and operating performance in 2018/19

Gross profit for 2018/19 was DKK 1,589 million, a 2.6% increase from DKK 1,549 million in 2017/18.

The gross margin for 2018/19 was 44.9%, up from 44.7% in 2017/18.

Other external costs were up by DKK 35 million or 11.0% year on year in 2018/19. The increase was driven primarily by 1) operating costs relating to Firtal Group in the period from 13 November 2018 to 31 March 2019, including marketing expenses, 2) higher activity on matas.dk, including costs relating to webshop operations and freight and logistics and 3) transaction costs in connection with the acquisition of Firtal Group.

Other external costs as a percentage of revenue were 10.0% in 2018/19, compared with 9.2% in 2016/17. Adjusted for non-recurring costs, other external costs amounted to 9.6% of 2018/19 revenue as compared with 9.0% the year before.

Staff costs rose by DKK 9 million year on year in 2017/18. Staff costs included non-recurring costs of DKK 4.8 million relating to executive changes in Matas A/S. Non-recurring costs in financial year 2017/18 were DKK 13.6 million, relating primarily to the change of CEO. The Firtal Group acquisition drove up staff costs by about DKK 6 million. Adjusted for staff costs relating to Firtal Group and non-recurring costs in connection with management changes, staff costs increased by DKK 12 million.

Staff costs for 2018/19 included DKK 5.7 million related to the Group's long-term share-based compensation programme, a year-on-year increase of DKK 0.7 million.

Staff costs amounted to 19.9% of 2018/19 revenue, against 20.1% in 2017/18. Adjusted for non-recurring costs, staff costs amounted to 19.7% of 2018/19 revenue, which was on a level with 2017/18.

In the 2018/19 financial year, the Group had 2,149 full-time employees (FTE), down from 2,164 in 2017/18.

EBITDA was down by 0.9% year-on-year to DKK 529.7 million for 2018/19. The EBITDA margin was 15.0% against 15.4% the year before.

2018/19 EBITDA before exceptional items was DKK 548.6 million against DKK 554.7 million last year. The EBITDA margin before exceptional items was 15.5%, in line with our most recent guidance of a margin above 15%.

EBIT came to DKK 363 million, compared with DKK 369 million in 2017/18.

Exceptional items (DKKm)	2018/19	2017/18
Non-recurring costs		
- In connection with the change of CEO	-	12.7
- In connection with other management changes	4.8	1.4
- Related to the closing down of StyleBox	-	3.1
- In connection with the strategy update	2.9	3.0
- In connection with the acquisition of Firtal Group	9.2	-
Impairment of assets related to the closing down of StyleBox	-	5.3
Provision for duty on electric blankets, prior years	2.0	-
Total exceptional items	18.9	25.5

Costs and operating performance in Q4 2018/19

Gross profit for Q4 2018/19 was DKK 377 million, a year-on-year increase of 10.4%. This represents a gross margin of 45.6% compared with 44.4% for the same period the year before.

Other external costs were up by DKK 7.7 million year on year in Q4 2018/19 to DKK 101.0 million, an increase of 8.3%. Other external costs amounted to 12.2% of revenue in Q4 2018/19, up from 12.1% in the year-earlier period.

Staff costs totalled DKK 183.6 million in Q4 2018/19, a year-on-year increase of DKK 16.8 million. Staff costs as a percentage of revenue were 22.2% in Q4 2018/19 against 21.7% in Q4 2017/18.

Q4 2018/19 EBITDA was DKK 92.6 million against DKK 81.7 million last year. EBITDA before exceptional items came to DKK 95.7 million for an EBITDA margin before exceptional items of 11.6% against 10.9% in Q4 2017/18.

Financial items and tax

Net financial expenses amounted to DKK 21.6 million in 2018/19, compared with DKK 19.7 million in 2017/18.

Until 30 June 2018, when the agreement expired, Matas' net interest-bearing debt was hedged by an interest rate swap. In Q2 2018/19, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP. In this connection, Matas is applying the new hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through the P/L.

Net financial expenses in Q4 2018/19 totalled DKK 6.1 million, which was an increase of DKK 1.9 million.

The effective tax rate was 23.0% in 2018/19 compared with 19.7% in 2017/18, due to non-deductible transaction costs in connection with the acquisition of Firtal Group.

Reference is made to note 28 for additional information on the Group's pending tax disputes.

(DKKm)	2018/19 FY	2017/18 FY	2018/19 Q4	2017/18 Q4
Net financial expenses	21.6	19.7	6.1	4.2
Fair value adjustment of interest rate swap	2.9	10.2	0.0	2.8
Net financial expenses, adjusted for swap	24.5	29.9	6.1	7.0

Profit for the year after tax

Profit for the year after tax was DKK 263 million, down from DKK 280 million in 2017/18.

Adjusted profit after tax was DKK 343 million in 2018/19, see note 13. This was a decline of 4.0% from 2017/18.

For Q4 2018/19, Adjusted profit after tax was DKK 53 million against DKK 47 million in Q4 2017/18.

Statement of financial position

Total assets amounted to DKK 5,539 million at 31 March 2019, up from DKK 5,304 million at 31 March 2018. Current assets totalled DKK 1,132 million, a year-on-year increase of DKK 148 million.

Inventories amounted to DKK 785.5 m at the end of 2018/19 compared to DKK 749.0 m the year before, an increase of 4.9%. Inventories accounted for 22.2% of LTM revenue at 31 March 2019 as compared with 21.6% at 31 March 2018. The increase was driven by the acquisition of Firtal Group.

Trade receivables increased by DKK 4 million to DKK 11 million, driven mainly by the acquisition of Firtal Group.

Cash and cash equivalents stood at DKK 161 million, up from DKK 86 million the year before.

Trade payables increased by DKK 59 million as compared with the level at 31 March 2018.

Net working capital excluding deposits stood at minus DKK 60 million at 31 March 2019, an increase of DKK 67 million over 31 March 2018. Adjusted for the effects of reclassifying the receivable concerning the pending withholding tax dispute, see note 20, the net working capital improved slightly during the financial year.

Equity was DKK 2,670 million at 31 March 2019, compared with DKK 2,621 million at 31 March 2018. Dividend paid in financial year 2018/19 amounted to DKK 237 million.

The Group's bank debt stood at DKK 1,665 million at 31 March 2019. Net interest-bearing debt was DKK 1,504 million at 31 March 2019, a year-on-year increase of DKK 32 million - equalling 2.7 times adjusted EBITDA for financial year 2018/19, on a par with last year.

Statement of cash flows

Cash generated from operations was an inflow of DKK 566 million in 2018/19, against an inflow of DKK 506 million the year before.

Cash flows from operating activities were an inflow of DKK 451 million in 2018/19, up from an inflow of DKK 384 million in 2017/18.

Cash flows from operating activities for Q4 2018/19 were an inflow of DKK 45 million, a year-on-year increase of DKK 38 million.

Cash flows from investing activities were an outflow of DKK 239 million in 2018/19, compared with an outflow of DKK 102 million last year. The increase was attributable to the acquisition of Firtal Group and increased investments in the retail network.

For Q4 2018/19, cash flows from investing activities were an outflow of DKK 39 million.

The free cash flow was DKK 212 million in 2018/19 and DKK 6 million in Q4 2018/19.

Return on invested capital

The return on LTM invested capital before tax was 11.7%, as compared with 11.6% in 2017/18.

Parent company performance

The parent company generated a profit of DKK 286 million in 2018/19 against DKK 278 million in 2017/18. The year-on-year increase was attributable mainly to the fact that the 2017/18 profit was affected by costs related to management changes.

Equity was DKK 2,224 million at 31 March 2019 compared with DKK 2,150 million at 31 March 2018.

Events after the date of the statement of financial position

On 28 May, Matas signed an agreement to acquire Kosmolet A/S, see company announcement no. 01 2019/20.

Kosmolet A/S is the owner of the successful Danish makeup brand Nilens Jord. Known for its allergy-friendly and sustainable profile, Nilens Jord is the best-selling makeup brand carried by Matas.

The transaction prices Kosmolet A/S at an initial value of DKK 145 million, to which should be added an earn-out agreement of up to DKK 20 million. The initial purchase price of DKK 145 million will be paid partly in cash (DKK 135 million) and partly in the form of Matas shares (DKK 10 million) at closing.

The completion of the transaction is subject to confirmatory due diligence, which is expected to be completed in June 2019.

The acquisition is expected to entail transaction and restructuring costs of about DKK 5 million in 2019/20, which will be recognised under exceptional items.

As Matas already carries Nilens Jord, the acquisition will have a limited effect on revenue, but is expected to boost annual EBITDA by more than DKK 25 million after completion of the integration.

According to its most recently published annual report, Kosmolet A/S generated EBITDA of DKK 19.3 million in financial year 2017/18 (1 June 2017 – 31 May 2018).

No other events have occurred after the date of the statement of financial position that could significantly affect the Group's financial position.



THE FEELING OF BEAUTY IS

*wellbeing, happiness and love.
When I feel loved, I feel beautiful.
And of course when I smell nice!*

Kristina Hoffmann,
Club Matas member

Risk management

Risk management is an integral part of the management process of the Matas Group, the objective being to limit uncertainties and risks with respect to the defined financial targets and strategic objectives for the Group.

The Executive Management prepares, implements and maintains control and risk management systems. These systems are approved by the Board of Directors, which holds the general responsibility for risk management in the Group. Based on reporting from the Executive Management, the Audit Committee continually monitors whether the company's internal control and risk management systems are effective and complied with, and it also continually monitors the development and handling of key risks. The Board of Directors is provided with an overview of risks and their potential impact on EBITDA at least once a year so that any measures necessary to mitigate such risks can be implemented.

Material operational risks

Changes in economic conditions

Matas is to a significant degree exposed to changes in the prevailing economic climate in Denmark, the market from which Matas derives virtually all of its revenue. Matas is strongly exposed to developments in overall retail sales, and Danish consumers generally appear to be somewhat reluctant to spend, while at the same time spending is shifting to online channels. The Group monitors sales trends on a daily basis so that it can respond swiftly to any decline in sales by implementing sales-promoting initiatives.

Industry developments

The market for beauty, personal care and healthcare products is subject to intense competition from established and new players alike and from growing online sales, and is affected also by new ways of launching and marketing brands and by new technology-driven options.

Strategically, Matas aims to bring its many assets into play in new ways in order to pursue the potential of a stronger market position. Matas does this by developing the store network, renewing the product range, increasing focus on online trading, launching marketing campaigns and leveraging the Club Matas loyalty programme.

Products and suppliers

In order to meet any changes in terms of delivery or reduced access to important product categories, Matas uses a large number of different suppliers and markets a broad range of different brands within each product category.

Product liability

The Group's operations involve risks which could potentially result in product liability, including personal injury claims. The Group has laid down a risk management policy and procedures to mitigate such risks and has also taken out standard insurance cover.

Legislation and indirect taxation

The Group monitors closely any statutory and regulatory changes that could change its business actions or provide new opportunities so that it can take the necessary steps as early as possible.

Significant financial risks

Matas is to some extent exposed to financial risks such as interest rate, liquidity and credit risk. Reference is made to note 29 to the consolidated financial statements for additional information on these risks.

Data protection

Matas has an up-to-date and upgraded IT infrastructure focused on data security and protection of both corporate and customer data. Matas continuously evaluates security and risks when choosing system solutions and has implemented extensive security measures to prevent personal data breaches.

Tax dispute

Matas is involved in a dispute with the Danish tax authorities concerning withholding tax on interest for income years 2006-2009. Reference is made to note 20 for details.

Matas is also involved in a dispute with the Danish tax authorities concerning VAT on self-supply that is not expected to affect its financial position or future earnings to any significant extent.

Reference is made to note 28 to the consolidated financial statements, "Contingent liabilities and security", for additional information.

Corporate governance

Matas is committed to exercising good corporate governance, and the Board of Directors therefore evaluates the Group's management systems at least once a year to ensure that the structure is appropriate relative to the Group's shareholders and other stakeholders.

Corporate governance recommendations

Nasdaq Copenhagen has incorporated the recommendations of the Danish Committee on Corporate Governance in its Rules for Issuers of Shares. These recommendations are available at the website of the Committee on Corporate Governance, www.corporategovernance.dk. Matas complies with all these recommendations. The Group's corporate governance statements are available on our website at investor.matas.dk/governance.cfm.

Communicating with investors and other stakeholders

Matas is committed to maintaining a constructive dialogue and a high level of transparency when communicating with shareholders and other stakeholders in order to enable them to exercise the highest possible level of active ownership. The Board of Directors has therefore adopted a communication and stakeholder policy, an investor relations policy and a CSR policy.

Matas complies with the statutory requirements concerning the publication of material information relevant to shareholders' and the financial markets' evaluation of the Group's activities, business objectives, strategies and results.

In addition to its investor relations policy and communication and stakeholder policy, the company has adopted internal procedures to ensure that the disclosure of information complies with applicable stock exchange regulations.

All company announcements are published via Nasdaq Copenhagen and can subsequently be accessed from the company's website at investor.matas.dk. All announcements are published in Danish and English.

Matas publishes interim and annual financial statements and hosts investor presentations and conference calls after the release of each interim and annual report. In addition, Matas holds meetings with Danish and international investors. Investors and analysts can also contact the Investor Relations Department to clear up any further questions regarding published reports.

Moreover, the company's general meeting provides an opportunity for shareholders to exercise active ownership.

The date of the general meeting and the deadline for submitting requests for specific proposals to be included on the agenda are announced not later than eight weeks before the contemplated date of the parent company's annual general meeting. In accordance with the Articles of Association, general meetings are convened by the Board of Directors at not more than five weeks' and not less than three weeks' notice. Notices convening general meetings are posted on the company's website at investor.matas.dk and sent by other means to all registered shareholders who have so requested.

Shareholders are entitled to have specific business considered at the annual general meeting, provided that a written request to that effect is submitted to the Board of Directors no later than six weeks prior to the general meeting. Attending shareholders may ask questions to the Board of Directors and the Executive Management concerning the items on the agenda.

Matas has adopted procedures in the event of takeover bids, according to which the Board of Directors will not without the acceptance of the general meeting attempt to counter a takeover bid by making decisions which in reality prevent shareholders from deciding on the takeover bid themselves.

Diversity in management

The Board of Directors discusses diversity at the Group's management levels annually and sets measurable targets.

Maintaining diversity on the Board of Directors in terms of competencies, experience, knowledge, gender and age is important. Consisting of 50% men and 50% women, the Board of Directors meets the requirement for equal gender distribution in its supreme governing body.

It is the ambition of the Board of Directors to retain the diversity in management so that the mix reflects equal gender distribution as defined in the Danish Companies Act. The management of Matas, including members of middle management, consists of 54% women (2017/18: 48%) and 46% men (2017/18: 52%), which means that the Group meets the defined target.

Duties and responsibilities of the Board of Directors

At Matas, management duties and responsibilities are divided between the company's Board of Directors and Executive Management. No one person is a member of both of these bodies, and no member of the Board of Directors has previously been a member of the Executive Management. Matas has laid down rules of procedure for the Board of Directors, which are reviewed and approved annually by the Board of Directors.

The Board of Directors holds ten ordinary board meetings plus a strategy seminar each year and will further convene as required. In the 2018/19 financial year, 14 board meetings and one strategy seminar were held. In the 2017/18 financial year, 13 board meetings and one strategy seminar were held.

The Board of Directors has set up three committees charged with assisting the Board in its work. The Audit Committee is chaired by Birgitte Nielsen and also consists of Lars Frederiksen and Christian Mariager. The Nomination and Remuneration Committees are

both chaired by Lars Vinge Frederiksen and also consist of Lars Frederiksen and Signe Trock Hilstrøm.

The Group's Executive Management is in charge of the day-to-day management, while the Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction.

In relation hereto, the Board of Directors every year considers the Group's overall strategy in order to ensure continuous value creation.

The requirements for the Executive Management's timely, accurate and adequate reporting to the Board of Directors and for the communication between these two corporate bodies are laid down in the rules of procedure of the Executive Management, which are reviewed annually and approved by the Board of Directors.

Board and committee meetings

The attendance at board meetings was as follows in 2018/19:

Meetings attended/held	Board meetings	Strategy seminar	Audit Committee	Nomination Committee	Remuneration Committee	2018/19 in total
Lars Vinge Frederiksen	14/14	1/1		2/2	2/2	19/19
Lars Frederiksen	14/14	1/1	5/5	2/2	2/2	24/24
Christian Mariager	14/14	1/1	5/5			20/20
Signe Trock Hilstrøm	14/14	1/1		2/2	2/2	19/19
Mette Maix	11/14	1/1				12/15
Birgitte Nielsen	14/14	1/1	5/5			20/20

Election of members to the Board of Directors

The Board of Directors consists of six members elected by the annual general meeting for terms of one year. Board members are eligible for re-election. The Board of Directors elects a Chairman and a Deputy Chairman from among its own members.

The Board's current competencies are shown in the outline below.

The Board of Directors evaluates its work on an annual basis.

Composition of the Board of Directors

The members of the Board of Directors is a group of experienced business professionals who also represent diversity, international experience and skills that are considered to be relevant to the Matas Group. All members of the Board of Directors elected by the shareholders are regarded as independent.

Once a year, in connection with the board evaluation, the Board of Directors determines the qualifications, experience and skills the Board of Directors must possess in order for the Board to best perform its tasks, taking into account the Group's current needs.

Specific expertise held by board members	General management	Strategy development	Retailing	Brand/marketing	E-com/omni-channel	Physical retailing	Finance	Capital markets
Lars Vinge		•					•	•
Frederiksen	•	•						
Lars Frederiksen	•	•	•			•	•	•
Christian Mariager	•	•	•				•	
Signe Trock Hilstrøm			•	•	•	•		
Mette Maix	•	•	•		•	•		
Birgitte Nielsen	•	•					•	•

Audit Committee

The Board of Directors has set up an Audit Committee comprising three members of the Board of Directors. The Chairman of the Audit Committee is independent and is skilled in accounting. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems, the organisation and efficiency of the accounting function and the collaboration with the independent auditors. The Audit Committee held five meetings in the 2018/19 financial year and five meetings in 2017/18.

Nomination Committee

The Board of Directors has set up a Nomination Committee comprising three members of the Board of Directors. The overall purpose of the Nomination Committee is to help the Board of Directors ensure that appropriate plans and processes are in place for the nomination of candidates to the Board of Directors and the Executive Management. The Nomination Committee held two meetings in the 2018/19 financial year and two meetings in 2017/18.

Remuneration Committee

The Board of Directors has set up a Remuneration Committee comprising three members. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management. The Remuneration Committee held two meetings in the 2018/19 financial year and two meetings in 2017/18.

Remuneration of members of the Board of Directors and the Executive Management

The Board of Directors has adopted a remuneration policy, which has been approved by the general meeting.

The remuneration policy and the remuneration paid to the Board of Directors and the Executive Management are detailed in the section on Remuneration.

Internal controls and risk management in relation to the financial reporting process

In order to ensure that the external financial reporting is in accordance with IFRS and other applicable rules, gives a true and fair view and contains no material misstatement, Matas operates according to a number of internal control and risk management processes in connection with the financial reporting process for the Group.

Control environment

The Board of Directors lays down the general framework for internal controls and risk management in the Group, while the Executive Management has the operational responsibility for establishing efficient control and risk management in the financial reporting. The Executive Management monitors that policies and working procedures in connection with the financial reporting are appropriate with a view to mitigating the risk of errors. The internal controls are embedded in the individual departments, with separation of the accounting and controlling functions.

The Audit Committee assists in monitoring the financial reporting process. This includes an annual evaluation of the efficiency of the risk management and internal controls, including a review of policies and working procedures and an evaluation of staffing and qualifications in the finance and IT organisations.

Each year, the Audit Committee assesses the need for an internal audit department. Based on the relatively low complexity of the Group, the controlling function's line of reference to the CFO and the ongoing dialogue with the auditors, it has as yet not been deemed necessary to establish an internal audit department.

Risk assessment

The Board of Directors and the Executive Management regularly assess the key risks involved in the financial reporting based on a materiality criterion. This includes an evaluation of the principal accounting policies and the most significant accounting estimates and the related risk and sensitivity assessment. The risk of fraud is also evaluated. For additional information on significant

accounting estimates, see note 2 to the consolidated financial statements.

scheme can be found in the section on Corporate Social Responsibility.

Control activities

In order to monitor results, store performance, financing and other risks, standardised monthly reports following up on the budget and a number of key performance indicators (KPIs) are prepared.

Interim financial statements are closed according to a well-established plan which includes, among other things, reconciliation of all material line items and additional financial controls in order to identify and eliminate any errors as early as possible. In order to ensure segregation of duties, the controlling function reports directly to the Executive Management.

In order to counter fraud in the stores, cash funds are reconciled on a regular basis, and cash is deposited with banks. At the head office, double approval procedures have been established in the finance function in connection with bank transfers.

Information and communication

The Group has established a standardised process for external reporting to ensure that a true and fair view is provided of its performance.

Taking into account the Group's internal rules on inside information, the Group maintains an open communication process which ensures efficient control of its performance and a true and fair view in its financial reporting. Providing clarity for each employee with respect to his or her role and relevant working procedures is an important element of this.

Monitoring

Management's ongoing monitoring takes place through the monthly financial reporting, liquidity analyses and KPI reports, along with a continuous dialogue with the accounting and controlling functions.

The Audit Committee monitors and reports to the Board of Directors on the procedures for the key line items and checks that the Executive Management observes group policies and addresses any weaknesses. The external auditors meet with the Audit Committee at least once a year without the Executive Management and report any material weaknesses in their long-form audit report.

Matas has also established a whistleblower scheme, through which breaches of laws and regulations can be reported anonymously if the person reporting a concern wishes to avoid using the normal channels of communication. More details on the whistleblower

Remuneration

Remuneration policy

The Board of Directors has adopted a remuneration policy, which was approved by the general meeting on 28 June 2018. The remuneration policy is available at investor.matas.dk/governance.cfm.

The remuneration policy supports the goal of attracting, motivating and retaining qualified members of the Board of Directors and the Executive Management. The remuneration is designed so as to align the interests of the Board of Directors, the Executive Management and the company's shareholders, to support the achievement of Matas' short-term and long-term strategic goals and targets and to stimulate value creation.

As regards the Board of Directors, the remuneration policy allows the provision of a fixed annual fee, while variable or incentive-based remuneration is not permitted.

As regards the Executive Management, the remuneration policy allows the provision of both a fixed base salary and variable remuneration.

The fixed base salary paid to the members of the Executive Management consists of

- a fixed salary
- a pension contribution
- other employee benefits

The variable remuneration paid to the members of the Executive Management consists of

- a short-term incentive programme (STIP) in the form of an annual cash bonus
- a long-term (3-year) incentive programme (LTIP) in the form of performance share units (PSU)

Under the remuneration policy, the STIP and LTIP bonus shares may each amount to up to 100% of the fixed base salary.

The variable remuneration supports the goal of aligning the interests of investors and the Executive Management. It is intended to reward individual effort and performance and ensure that the aggregate remuneration paid to each member of the Executive Management is in line with market practice of comparable listed companies. In exceptional cases, the remuneration policy allows for the granting of a

cash bonus of up to 150% of each member's annual fixed salary.

The long-term incentive programme also contributes to retaining the members of the Executive Management.

Matas A/S may terminate an employment relationship with a member of the Executive Management by giving up to 24 months' notice. A member of the Executive Management may terminate the employment relationship by giving at least four months' notice. Termination benefits cannot exceed the aggregate compensation paid to the member of the Executive Management during the last 24 months.

Remuneration of the Board of Directors

The fee payable to the members of the Board of Directors in the next financial year is approved at the annual general meeting.

The fee payable to board members for financial year 2018/19, as approved by the shareholders in general meeting, is DKK 300,000 per member (2017/18: DKK 300,000). The Chairman receives 2.5 times the annual fee and the Deputy Chairman receives 1.5 times the fee. The chairman of the Audit Committee receives 1.25 times the fee. No separate remuneration is paid for work on the Nomination Committee and the Remuneration Committee. No separate remuneration is paid for board meetings held in another country than the board member's country of residence, but travel expenses are reimbursed.

The fee paid to board members has not changed since Matas was listed on Nasdaq in June 2013 and may be specified as follows:

(DKK)	Board remuneration	Audit Committee	2018/19 in total	Board remuneration	Audit Committee	2017/18 in total
Lars Vinge Frederiksen	750,000		750,000	750,000		750,000
Lars Frederiksen	450,000		450,000	450,000		450,000
Christian Mariager	300,000		300,000	300,000		300,000
Signe Trock Hilstrøm	300,000		300,000	225,000		225,000
Mette Maix	300,000		300,000	225,000		225,000
Birgitte Nielsen	300,000	75,000	375,000	300,000	75,000	375,000
Ingrid Jonasson Blank ¹				75,000		75,000
Total remuneration of the Board of Directors	2,400,000	75,000	2,475,000	2,325,000	75,000	2,400,000

* Resigned on 30 June 2017.

Remuneration of the Executive Management

The Board of Directors wishes to offer members of the Executive Management a remuneration package which is competitive, promotes short-term and long-term value creation and ensures consistency between the company's financial performance and the remuneration of the Executive Management. The fixed base salary is the key element of the remuneration package. The short-term incentive programme (STIP) rewards short-term results, typically based on the profit for the year, while the long-term incentive programme (LTIP), which covers a period of three years, rewards long-term value creation.

The Board of Directors finds it important that a significant part of the remuneration package consists of variable elements so as to ensure consistency between the company's performance and the remuneration of the members of the Executive Management.

The fixed base salary of the members of the Executive Management consists of a salary, pension contributions and other employee benefits. The pension contribution amounts to 10% of the fixed salary, and other employee benefits comprise a company car, phone, internet and newspaper subscriptions as well as health and accident insurance. The cars made available to members of the Executive Management are leased, and the annual lease payment per vehicle may not exceed DKK 240,000.

Through his or her participation in the short-term incentive programme (STIP), each member of the Executive Management may qualify for a short-term cash bonus if certain annual targets related to the execution of the "Renewing Matas" strategy are met. It has been agreed that the total STIP bonus may amount to up to 70% of each member's fixed base salary exclusive of pension contributions at the date of grant, and the targets to be met to qualify for the bonus are related to the company's financial performance and the achievement of specific personal goals. To be eligible for STIP bonus, certain

minimum targets must be met, and bonus is paid once a year in proportion to the targets achieved.

The members of the Executive Management also participate in a long-term incentive programme (LTIP), under which they may qualify for a share-based bonus if targets directly related to the execution of the "Renewing Matas" strategy are met. It has been agreed that each member of the Executive Management may qualify for Performance Share Units (PSUs) of an amount not to exceed 75% of the fixed base salary exclusive of pension contributions at the date of grant. The PSUs are granted as a percentage of the fixed salary at a value corresponding to the share price at the date of grant. The PSUs vest after three years, and the number of vested PSUs depends on the degree of achievement of two strategic goals related to total revenue and total earnings (EBITDA) in the relevant period. The long-term incentive programme is described in detail below.

To be eligible for PSUs, the member of the Executive Management must hold Matas shares for an amount corresponding to at least 50% of his or her fixed base salary. New members of the Executive Management may accumulate such shareholding during the first four years of serving on the Executive Management.

The total remuneration paid to the Executive Management in financial year 2018/19 was DKK 13.5 million, of which variable remuneration accounted for 40%.

(DKK)m	Fixed salary incl. benefits	Pension contri- butions	Cash bonus ¹⁾	Total	PSUs ²⁾	Total, including PSUs	Variable share
2018/19							
Gregers Wedell-Wedellsborg	4.8	0.5	1.1	6.3	2.6	8.9	3.7
Anders Skole-Sørensen	2.6	0.2	0.3	3.2	1.4	4.6	1.7
Executive Management, total	7.4	0.7	1.4	9.5	4.0	13.5	5.4
2017/18							
Gregers Wedell-Wedellsborg ³⁾	2.0	0.2	-	2.2	2.3	4.5	2.3
Terje List ⁴⁾	3.2	0.1	1.0	4.3	-	4.3	1.0
Anders Skole-Sørensen	2.6	0.2	0.6	3.5	1.3	4.7	1.9
Executive Management, total	7.8	0.5	1.6	10.0	3.6	13.5	5.2
Termination pay, Terje List	10.5	-	-	10.5	-	10.5	
Total	18.3	0.5	1.6	20.5	3.6	24.0	
2016/17							
Terje List ⁴⁾	5.4	0.1	2.7	8.2	2.7	10.9	5.4
Anders Skole-Sørensen	2.6	0.3	1.1	4.0	1.3	5.3	2.4
Executive Management, total	8.0	0.4	3.8	12.2	4.0	16.2	7.8

¹⁾ Paid in the financial year. ²⁾ Granted in the financial year (75%). ³⁾ Appointed on 1/11 2017. ⁴⁾ Resigned on 31/10 2017.

The average salary of a FTE of Matas Operations (HQ) in financial year 2018/19 was DKK 0.6 million. Accordingly, the ratio of the remuneration paid to Matas' CEO and the average salary of a Matas Operations employee was 13 for financial year 2018/19.

(DKK)m	2018/19	2017/18	2016/17
Average salary of an employee of Matas Operations	0.6	0.5	0.5
Ratio CEO/avg. salary	15	17	22

Granting of variable remuneration

As regards the short-term incentive programme (STIP), the financial performance targets to be met by the CEO are defined by the Board of Directors, while the performance targets to be met by the other members of the Executive Management (currently the CFO) are defined by the Board of Directors and the CEO. The performance targets to be met by the rest of the executive team are defined by the Executive Management. The STIP performance targets for the next financial year are set annually in connection with the budget process.

The financial targets for the granting of short-term bonus and PSUs for financial year 2018/19 do not take into account the operational effects of activities related to Firtal Group since the acquisition was made after the beginning of the financial year. For 2019/20 onwards, the performance of Firtal will be included in line with the performance of Matas' other activities.

In addition to the variable remuneration that may be granted to the Executive Management, see above, variable remuneration may also be granted to the rest of the executive team, which consisted of the group of other Matas executives, comprising six people, and the management of Firtal Group, comprising three people, at 31 March 2019.

Management's short-term incentive programme

For financial year 2018/19, a short-term bonus programme (STIP) based on the achievement of defined financial performance targets, including revenue and EBITDA for financial year 2018/19, and a number of personal targets has been agreed for the Executive Management and the rest of the executive team.

Based on the results achieved, short-term bonus payments for the Executive Management for financial year 2018/19 will total DKK 4.3 million (2017/18: DKK 1.4 million), which amount will be paid out upon approval at the annual general meeting of Matas' annual report for 2018/19 and will therefore be included in the financial statements for 2019/20.

Incentive-based remuneration may be clawed back if payment of the variable pay component is based on information which subsequently proves to be incorrect.

Management's long-term incentive programme

As described above, Matas has offered share-based incentive programmes in the form of Performance Share Units (PSUs) to the Executive Management and the rest of the executive team since 2016/17.

Under the current programme, PSUs are calculated and granted according to the following general principles:

- The term of a PSU is three years, after which it vests. The expiry date is thus three years after the date of grant.
- The number of conditional PSUs granted in a given year may not exceed a value corresponding to 75% of the participant's fixed base salary exclusive of pension contributions at the date of grant.
- The value of the PSUs granted is fixed on the basis of the share price at the date of grant.
- The financial performance targets associated with the granting of PSUs are determined once each year in connection with the Board of Directors' approval of the budget for the following financial year.
- Incentive-based remuneration may be clawed back if payment of the variable pay component is based on information which subsequently proves to be incorrect.
- Usual good and bad leaver rules apply.

The current programmes stipulate the following conditions for the vesting of conditional PSUs (to be converted into final PSUs):

- Depending on the achievement of two KPIs, which are each weighted 50%, one based on the

EBITDA performance and one on the revenue performance in the period up to and including the third financial year after grant, the number of final PSUs granted may at vesting vary by between 75% and 150% of the number originally granted.

- The PSUs are granted free of charge, and provided that the PSUs vest and do not lapse, each PSU entitles the holder to receive one Matas share at the time of vesting.
 - Provided that the above-mentioned KPIs are met, the PSUs granted will vest after publication of the annual report.
 - As described above, to participate in the programme, participants must over a four-year period acquire shares in Matas corresponding to a pre-defined share of their gross salary (shareholding obligation).

In addition to the Executive Management, PSUs were granted to the rest of Matas' executive team and to the management of Firtal Group in 2018/19.

The values of the current programmes based on maximum vesting at the date of grant are shown below.

The outstanding programmes for prior years and the PSUs granted for 2018/19 may be specified as follows:

LTIP programmes	Programme 2018/19	Programme 2017/18	Programme 2016/17
Number of participants			
Executive Management	2	2	2
Others	9	8	7
Total	11	10	9
Number of PSUs granted			
Gregers Wedell-Wedellsborg ¹⁾	57,561	42,135	0
Terje List ²⁾	0	0	28,542
Anders Skole-Sørensen	30,292	19,746	13,959
Executive Management, total	87,853	61,881	42,501
Other executives	60,512	40,035	24,467
Total	148,365	101,916	66,968
Executive Management's proportion	59%	61%	63%
Maximum market value³⁾ (DKKm)			
Gregers Wedell-Wedellsborg ¹⁾	5.2	4.6	0.0
Terje List ²⁾	0.0	0.0	5.3
Anders Skole-Sørensen	2.8	2.6	2.6
Executive Management, total	8.0	7.2	7.9
Other executives	5.6	5.1	4.6
Total	13.6	12.3	12.5
Executive Management's proportion	59%	59%	63%

¹⁾ Appointed on 1/11/2017. ²⁾ Resigned on 31/10/2017. ³⁾ At 31 March.

THE FEELING OF BEAUTY IS

*when I feel grounded and can be
there for my loved ones.*

Fia Frydenlund,
Club Matas member



Corporate social responsibility

CSR – main priorities

Matas is Denmark's largest beauty, personal care, healthcare and health products retailer, and as such, in close touch with a large section of the Danish population. We interact with our customers through our 279 physical stores across the country and via our webshops: matas.dk, helsebixen.dk, jala-helsekost.dk, made4men.dk, etc. We also regularly distribute communications and marketing material to the 1.4 million active members of Club Matas.

In May 2018, the Group defined its purpose as 'promoting the feeling of beauty and wellbeing for life' and subsequently introduced a new CSR strategy. While this strategy naturally builds on our purpose and widespread contact with Danish consumers, it also helps us manage responsibly the impact we have on our surroundings and honours the role we have been fortunate to develop over the past 70 years as a trusted adviser to large numbers of the Danish population, often on personal and sensitive issues.

It is on this basis that we have defined three main priorities which constitute the core of our CSR strategy:

- **Diversity**
Welfare, self-esteem and the right to be yourself
- **Sustainability**
Clean products and a green environmental footprint
- **Security**
A safe environment for our employees, safe products and data protection

We will promote the three main priorities through business initiatives, own-channel communications, collaboration with customers and strategic partnerships with selected partners, including interest organisations and NGOs.

We will focus our promotional activities on four of the UN's 17 Sustainable Development Goals:

Goal 5: *Gender equality* (Target 5.5: focusing on the number of women in senior management and on the Board of Directors).

Goal 8: *Decent work and economic growth* (Target 8.8: protecting labour rights at our sub-suppliers).

Goal 12: *Responsible consumption and production* (Targets 12.4, 12.5 and 12.6: reducing the use of chemicals and managing waste).

Goal 14: *Life below water* (Target 14.1: minimising microplastic litter harmful to marine ecosystems).

Diversity

Matas promotes the wellbeing and psychological resilience of Danish consumers, the right to be yourself on your own terms rather than abide by the norms of society and the feeling of self-esteem throughout life.

The first CSR priority sets out to underpin the Group's purpose – Beauty and wellbeing for life – through active and engaging dialogue at our stores, on online platforms through which Matas communicates actively with its customers and through other Danish media.

One specific initiative that was launched to promote wellbeing and diversity was "Projekt Julevenner" (Project Christmas Friends), where Matas teamed up with the Danish Red Cross during Christmas 2018 to help more than 400 individuals who would have been involuntarily alone on Christmas Eve finding a family to celebrate Christmas with. The partnership was a great success with 14,507 Club Matas members deciding to donate more than DKK 650,000 to the Red Cross' Christmas assistance programme and providing Christmas assistance for 757 financially challenged families.

Since 2007, Matas has been collaborating with the Danish Heart Foundation to collect money for the Children's Heart Fund and female heart research. In 2018, we collected more than DKK 2.1 million, and together with our customers, we have donated more than DKK 23 million to the Danish Heart Foundation since 2007. As part of this collaboration, Matas and the Danish Heart Foundation mounted 26 publicly accessible defibrillators on selected Matas store fronts across the country in financial year 2018/19.

In 2018/19, Matas also worked with a number of organisations to actively support a range of other projects. We also continued our partnership with the Kids Helpline, run by the Danish Society for the Promotion of Conditions for Children (Børns Vilkår). The Kids Helpline is an independent, anonymous counselling service helping children and young people who feel alone tackling difficult problems. In autumn 2018, we supported the "Bake for a

Cause" project, where children, young people and adults across the country baked and sold cakes in aid of the Kids Helpline. Matas distributed baking kits to local Matas stores for pick-up by volunteers. The Bake for a Cause project raised a total of DKK 2,250,000 million for the Kids Helpline.

During autumn 2018, we collaborated with the Danish Doctors' Vaccination Service and held events at 135 Matas stores where 10,907 customers were vaccinated.

In 2019/20, we will expand our initiatives to promote diversity based on a new dialogue strategy building on the Group's purpose and our close contact with millions of Danish consumers, primarily women. The idea is to initiate and facilitate a debate about barriers to beauty, wellbeing and diversity, such as low self-esteem among young adults due to unrealistic beauty ideals promoted by social media; physical and psychological changes during menopause; and third-age beauty ideals. The dialogue strategy also involves a Matas Prize which will be awarded twice a year to an individual or organisation that has been a trailblazer in the debate on barriers to beauty and wellbeing, the focus of our dialogue strategy.

Sustainability

Matas takes responsibility for reducing the Group's environmental footprint and protecting the world's resources.

Some 21 million transactions are completed every year at our physical stores and via matas.dk. We are therefore committed to maintaining a strong focus on the environment, and we do this by considering the issue of sustainability in all the Group's processes – from manufacturing, packing and distributing products, the energy consumed at our stores and the handing out of plastic bags to customers to the discarding of empty packaging.

With a view to reducing our impact on both the local and global environments, we aim to continually improve the sustainability of our sub-processes, focusing on the cosmetics we develop, market and sell and the packaging used for all the products in our ranges.

Sustainable products

In 2018/19, we worked diligently to promote Danish products, sustainability and the green market. With a view to making it easier for our customers to make greener choices when shopping for products for their inner and outer beauty, we opened two Matas Natur concept stores, one in Copenhagen and one in Aarhus, together with an integrated webshop on matas.dk/natur. Matas Natur offers a wide range of brands characterised by being environmentally certified, extra clean, organic, natural, vegan or particularly sustainable. We have also made it easier

for our customers to pick products developed and manufactured in Denmark by labelling products made in Denmark with a Danish flag, and our marketing materials and articles increasingly revolve around Danish products, sustainability and green products.

Matas offers the largest range of Swan-certified own-label personal care products of all Danish retail chains. At 31 March 2019, 200 of our private labels were Swan-certified, compared with 165 a year earlier. The Swan certification is only awarded to the most environmentally friendly products within a specific product category.

With a view to increasing the proportion of Swan-certified products and services when procuring goods and services for our in-house use, we have joined the Sustainable Procurement Network, which is managed by Ecolabelling Denmark, which is a part of the Danish Standards Foundation.

We support sustainable palm oil production by using RSPO-certified palm oil. Our goal is for 15% of our non-food products to be RSPO-certified by 2020. This goal was achieved in financial year 2018/19 with 18.9% of our own non-food products being RSPO-certified, an increase of more than 10 percentage points compared with financial year 2017/18. Even though the 2020 target has already been achieved, we are committed to increasing even further the proportion of our own non-food products with RSPO certification.

Working with the Danish Society for Nature Conservation during the past financial year, the Matas Environmental Fund donated DKK 182,000 to institutions across the country. However, we have decided to close down the fund in order to concentrate on other activities within the areas of the environment and sustainability.

Working to reduce our CO₂ footprint

Matas is committed to reducing the Group's energy consumption and CO₂ emissions. We do this by focusing on two primary areas: lighting and cooling as well as transport.

Lighting and cooling account for the largest proportion of the power consumption at our stores. Our employees are subject to rules for energy-efficient daily use of lighting and airconditioning systems. In addition, conventional lighting sources have been replaced by more energy-efficient LED lighting.

In financial year 2018/19, power consumption at our stores was up by 1,116 mWh to 13,016 mWh, due mainly to the significant upgrade of the lighting in connection with the renovation of stores in accordance with the new Matas Life concept design and to the increased cooling required at the stores

during the hot summer of 2018. Ongoing efforts are being made to limit power consumption, but on account of a number of store renovations etc. planned for 2019/20, we do not expect to significantly reduce consumption in the near term.

Transport

During financial year 2018/19, we were in ongoing dialogue with transport providers concerning the measuring of the energy consumed when goods were transported from our central warehouse to our stores. In 2018/19, 176 tonnes of CO₂ were emitted during transport, a year-on-year reduction of 13 tonnes.

Together with our transport providers, we are working to reduce the environmental impact per transport.

In the 2017/18 financial year, we formed a partnership with Citylogistik on distributing shipments to the stores in Roskilde by means of electric trucks. In financial year 2018/19, this collaboration was expanded to also include Lyngby.

Minimising our plastic consumption

With a view to promoting responsible consumption, we prioritise circular waste solutions. This means that all packaging used to transport finished goods to our central warehouse and stores across the country is recycled by our nationwide recycling scheme – the Matas Return System. This system is in keeping with the EU packaging directive, which prioritises recycling over incineration.

In 2018/19, 37 tonnes of transport plastic (2017/18: 40 tonnes) and 474 tonnes of cardboard (2017/18: 514 tonnes) were recycled. The reason for the decline in the consumption of transport plastic is that all products are now being repacked at Matas' central warehouse before they are delivered to the stores. This has also resulted in less cardboard being collected from the stores.

We invite customers to return to us all empty packaging from products purchased at Matas stores for recycling through the Matas Return System. Customers returned 20 tonnes of plastic packaging for recycling in 2018/19, a year-on-year increase of 1 tonne.

Customers returned their packaging without reimbursement of a deposit or any other financial compensation.

In the 2018/19 financial year, we sent 57 tonnes of plastic for recycling, which was two tonnes less than in the year before. We attribute the decline to the Group's reduced consumption of transport plastic.

For a number of years, we have been working with the manufacturer of most of our 'Stripes' products on reducing our total packaging consumption and the volume of plastic used in each container with a view to also reducing the volume of non-recyclable plastic used for the packaging of our private-label products. As a result, we developed a range of new packaging types with up to 30% less plastic content in connection with the relaunch of our 'Stripes' products in financial year 2018/19.

We began phasing out all microplastics in our private-label products in 2014, and through the Danish Chamber of Commerce, we actively promote common EU regulation to phase out the use of microplastics in cosmetics altogether.

As part of our CSR strategy we aim to develop an even more far-reaching plastics policy in financial year 2019/20, addressing, for example, the huge number of plastic bags used by Danish shoppers every year and a general reduction or increased recycling of packaging.

Security

Matas aims to be a safe, inclusive and stimulating workplace. Matas promotes safe products that are free from harmful chemicals. Matas works to protect customers' rights, including the right to personal data.

The Matas Group has almost 2,500 employees, the majority working at the Group's 279 stores. As a responsible employer, Matas aims to create a safe and attractive working environment for all its employees. Accordingly, the Group is committed to maintaining a well-defined organisational framework, providing employees with job security, proper training and protection under a collective agreement negotiated between the Danish Chamber of Commerce and the relevant trade unions.

Peace of mind and well-being on the job

Job dissatisfaction represents our key risk in relation to employee conditions, while the risk of work-related accidents and attrition is smaller but obviously present, especially at our central warehouse.

The Group remains committed to providing a good working environment at our stores, our main office and our warehouse. Good, well-functioning workplaces provide a strong platform for creating positive experiences for our customers.

Human rights

Matas supports and respects internationally declared human rights as laid down in the UNGP, including by avoiding to restrict the rights of our employees to establish labour unions, their freedom of association, right to collective

bargaining and equal opportunities for women and men. Moreover, through our Code of Conduct, Matas requires that our suppliers develop and produce their products without child labour. This requirement is incorporated into all supplier agreements.

Matas is committed to promoting diversity among our employees, including proper female representation in senior management and on the Board of Directors.

The results of this work are presented in the section on Corporate Governance. No human rights violations were identified in the past financial year.

Employee skills

The Group's most important knowledge resources are our employees, who are known and respected for their professional skills and ability to provide personalised customer service, both of which are instrumental in creating positive customer experiences and building lasting customer relations. By providing professional advice, we aim to enable customers to make a qualified and potentially more sustainable choice based on their personal needs and the generally increasing focus on reducing the environmental impact.

In the 2017/2018 financial year, Matas continued its efforts to provide an attractive workplace where employee skills and development are in focus. With a view to retaining skilled employees, skills enhancement programmes are prepared for each shop assistant.

Training and knowledge resources

Matas is the only retail chain with a specific training programme for its employees. Each year, the Group trains more than 200 trainees to become materialists and to have the skills to offer our customers professional and qualified advice. In addition to our goal of providing our customers with professional customer service, we aim to allow our employees to continually develop their skills. We want to be known as the Danish retail chain with the highest levels of service and professional know-how among our customer-facing employees.

Most of our training programmes are completed in close cooperation with Denmark's largest special retailing vocational school and the Group's suppliers. The two-year programme consists of a trainee programme at one of Matas' own stores and a theoretical training programme. The programme includes both class teaching and e-learning, and the main emphasis is on product training, relevant physiology and customer service. The

programme is completed with a final vocational test. After completing the programme, materialists have the option to specialise as healthcare advisers, work environment representatives or managers.

Good health and environmental protection are important subjects in the basic training of materialists, the purpose being to equip them to provide professional advice to customers. Accordingly, materialists are taught about products and their ingredients in order to be able to advise consumers about which products meet individual wishes and needs. Materialists also learn about the health-promoting initiatives offered at our stores on a regular basis.

At the end of the financial year, 65% of our shop assistants were fully trained or were undergoing training. In terms of FTEs, about 86% of the chain's employees were trained or undergoing training. This represents a small decline compared with financial year 2017/18 when 90% of the chain's employees were trained or undergoing training. The decline was primarily attributable to store mergers in connection with the development of the new Matas Life store concept. All hourly workers who are not trained or undergoing training at a Matas Group store are guaranteed a minimum wage in accordance with the collective agreement between HK and the Danish Chamber of Commerce.

In order to stay visible to young training seekers, Matas' employees attend various events held by business colleges across the country. As a result, the traineeships offered by Matas are in great demand. For a number of years, Matas has also retrained professionals from other industries to the product and service level requested by our customers. This ensures diversity among our employees.

The Group makes substantial investments in ongoing training of our own managers. The structured management training offered to new store managers and deputies ensures they have the tools and skills to attract, develop and retain talented employees and manage day-to-day store operations.

The workplace

The Matas Group continually seeks to encourage and promote an inclusive and diverse working environment and to maintain a safe and healthy working environment for our employees. Matas contributes to diversity and an inclusive labour market through special employment plans such as part-time work schemes and a project called K LAP (*Kreativ, Langsigtet ArbejdsPlanlægning* (creative, long-term work planning)). Matas collaborates with the Danish LEV society on the K LAP Project whose

objective is to give people with special needs and learning difficulties an everyday situation in the form of a job with content and the opportunity to meet other people. At the end of the financial year, the Group had 33 employees under the K LAP Project.

In addition, the Group had 28 employees in subsidised jobs, typically physically disabled people unable to work full time, at 31 March 2019.

Welfare and responsibility in the workplace

The Group works proactively to ensure employee job satisfaction, working actively to maintain a safe and healthy working environment and holding annual employee development interviews and semi-annual anonymous surveys of employee satisfaction.

The most recent employee satisfaction survey, which was carried out in May 2018, shows a very good score of 4.2 out of 5 for the Group as a whole (the employees of Firtal Group did not participate in the survey in financial year 2018/19).

Ongoing efforts are being made to improve the general level of employee satisfaction in the Matas Group in order to make Matas an even better place to work and a better place to shop for our customers.

Sickness absence in the Matas chain is significantly below comparable sector levels. Excluding employees who resigned during the year and absence due to sickness in connection with pregnancy, the sickness absence rate was 2.2%. Measured on a monthly basis over the year as a whole and including all staff employed in the financial year and sickness in connection with pregnancy, the rate of absenteeism among employees in the Matas Group was 4.24%.

The average number of employees on leave in connection with pregnancy and child birth in 2018/19 was about 95.

Anti-corruption

Matas is exposed to the risk of non-compliance with anti-corruption legislation by employees, suppliers and other partners and to the potential indirect financial and legal effects of such non-compliance.

Matas' policy is to comply with all applicable legislation and to actively work against corruption in all its forms.

Our rules in this area clearly state that no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the company.

Violation of these rules will have serious disciplinary consequences for the employees involved.

We have set up a whistleblower scheme to allow our employees to anonymously report suspicion of misconduct such as violations of Matas' internal policies or applicable legislation, fraud, etc. Any such reports are submitted in anonymised form through a portal. Reports received can only be accessed by the Chairman of the Board of Directors, the head of Human Resources and the head of Safety and Security. Deletion of reports is subject to approval by two of these three people. It is possible to communicate with whistleblowers through an anonymised system. Three reports/questions were submitted through the portal in financial year 2018/19. One question concerned the composition of shareholders, while the other two concerned suspicion of fraud, which turned out to be unfounded.

Making sure that products are safe

Substitution by private labels – Code of Conduct for private labels

In the past financial year, we continued our proactive work to improve all the chain's private label products to align them with the latest knowledge about environmental and consumer health impacts. The following legal substances have been completely phased out of our private labels: Microplastics, Methylisothiazolinone (MI), Triclosane and all perfume substances subject to compulsory declaration. The same goes for all parabens, phthalates and all other substances on the EU list of potential endocrine disruptors. All private labels comprised by cosmetics legislation are subjected to bacteriological control by Eurofins Steins Laboratorium.

At the end of financial year 2017/18, Matas introduced Denmark's first Blue Label (Asthma-Allergy Denmark's allergy label) makeup product (a BB cream). The Blue Label helps allergy sufferers make safe choices in relation to reducing allergy risk. At 31 March 2019, more than 110 Matas products carried the Blue Label, compared with 92 at 31 March 2018.

Code of Conduct for third-party labels

In addition to the Code of Conduct governing our private labels, all other products in our product range are subject to contractual health and environmental requirements stricter than the Danish statutory requirements. These requirements are laid down in the Code of Conduct for third-party labels. As an example, our suppliers have signed declarations that all products supplied to Matas are free from PVC, Lawsome and a number of other substances. No incidents of non-compliance with the Code of Conduct were identified among Matas' suppliers in 2018/19.

Making sure our customers' personal data are safe

Matas stores personal customer data on more than 1.6 million Club Matas members. In today's digitalised world, personal customer data are a valuable and fragile resource which companies are legally and ethically bound to protect.

The Matas Group is committed to ensuring that personal customer data are never used for purposes for which a customer's full consent has not been obtained and to ensuring full transparency for customers, including as to how customers can manage their own profiles.

Accordingly, Matas is committed to assuring our customers that their data are treated with respect and in accordance with applicable data protection rules.

Since the EU General Data Protection Regulation (GDPR) entered into force on 25 May 2018, Matas has made consistent efforts to comply with the applicable rules, including rules on declarations of consent and data protection. All store managers, district managers and regional managers as well as Matas' administrative staff have completed GDPR e-learning on how to ensure that personal customer data are not compromised or used without a customer's full consent. As part of our efforts to make sure that our customers' personal data are safe, we have prepared a Data-ethical Policy that will be published on matas.dk/hjertesager in financial year 2019/20.

Matas' data protection policies are available at matas.dk.

CSR priority – diversity	2018/19	2017/18
Danish Heart Foundation		
Total donations through fundraising activities	DKK 2,100,000	DKK 2,500,000
Børns Vilkår		
Donation to the Kids Helpline	-	DKK 25,000
Collected for the Kids Helpline through Bake for a Cause	DKK 2,250,000	DKK 2,200,000
Red Cross		
Collected for Christmas assistance	DKK 650,000	-
Danish Cancer Society		
Total donations and fundraising activities	DKK 1,075,000	DKK 990,000
Danish Doctors' Vaccination Service		
Number of people vaccinated	10,907	13,978

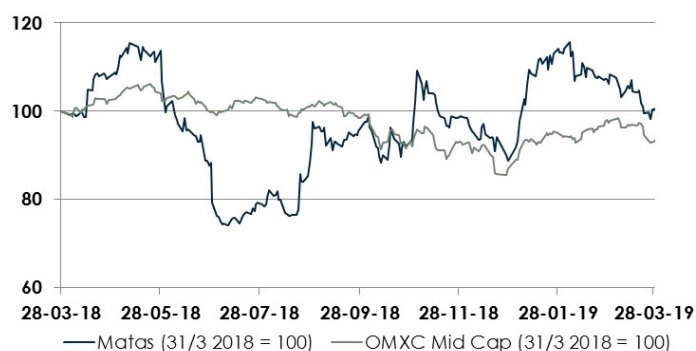
CSR priority – sustainability	2018/19	2017/18
Matas Environmental Fund		
Total donations	DKK 182,000	DKK 318,000
Matas Return System		
Transport plastic collected (Matas)	37 tonnes	40 tonnes
Empty plastic packaging collected from customers	20 tonnes	19 tonnes
Cardboard collected (Matas)	474 tonnes	514 tonnes
Transport		
CO ₂ emissions	176 tonnes	189 tonnes
Products		
Own Swan-certified products (number)	200	165
Own products with RSPO certification (proportion of own products/number?)	18.9%	5%

CSR priority – security	2018/19	2017/18
Products		
Own Blue Label-certified products (number)	110	92
Employees		
Project KLAP (number)	33	34
Subsidised jobs (number)	28	n.a.
Employee satisfaction	4.2	4.3
Sickness absence(excluding pregnancies)	2.2%	2.0%
Sickness absence(including pregnancies)	4.2%	5.2%
Leave (number)	95	100
Trained materialists and materialist undergoing training (proportion of FTE)	86%	90%
Materialist trainees trained (number)	200	220

Shareholder information

Matas shares in 2018/19

Matas A/S has been listed on Nasdaq Copenhagen since 28 June 2013 and is a component of the OMX Copenhagen Mid Cap index. The share price closed at DKK 65.8 on 31 March 2019, equivalent to an increase of 0.6% in 2018/19. A dividend of DKK 6.3 per share was paid out as of 3 July 2018. Including reinvested dividend, the share price rose by 13.4% in 2018/19. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of -6.6% in the same period. At 31 March 2019, Matas A/S' market capitalisation was DKK 2,520 million. The average turnover in Matas' shares was 144,690 shares per day in 2018/19.



Share capital

The nominal value of the company's share capital at 31 March 2019 was DKK 95,728,730 divided into shares of DKK 2.50, equivalent to 38,291,492 shares and 38,291,492 votes. At 31 March 2019, Matas held 296,761 treasury shares following the assignment of 360,425 shares in the financial year in connection with the acquisition of Firtal Group.

The shares are not divided into share classes. The company is registered under the following master data with Nasdaq Copenhagen:

Share capital (DKK)	95,728,730
Number of shares (of DKK 2.5)	38,291,492
Classes of shares	1
Restrictions on transferability and voting rights	None
Stock exchange	Nasdaq Copenhagen
Ticker symbol	MATAS
ISIN code	DK0060497295

Authorisations relating to the share capital

The Board of Directors is authorised to purchase treasury shares to the extent the Company's holding of treasury shares at no time exceeds 10% of the share

capital. The purchase price must not deviate by more than 10% from the listing price on Nasdaq Copenhagen at the time of the purchase. The current authorisation is valid until 27 June 2019. The Board of Directors proposes that such authorisation be renewed at the annual general meeting to be held on 27 June 2019.

The Board of Directors proposes that the Company's authorisations to increase the share capital under the articles of association be updated as follows:

- In the period until 1 April 2024, the Board of Directors is authorised to increase the Company's share capital in one or more issues without pre-emption rights for the Company's existing shareholders by up to a nominal amount of DKK 9,570,000. The capital increase shall take place at market price and may be effected by cash payment or as consideration for an acquisition of business activities or other assets.
- In the period until 1 April 2024, the Board of Directors is authorised to increase the Company's share capital in one or more issues without pre-emption rights for the Company's existing shareholders by up to a nominal amount of DKK 1,000,000 in connection with the issue of new shares for the benefit of the Company's employees and/or employees of its subsidiaries. The new shares shall be issued at a subscription price to be determined by the Board of Directors, which may be below the market price.
- New shares issued in pursuance of the above authorisations may not exceed DKK 9,570,000, shall be issued in the name of the holder and shall be recorded in the name of the holder in the Company's register of shareholders, shall be paid in full, be negotiable instruments, and shall in every respect carry the same rights as the existing shares. The Board of Directors is authorised to lay down the terms and conditions for capital increases pursuant to the above authorisations and to make any such amendments to the Company's Articles of Association as may be required as a result of the Board of Directors' exercise of the said authorisations.

Ownership

At 31 March 2019, Matas A/S had approximately 14,600 registered shareholders, who represented approximately 92% of the share capital. Out of the registered shareholders, shares held by non-Danish shareholders accounted for 61%.

On 15 January 2019, KIRKBI Invest A/S, Denmark, which had disclosed a shareholding of 12.72% at 31 March 2018, reduced its shareholding to 4.93% of the share capital and is therefore no longer a major shareholder in Matas A/S.

At 31 March 2019, members of the Board of Directors held 34,303 shares, and members of the Executive Management held 111,298 shares, equivalent to 143,901 shares, or 0.4% of the share capital.

Treasury shares

At the annual general meeting held on 28 June 2018, the Board of Directors was authorised to acquire treasury shares for up to 10% of the share capital in the period until the annual general meeting to be held in 2019. No treasury shares were acquired in the 2018/19 financial year.

Treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

Dividend

The Board of Directors proposes an ordinary dividend of DKK 3.00 per share for the 2018/19 financial year. The proposed dividend per share corresponds to a total dividend distribution of DKK 115 million, equivalent to 33% of Adjusted profit after tax.

Investor relations policy

The policy of Matas A/S is to communicate precisely, actively and in a timely manner to its stakeholders in the financial markets in order to ensure that all investors have equal and adequate access to relevant information as a basis for trading in and pricing of the company's shares. This is done taking into account the rules and legislation applicable to companies listed on Nasdaq Copenhagen.

The Group wishes to be perceived as credible and open and to have a top position among its peers with respect to investor relations. In order to expand the awareness of Matas A/S among domestic and international investors and ensure that analysts from the most relevant banks continue to cover Matas' shares, the Group hosts a number of investor relations activities and road shows. In the 2018/19 financial year, meetings and telephone conferences were held with approximately 120 institutional investors.

The company's investor relations website, investor.matas.dk, contains all official financial reports,

investor presentations, the financial calendar, corporate governance documents and other material.

Analyst coverage

Matas A/S is currently covered by four analysts.

ABG Sundal Collier	Michael Vitfell-Rasmussen
Danske Bank	Poul Ernst Jessen
Nordea	Claus Almer
Carnegie	Alexander Borreskov

Contact

Day-to-day contact with investors and analysts is handled by

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E-mail: etk@matas.dk

Chief Financial Officer
Anders Skole-Sørensen
Tel: +45 48 16 55 55
E-mail: as@matas.dk

Annual general meeting

The annual general meeting will be held on Thursday, 27 June 2019 at 4:00 p.m. at IDA Mødecenter, Kalvebod Brygge 31-33, DK-1780 Copenhagen V, Denmark.

Financial calendar

The financial calendar for the 2019/20 financial year is as follows:

20 August 2019	Interim report – Q1 2019/20
30 October 2019	Interim report – Q2 2019/20
8 January 2020	Trading update for Q3 2019/20
27 February 2020	Interim report – Q3 2019/20
27 May 2020	Annual report 2019/20
30 June 2020	Annual general meeting for 2019/20

Board of Directors and Executive Management

Board of Directors

Lars Vinge Frederiksen, Chairman

- Born 1958, Danish nationality
- Position: Professional board member since 2013
- First elected to the Board of Directors in 2013
- Up for re-election: 2019
- Chairman of the Remuneration Committee and the Nomination Committee
- Independent board member
- Chairman of the board of directors of Atos Medical AB, Malmö. Member of the boards of directors of Falck A/S, Augustinus Industri A/S and Tate & Lyle, London. Chairman of the Hedorf Foundation and the Danish Committee on Corporate Governance and a member of the supervisory board of PAI Partners SA, France
- Special expertise in general management and strategic development, capital markets and finance experience from listed companies

Lars Frederiksen, Deputy Chairman

- Born 1969, Danish nationality
- Position: Professional board member since 2007
- First elected to the Board of Directors in 2007
- Up for re-election: 2019
- Member of the Remuneration Committee, the Nomination Committee and the Audit Committee
- Independent board member*
- Chairman of the boards of directors of Clea Capital Ltd., Burner International A/S, Burner Holding A/S and Jægersborg Ejendomme A/S
- Special expertise in retailing, including physical retailing, experience in general management, strategic development and finance

Signe Trock Hilstrøm, board member

- Born 1974, Danish nationality
- Position: CMO & Ecommerce Director at Imerco A/S
- First elected to the Board of Directors in 2017
- Up for re-election: 2019
- Member of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the eCommerce Awards jury (FDIH)

Special expertise in retailing, including brand and marketing, e-commerce, omnichannel, loyalty clubs and physical retailing

Mette Maix, board member

- Born 1969, Danish nationality
- Position: CEO at Flying Tiger Copenhagen until 1 May 2019
- First elected to the Board of Directors in 2017
- Up for re-election: 2019
- Independent board member
- Special expertise in all aspects of retailing, including combining physical and online sales, and experience in general management and strategic development

* If Lars Frederiksen is re-elected at the annual general meeting to be held on 27 June 2019, he will no longer be an independent member after having served on the Board for more than 12 years.

Board of Directors (continued)

Christian Mariager, board member

- Born 1961, Danish nationality
- Position: Operating Partner at L Catterton Europe
- First elected to the Board of Directors in 2014
- Up for re-election: 2019
- Member of the Audit Committee
- Independent board member
- Chairman of the boards of directors of Comitel A/S, Coffeebrewer Nordic A/S and Peter Beier A/S and member of the boards of directors of Michael Goldschmidt Holding A/S and Ganni A/S. Member of the Advisory Board of Columbia Business School
- Special expertise in general management and strategic development, experience in retailing, consumer goods and finance

Birgitte Nielsen, board member

- Born 1963, Danish nationality
- Position: Professional board member since 2006
- First elected to the Board of Directors in 2013
- Up for re-election: 2019
- Chairman of the Audit Committee
- Independent board member
- Member of the boards of directors of Coloplast A/S, Kirk Kapital A/S, De Forenede Ejendomsselskaber A/S and the Danish Rheumatism Association and a member of the audit committee of Coloplast A/S
- Special expertise in general management and strategic development, board experience, including extensive financial and accounting expertise, and capital markets experience

Executive Management

Gregers Wedell-Wedellsborg CEO

- Born 1972, Danish nationality
- Member of the boards of directors of Gyldendal A/S, Vallø Stift, the Danish Chamber of Commerce and Gerda og Victor B. Strands Fond (Toms Gruppens Fond)
- Member of the Danish government's Disruption Agency

Anders Skole-Sørensen Chief Financial Officer

- Born 1962, Danish nationality
- Member of the board of directors of F. Uhrenholdt Holding A/S and deputy chairman of TCM Group A/S



THE FEELING OF BEAUTY IS

*being happy, open, curious
and willing to change – that makes
you beautiful!*

Rikke Hein-Rasmussen
Club Matas member

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the annual report of Matas A/S for the financial year 1 April 2018 to 31 March 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure 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 Group's and the parent company's assets and liabilities and financial position at 31 March 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 April 2018 to 31 March 2019.

Furthermore, in our opinion, the management's review includes a fair review of the development and performance of the business, the results for the year and of the Group's and the parent company's cash flows and financial position and describes the principal risks and uncertainties that the Group and the parent company face.

We recommend the annual report for approval at the annual general meeting.

Allerød, 28 May 2019

Executive Management

Gregers Wedell-Wedellsborg
CEO

Anders Skole-Sørensen
CFO

Board of Directors

Lars Vinge Frederiksen
Chairman

Lars Frederiksen
Deputy Chairman

Signe Trock Hilstrøm

Mette Maix

Christian Mariager

Birgitte Nielsen

Independent auditor's report

To the shareholders of Matas A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Matas A/S for the financial year 1 April 2018 – 31 March 2019, which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for 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 March 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 April 2018 – 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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" (in the following 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 audit opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditors

Subsequent to Matas A/S being listed on Nasdaq OMX Copenhagen, we were first appointed auditors of Matas A/S on 30 June 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of five years up to and including the financial year 2018/19.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 1 April 2018 – 31 March 2019. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Goodwill measurement

The carrying amount of goodwill is DKK 3,838.1 million at 31 March 2019, corresponding to 69% of the Group's assets. Goodwill has an indefinite useful life and must under International Financial Reporting Standards as adopted by the EU (IAS 36) be tested for impairment at least once a year. We did not identify any impairment of goodwill in the financial year. The impairment test is a key audit matter as it relies on assumptions and estimates made by management, including about future earnings.

Additional information about the amount of goodwill recognised is disclosed in notes 2 and 15 to the consolidated financial statements.

During our audit, we checked the impairment test prepared by management, which is based on the discounted cash flow model, and assessed whether the assumptions made by management are reasonable. We assessed the relevance of the calculation model selected and assessed the discount factor and growth rate applied for extrapolation purposes. Expected net cash flows are based on the budget for financial year 2019/20, extrapolation through the remaining budget period to 2023/24 and a terminal value. We examined budget preparation procedures and compared budgets with the Group's strategy work in the individual areas. In addition, we assessed the adequacy of the goodwill disclosures provided in notes 2 and 15.

Revenue recognition and measurement of performance obligations (loyalty programme)

In connection with sales from own stores and the allocation of points and stripes under the Club Matas loyalty programme, a performance obligation related to the non-performed proportion of revenue relating to the allocation of Club Matas points and stripes is recognised. The related revenue is recognised as customers redeem their Club Matas points and stripes. The recognition of revenue and the measurement of not yet redeemed Club Matas points and stripes are key audit matters as the statement was based on a fair value estimated by management that is inherently subject to uncertainty in respect of actual future redemption.

Additional information about the recognition of revenue and the measurement of prepayments from customers (performance obligations) in respect of Club Matas is disclosed in notes 2 and 23 to the consolidated financial statements.

As regards the measurement of unredeemed Club Matas points and stripes, we checked the fair value models applied by management for measuring purposes and assessed the fair value of unredeemed Club Matas points and stripes on the basis of the value for the customer based on the conversion rate estimated by management and the future redemption rate estimated by management based on historical redemption rates. In addition, we tested the mathematical accuracy of the fair value model.

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 form of 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 about 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 International Standards on Auditing 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 these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgment 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'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 the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 content of the financial statements, including the disclosures in the notes, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 May 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised
Public Accountant
mne no. 19718

Kristian Bjerger
State Authorised
Public Accountant
mne no. 40740

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Statement of comprehensive income

(DKKm)	Note	2018/19	2017/18
Revenue	3, 4	3,541.3	3,464.8
Cost of goods sold	5	(1,952.5)	(1,915.5)
Gross profit		1,588.8	1,549.3
Other external expenses	6	(354.9)	(319.6)
Staff costs	7	(704.2)	(695.2)
Amortisation, depreciation and impairment	8	(166.4)	(165.6)
EBIT		363.3	368.9
Share of profit or loss after tax of associates		0.2	0.0
Financial income	9	3.0	10.9
Financial expenses	10	(24.6)	(30.6)
Profit before tax		341.9	349.2
Tax on profit for the year	11	(78.8)	(68.9)
Profit for the year		263.1	280.3
Other comprehensive income			
Other comprehensive income after tax		(2.6)	0.0
Total comprehensive income for the year		260.5	280.3
Earnings per share:			
Earnings per share, DKK	12	6.96	7.45
Diluted earnings per share, DKK	12	6.93	7.43

Statement of cash flows

(DKKm)	Note	2018/19	2017/18
Profit before tax		341.9	349.2
Amortisation, depreciation and impairment	8	166.4	165.6
Share of profit or loss after tax of associates		(0.2)	0.0
Financial income	9	(3.0)	(10.9)
Financial expenses	10	24.6	30.6
Other non-cash operating items, net		6.8	12.7
Cash generated from operations before changes in working capital		536.5	547.2
Changes in working capital	26	29.6	(41.0)
Cash generated from operations		566.1	506.2
Interest received	9	0.1	0.0
Interest paid	10	(21.4)	(28.9)
Corporation tax paid		(93.4)	(93.7)
Cash flow from operating activities		451.4	383.6
Acquisition of intangible assets	14	(64.8)	(40.9)
Acquisition of property, plant and equipment	16	(63.5)	(51.7)
Acquisition of subsidiaries and operations	27	(110.7)	(9.5)
Cash flow from investing activities		(239.0)	(102.1)
Free cash flow		212.4	281.5
Loans raised with credit institutions	24	105.0	8.7
Dividend paid		(237.1)	(237.1)
Purchase of hedging instrument		(5.8)	0.0
Cash flows from financing activities		(137.9)	(228.4)
Net cash flow from operating, investing and financing activities		74.5	53.1
Cash and cash equivalents, beginning of period		86.4	33.3
Cash and cash equivalents, end of period		160.9	86.4

The above cannot be derived directly from the statement of comprehensive income and the statement of financial position.

Assets at 31 March

(DKKm)	Note	2018/19	2017/18
NON-CURRENT ASSETS			
Goodwill		3,838.1	3,736.4
Trademarks and trade names		247.6	287.9
Other intangible assets		82.3	58.0
Total intangible assets	14, 15	4,168.0	4,082.3
Land and buildings		86.4	88.3
Other fixtures and fittings, tools and equipment		91.7	76.1
Leasehold improvements		16.8	11.6
Total property, plant and equipment	16	194.9	176.0
Investments in associates		0.7	0.0
Deferred tax assets	22	0.0	19.8
Deposits		42.6	40.7
Other securities and investments		0.7	0.7
Total other non-current assets		44.0	61.2
Total non-current assets		4,406.9	4,319.5
CURRENT ASSETS			
Inventories	18	785.5	749.0
Trade receivables	19	11.4	7.1
Corporation tax receivable		51.8	112.0
Other receivables	20	90.1	6.7
Prepayments		32.2	22.9
Cash and cash equivalents		160.9	86.4
Total current assets		1,131.9	984.1
TOTAL ASSETS		5,538.8	5,303.6

Equity and liabilities at 31 March

(DKKm)	Note	2018/19	2017/18
EQUITY AND LIABILITIES			
Share capital	21	95.7	95.7
Hedging reserve		(2.6)	0.0
Translation reserve		0.3	0.3
Treasury share reserve		(33.3)	(73.7)
Retained earnings		2,494.9	2,357.4
Proposed dividend for the financial year	13	114.9	241.2
Total equity		2,669.9	2,620.9
Deferred tax	22	209.4	211.4
Contingent consideration		15.2	0.0
Credit institutions	24	1,665.0	1,558.3
Total non-current liabilities		1,889.6	1,769.7
Prepayments from customers	23	156.0	160.2
Trade payables		638.3	579.4
Other payables	25	185.0	173.4
Total current liabilities		979.3	913.0
Total liabilities		2,868.9	2,682.7
TOTAL EQUITY AND LIABILITIES		5,538.8	5,303.6

Statement of changes in equity

(DKKm)	Share capital	Hedging reserve	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	95.7	0.0	0.3	(73.7)	241.2	2,357.4	2,620.9
Value adjustment of hedging instrument	0.0	(3.3)	0.0	0.0	0.0	0.0	(3.3)
Tax on value adjustment	0.0	0.7	0.0	0.0	0.0	0.0	0.7
Other comprehensive income	0.0	(2.6)	0.0	0.0	0.0	0.0	(2.6)
Profit for the year	0.0	0.0	0.0	0.0	114.9	148.2	263.1
Total comprehensive income	0.0	(2.6)	0.0	0.0	114.9	148.2	260.5
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.1)	4.1	0.0
Disposal of treasury shares for purchase of Firtal Group	0.0	0.0	0.0	40.4	0.0	(20.4)	20.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	5.6	5.6
Total transactions with owners	0.0	0.0	0.0	40.4	(241.2)	(10.7)	(211.5)
Equity at 31 March 2019	95.7	(2.6)	0.3	(33.3)	114.9	2,494.9	2,669.9

DKK million	Share capital	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2017	98.2	0.3	(185.3)	247.5	2,411.8	2,572.5
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	241.2	39.1	280.3
Total comprehensive income	0.0	0.0	0.0	241.2	39.1	280.3
Transactions with owners						
Dividend paid	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	-10.4	10.4	0.0
Capital reduction	(2.5)	0.0	111.6	0.0	(109.1)	0.0
Share-based payment	0.0	0.0	0.0	0.0	5.2	5.2
Total transactions with owners	(2.5)	0.0	111.6	(247.5)	(93.5)	(231.9)
Equity at 31 March 2018	95.7	0.3	(73.7)	241.2	2,357.4	2,620.9

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Notes to the financial statements

Note 1 – Accounting policies

Matas A/S is a public limited company domiciled in Denmark. The annual report for the year ended 31 March 2019 includes both the consolidated financial statements of Matas A/S and its subsidiaries (the Group) and the separate financial statements of the parent company, Matas A/S.

The consolidated financial statements of Matas A/S for 2018/19 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

The Board of Directors and the Executive Management considered and adopted the annual report of Matas A/S for 2018/19 on 28 May 2019. The annual report will be presented to the shareholders of Matas A/S for approval at the annual general meeting to be held on 27 June 2019.

Basis of preparation

The consolidated financial statements are presented in DKK, and all amounts are rounded to the nearest million DKK to one place of decimal (DKKm) unless otherwise stated.

The accounting policies set out below have been used consistently in respect of the financial year and to comparative figures. For standards implemented prospectively, comparatives are not restated.

Matas A/S has implemented all new or amended financial reporting standards and interpretations adopted by the EU that apply to the financial year 1 April 2018 – 31 March 2019. None of these have significantly affected Matas' annual report for 2018/19. The changes resulting from the implementation of IFRS 9 and IFRS 15 at 1 April 2018 are described below. Note 34 sets out new standards not yet in force.

Matas has applied IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, for the first time. The effects of these changes are described below.

Changes to other standards and interpretations also apply for the first time in 2018/19. None of these changes have had any impact on recognition or measurement in the financial statements.

Impact of IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39 and changes the classification, measurement and impairment of financial assets and introduces new hedge accounting rules.

Under IFRS 9, Matas must recognise expected credit losses on all debt securities, loans and trade receivables, based either on 12-month expected losses or on lifetime expected losses. Matas recognises expected lifetime losses on all trade receivables. Based on Matas' operations and thus its portfolio of financial assets and liabilities and the historically low losses incurred on loans and receivables, the implementation of the new standard has had no effect on Matas' annual report and thus no effect on retained earnings as at 1 April 2018. Implementing the standard has not in any way affected recognition or measurement.

Impact of IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards (IAS 11, Construction Contracts, and IAS 18, Revenue) and related interpretations and introduces a five-step model for the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which Matas expects to be entitled in exchange for transferring goods or services to a customer.

Implementing the new standard has led to a reclassification of particularly the Club Matas customer loyalty programme. The reclassification inflated revenue by DKK 45.7 million and cost of sales by a corresponding amount in financial year 2017/18. The reclassification is consistent with the latest forecast as disclosed in the annual report for 2017/18.

Note 1 – Accounting policies - continued

Matas already today grants its customers a right of return. Under IFRS 15, Matas must present provisions for returns ('Contractual obligation on returns') and an asset representing the right to recover products from the customer ('Right to recover goods on returns') separately in the statement of financial position. Matas has not previously presented return obligations separately as they have been in the DKK 0 – 1 million range. In connection with the transition to IFRS 15, Matas will, in light of the level of liabilities, present the right to recover inventories from customers on return of goods as part of 'Inventories' and return obligations as part of 'Prepayments from customers'.

Matas has implemented the new standard without restating comparatives, but has made the above-mentioned reclassification regarding the Club Matas loyalty programme. Except for the above-mentioned reclassification, the new standard has not significantly affected the recognition or measurement of revenue. The new standard has not affected the statement of cash flows, profits or earnings per share.

Alternative performance measures

The annual report includes non-IFRS financial ratios. We believe that non-GAAP ratios provide investors and Matas' management with valuable information for purposes of evaluating our financial performance. As other companies may calculate these ratios in a different way than Matas does, they may not be comparable with the ratios applied by other companies. Accordingly, these financial ratios should not be considered a substitute for performance measures defined under IFRS. For a definition of the performance measures applied by Matas, see page 99.

Description of accounting policies

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the parent company, Matas A/S, and subsidiaries in which Matas A/S has control. Matas A/S has control of a company if the Group is exposed to or has rights to variable returns from its involvement in the company and has the ability to affect those returns through its power over the company.

In the assessment of whether the Group has control, de facto control and potential voting rights that are real and of substance at the date of the statement of financial position are taken into account.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared according to the Group accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains to the extent that write-down has not taken place.

The subsidiaries' line items are included 100% in the consolidated financial statements.

Business combinations

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of are recognised in the consolidated financial statements until the date of disposal. The comparative figures are not restated to reflect acquisitions.

On acquisition of new businesses in which the Group assumes control over the acquired business, the purchase method is applied. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The acquisition date is the date on which the Group effectively assumes control of the acquired business.

Any excess of the consideration transferred over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised but is tested annually for impairment. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating unit subsequently forming the basis for the impairment test.

Note 1 – Accounting policies - continued

The consideration for a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events occurring or on agreed conditions being met, that part of the consideration is recognised at fair value at the acquisition date. Contingent consideration that is not an equity instrument is subsequently measured at fair value through profit or loss. Costs attributable to business combinations are recognised directly in other external costs in the year in which they are incurred.

If uncertainties exist regarding identification or measurement of acquired assets, liabilities or contingent liabilities, initial recognition will take place on the basis of provisional values. If it subsequently becomes apparent that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and the comparative figures are restated. Hereafter, goodwill is not adjusted.

Gains and losses on disposal of subsidiaries are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal less cost of disposal.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position. The difference between the exchange rates at the date of the statement of financial position and at the date at which the receivable or payable arose or was recognised in the latest consolidated financial statements is recognised as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is only made when the company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in profit or loss together with changes in the fair value of the hedged asset or liability as regards the hedged portion. The portion of the value adjustment of a derivative hedging instrument that is not included in a hedge is presented in profit or loss under financial items.

For derivative financial instruments that are not designated as and/or do not qualify as hedging instruments, changes in fair value are recognised as financial income or financial expenses.

Statement of comprehensive income

Revenue

The Group generates revenue from sales of Mass Beauty and High-End Beauty products, vitamins, minerals and supplements, household and personal care products and over-the-counter medicine through the Matas chain's store network and webshops.

The Group's sales agreements are divided into separately identifiable performance obligations (relating primarily to the Club Matas loyalty programme), which are recognised and measured separately at fair value. If a sales agreement comprises more than one performance obligation, the total sales value of the sales agreement is allocated proportionately to the individual performance obligations of the agreement. Performance obligations in relation to the non-performed proportion of revenue related to the allocation of points and stripes under the Club Matas loyalty programme are deducted. Income from the sale of gift vouchers is recognised as revenue upon redemption, alternatively upon expiry of the validity period.

Revenue is recognised when control of the individual identifiable performance obligation passes to the customer. For Matas, this is generally when the goods are handed over.

Note 1 – Accounting policies - continued

Revenue is measured at the fair value of the agreed consideration net of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue. Having regard to Matas' operations, with sales generally being made directly to consumers, the fair value corresponds to the agreed selling price net of discounts and the value of points earned by the customer.

The proportion of the total consideration that is variable, for example in the form of discounts, bonus payments, etc., is recognised in revenue when it is reasonably certain that it will not be subsequently reversed due, for example, to non-redemption of points earned.

Cost of goods sold

Cost of goods sold comprises costs for purchase of goods for the year plus deviations in inventories in generating the revenue for the year.

Cost of goods sold is recognised after deduction of supplier discounts and bonuses.

Other external costs

Other external costs primarily comprise rental costs, net marketing costs, administrative expenses and other operating and maintenance costs.

Staff costs

Staff costs comprise wages, salaries, pensions and other staff costs.

Share of profit or loss after tax of associates

The Group's share of the profits or losses after tax of associates is recognised in the statement of comprehensive income after elimination of the proportionate share of intra-group gains/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses and gains and losses on transactions denominated in foreign currencies. Furthermore, amortisation of financial assets and liabilities, as well as surcharges and allowances under the tax prepayment scheme and changes in the fair value of derivative financial instruments which are not designated as hedging instruments are included.

Tax on the profit for the year

The parent company and its Danish subsidiaries are subject to the Danish rules on mandatory joint taxation of the Matas Group. The jointly taxed entities are taxed under the tax prepayment scheme.

Matas A/S is the administration company in respect of the joint taxation and accordingly pays all corporation taxes to the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income.

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

Statement of financial position

Intangible assets

Goodwill

Goodwill is initially recognised in the statement of financial position at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Note 1 – Accounting policies - continued

Trademarks and trade names

Trademarks and trade names acquired in business combinations are measured at cost less accumulated amortisation and impairment losses. Trademarks and trade names are amortised on a straight-line basis over 15 years.

Other intangible assets

Other intangible assets, which primarily comprise software, shares in co-operative property and payments regarding tenancy takeovers, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over 3-10 years.

Property, plant and equipment

Land and buildings, fixtures, fittings, tools and equipment and leasehold improvements 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.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised in the statement of financial position and their carrying amount transferred to profit or loss. All other costs for ordinary repairs and maintenance are recognised in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Buildings and building parts	10-75 years
Fixtures, fittings, tools and equipment	1-7 years
Leasehold improvements	5-10 years

Land is not depreciated.

Depreciation is calculated on the basis of the residual value less impairment losses. The useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Investments in associates

Investments in associates are measured under the equity method at the proportionate share of the enterprises' equity value calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group gains and losses and plus values added on acquisition, including goodwill.

Investments are tested for impairment whenever there is an indication of impairment.

Associates with negative equity value are measured at zero value. If the Group has a legal or constructive obligation to cover the associate's negative balance, such obligation is recognised under liabilities.

Acquisitions of investments in associates are accounted for under the purchase method, see the description of business combinations.

Note 1 – Accounting policies - continued

Impairment testing of non-current assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, initially before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit and written down to the recoverable amount through profit or loss if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows.

Deferred tax assets are reviewed for impairment annually and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is reviewed for impairment on an ongoing basis. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised under amortisation, depreciation and impairment losses.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment loss. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation/depreciation, had the asset not been impaired.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value.

Goods for resale are measured at cost, comprising the purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in the expected sales price.

Receivables

Receivables are measured at amortised cost. Impairment charges are recognised according to the simplified expected credit loss model, under which the total loss is recognised in the statement of comprehensive income at the same time as the receivable is recognised in the statement of financial position based on the lifetime expected credit loss.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years and are measured at cost.

Equity

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity.

Translation reserve

The translation reserve in the consolidated financial statements comprises the parent company's share of foreign exchange differences arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by the Matas Group (Danish kroner).

Note 1 – Accounting policies - continued

Treasury share reserve

The treasury share reserve comprises cost of acquisition for the Group's portfolio of treasury shares. Dividends received from treasury shares are recognised directly in retained earnings in equity. Gains and losses from the sale of treasury shares are recognised in share premium.

Employee benefits

Pension obligations and similar non-current liabilities

The Group has entered into pension schemes and similar arrangements with the majority of its employees.

Contributions to defined contribution plans where the Group currently pays fixed pension payments to independent pension funds are recognised in profit or loss in the period to which they relate, and any contributions outstanding are recognised in the statement of financial position as other payables.

The Group has not established any defined benefit pension plans.

Share option programme

The value of services received as consideration for options granted is measured at the fair value of the options.

For equity-settled share options, the fair value is measured at the grant date and recognised under staff costs over the vesting period. The balancing item is recognised directly in equity as a shareholder transaction.

On initial recognition of the share options, the number of options expected to vest is estimated. Subsequent to initial recognition, the estimate is adjusted to reflect the actual number of exercised share options.

The fair value of the options granted is estimated using an option pricing model. The calculation takes into account the terms and conditions of the share options granted.

Current and deferred tax

In accordance with the joint taxation rules, Matas A/S in its capacity as administration company assumes the liability for payment to the tax authorities of its Danish subsidiaries' corporation taxes as the joint taxation contributions are received from the subsidiaries.

Current tax payable and receivable is recognised in the statement of financial position 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.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax on temporary differences relating to goodwill which is not deductible for tax purposes, office buildings and other items where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit or loss for the year or the taxable income is not recognised. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Note 1 – Accounting policies - continued

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the date of the statement of financial position, will apply at the time when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in comprehensive income.

Prepayments from customers

Prepayments from customers comprise performance obligations regarding issued gift vouchers and the Club Matas customer loyalty programme.

Performance obligations regarding gift vouchers are recognised at the date of issue.

Points and stripes allocated under the Club Matas loyalty programme are recognised as a performance obligation at the date of recognition of the related sales. The performance obligation is measured at the estimated fair value of the Club Matas points and stripes allocated.

Liabilities relating to gift vouchers and the customer loyalty programme are recognised in revenue when used and/or expired.

Financial liabilities

Financial liabilities etc. are recognised at the date of borrowing at fair value less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest rate method, to the effect that the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

Other non-financial liabilities are measured at net realisable value.

Statement of cash flows

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 businesses 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, and cash flows from disposed businesses are recognised up until the date of disposal.

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

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

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

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Segment information

The Group has one reportable segment. Therefore, the segment information only comprises information on products and services and geographical information at revenue level.

Note 2 – Accounting estimates and judgments

Estimation uncertainty

In preparing the consolidated financial statements, management makes a number of accounting estimates and assumptions that form the basis for the presentation, recognition and measurement of Matas' assets and liabilities.

The computation of the carrying amount of certain assets and liabilities requires that estimates and assumptions be made about future events. The estimates and assumptions used are based on historical experience and other factors which management assesses to be reliable, but which are inherently subject to uncertainty. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual results differing from these estimates. It may be necessary to change previously made estimates as a result of changes in the circumstances on which the previous estimates were based or because of new knowledge or subsequent events.

The special risks to which Matas is exposed are described in the Management's review and in the notes.

Impairment testing of goodwill

In performing the annual impairment test of goodwill, an assessment is made of how the cash-generating unit to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other net assets of the relevant part of the Group.

Due to the nature of the Group's activities, the forecast cash flows cover many years into the future and are as such subject to some estimation uncertainty. This uncertainty is reflected in the discount rate applied.

The impairment test and key sources of estimation uncertainty are described in detail in note 15.

Inventory measurement

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value. Goods for resale are measured at cost, comprising the purchase price plus delivery costs. The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in the expected sales price.

The carrying amount of inventories recognised at net realisable value is DKK 10.8 million at 31 March 2019 (31 March 2018: DKK 9.6 million).

Rolling stock counts in the stores are made evenly distributed over the year. Moreover, full stock counts were made for 26% of the stores at the end of the financial year (2017/18: 18%). Inventories subjected to rolling stock counts consequently have to be measured taking into account shrinkage. Shrinkage is estimated at 1.6% of sales in 2018/19 (2017/18: 1.4%).

Measurement of prepayments

Prepayments from customers comprise performance obligations regarding issued gift vouchers and the Club Matas customer loyalty programme.

Prepayments relating to gift vouchers are recognised at the date of issue.

For the Club Matas customer loyalty programme, performance obligations are recognised at the date of recognition of the sale related to the allocation of Club Matas points and stripes. The obligation is measured at the estimated fair value of the Club Matas points and stripes allocated. The estimated fair value is by nature subject to some uncertainty with respect to the actual future redemption of points/stripes.

Tax disputes

Reference is made to note 20 as regards the dispute with the Danish tax authorities concerning prior-year withholding tax.

Matas is involved in a dispute with the Danish tax authorities concerning VAT on self-supply. Reference is made to note 28.

Note 3 – Segment information

The Matas Group has one reportable segment that is selling Mass Beauty and High-End Beauty products, vitamins, minerals and supplements, household and personal care products and over-the-counter medicine.

All the Group's non-current assets are physically located in Denmark as at 31 March 2019 (31 March 2018: 100.0%).

Note 4 – Revenue

(DKKm)	2018/19	2017/18
Retail sales	3,508.2	3,413.7
Wholesale sales etc.	33.1	51.1
Total revenue	3,541.3	3,464.8

Revenue breaks down by product groups as follows:

(DKKm)	2018/19	2017/18
Beauty	2,500.3	2,457.8
Vital	475.4	422.1
Material	325.6	321.9
MediCare	185.6	186.9
Other	21.3	25.0
Wholesale sales etc.	33.1	51.1
Total revenue	3,541.3	3,464.8

The product groups may be specified as follows:

- Beauty comprises everyday and luxury beauty products and personal care, including cosmetics, fragrances, skincare and haircare products.
- Vital comprises vitamins, minerals, supplements, specialty foods and herbal medicinal products.
- Material comprises household and personal care products, including household cleaning and maintenance products, baby care, footcare and sports-related products.
- Medicare comprises OTC medicine, nursing products, etc.
- Wholesale sales etc. comprise sales concerning the associated Matas store, Club Matas partners, value adjustments of Club Matas points and B2B.

(DKKm)	2018/19	2017/18
Sale of goods	3,541.3	3,460.7
Sale of services	0.0	4.1
Total revenue	3,541.3	3,464.8

Sale of services comprises the sale of StyleBox services.

Revenue from sales of products through Matas stores is recognised when a store sells the product to the customer. Payment is usually received when the customer receives the product, or, if the customer pays by credit card, a few days later. Revenue from sales through Matas webshops is recognised and payment is received when the product is sent to the customer.

Note 4 – Revenue, continued

A small proportion of Matas' revenue is invoiced, e.g. wholesale sales, in which connection a receivable is recognised. Reference is made to note 19, Trade receivables.

For the Club Matas customer loyalty programme, a performance obligation is recognised at the date of recognition of the sale triggering the allocation of Club Matas points and stripes. The performance obligation is measured at the estimated fair value of the Club Matas points and stripes allocated and amounted to DKK 71.7 million at 31 March 2019 (31 March 2018: DKK 76.7 million). The estimated fair value is inherently subject to some uncertainty with respect to actual future redemption and considering the flexibility of the customer loyalty programme. Revenue is recognised when the customer uses points/stripes, usually over an average period of three months. Customers have the option of returning products, but the volume of returns at year-end is insignificant, as is the amount of guarantee commitments.

Geographical information

The Matas Group operates in Denmark. Revenue from sales through Danish retail stores and to associated stores accounted for 100.0% (2017/18: 100.0%).

Note 5 – Cost of goods sold etc.

(DKKm)	2018/19	2017/18
Cost of goods sold for the year	1,948.9	1,912.3
Write-down of inventories to net realisable value for the year	3.6	3.2
Total cost of goods sold etc.	1,952.5	1,915.5

The Group did not carry out any research and development activities during the financial year.

Note 6 – Fees to the auditors appointed by the shareholders in general meeting

(DKKm)	2018/19	2017/18
Total fee	2.4	1.2
Total fees to auditors appointed by the shareholders in general meeting	2.4	1.2

Specified as follows:

(DKKm)	2018/19	2017/18
Audit	1.2	0.8
Other assurance engagements	0.1	0.1
Tax and VAT assistance	0.0	0.0
Other services	1.1	0.3
Total fees to auditors appointed by the shareholders in general meeting	2.4	1.2

Matas has adopted a policy for non-audit services provided by the auditors appointed by the shareholders in general meeting. The policy regulates when services must be approved by the audit committee and which services are permitted and not permitted.

Other non-audit services primarily comprise consultancy services in connection with acquisitions, including accounting services and work performed in connection with due diligence procedures. All non-audit services have been approved by the audit committee.

The audit of the Firtal Group for 2018/19 was performed by PwC.

Note 7 – Staff costs

(DKKm)	2018/19	2017/18
Wages and salaries	649.6	638.2
Defined contribution plans	45.7	44.1
Share-based payment	5.7	5.1
Other staff costs	16.4	14.4
Total staff costs	717.4	701.8

Total staff costs are recognised as follows:

(DKKm)	2018/19	2017/18
Staff costs in statement of comprehensive income	704.2	695.2
Intangible assets	13.2	6.6
Total staff costs	717.4	701.8
Average number of employees	2,149	2,164

Note 8 – Depreciation, amortisation and impairment

(DKKm)	2018/19	2017/18
Amortisation, intangible assets	117.4	109.9
Depreciation, property, plant and equipment	44.6	49.8
Loss on disposal of intangible assets (goodwill)	3.6	5.4
Loss on disposal of property, plant and equipment	0.8	0.5
Total depreciation, amortisation and impairment	166.4	165.6

Note 9 – Financial income

(DKKm)	2018/19	2017/18
Changes in the fair value of derivative financial instruments	2.9	10.2
Interest allowance	0.0	0.7
Other	0.1	0.0
Total financial income	3.0	10.9
Interest from financial assets measured at amortised cost amounts to	0.0	0.0

Note 10 – Financial expenses

(DKKm)	2018/19	2017/18
Interest, credit institutions	21.1	28.7
Interest, contingent consideration	0.7	0.0
Amortisation of financing costs	1.7	1.7
Amortisation, CAP	0.8	0.0
Other	0.3	0.2
Total financial expenses	24.6	30.6
Interest on financial liabilities measured at amortised cost amounts to	17.9	16.0

Note 11 – Tax

(DKKm)	2018/19	2017/18
Tax on the profit for the year is specified as follows:		
Tax on the profit for the year	78.8	68.9
Total tax	78.8	68.9
Tax on the profit for the year has been calculated as follows:		
Current tax	67.1	100.0
Deferred tax	11.3	(27.3)
Current tax regarding previous years	0.4	(3.8)
Total tax	78.8	68.9
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	75.2	76.8
Other	1.2	1.6
Non-deductible transaction costs	2.0	0.0
Capitalisation of tax loss carryforward	0.0	(5.7)
Prior-year adjustments	0.4	(3.8)
Total tax	78.8	68.9
Effective tax rate	23.0%	19.7%

Note 12 – Earnings per share

(DKKm)	2018/19	2017/18
Profit for the year	263.1	280.3
Average number of shares	38,291,492	38,631,218
Average number of treasury shares	(519,928)	(996,912)
Average number of outstanding shares	37,771,564	37,634,306
Average dilutive effect of outstanding share options	211,612	97,304
Diluted average number of outstanding shares	37,983,176	37,731,610
Earnings per share of DKK 2.50	6.96	7.45
Diluted earnings per share of DKK 2.50	6.93	7.43

Note 13 – Dividend per share

The Board of Directors recommends to the annual general meeting that a dividend of DKK 3.00 (2017/18: DKK 6.30) be declared and paid.

The dividend is determined as approximately 33% (2017/18: approx. 68%) of Adjusted profit after tax for the 2018/19 financial year. For a definition of Adjusted profit after tax, see "Definitions of key financials" on page 99.

Adjusted profit after tax is computed as follows:

(DKKm)	2018/19	2017/18
Profit for the year	263.1	280.3
Plus amortisation of intangible assets excluding software	81.3	77.2
Exceptional items	18.9	20.1
Less tax effect	(20.1)	(21.4)
Adjusted profit after tax	343.2	356.2

Note 14 – Intangible assets

(DKK.m)	Goodwill	Trademarks and trade names	Other intangible assets	Total
Cost at 1 April 2018	3,736.4	1,107.1	266.9	5,110.4
Additions on acquisitions	106.4	34.9	1.7	143.0
Additions	0.0	0.0	64.8	64.8
Disposals	(4.7)	0.0	0.0	(4.7)
Cost at 31 March 2019	3,838.1	1,142.0	333.4	5,313.5
Amortisation and impairment at 1 April 2018	0.0	819.2	208.9	1,028.1
Amortisation	0.0	75.2	42.2	117.4
Disposals	0.0	0.0	0.0	0.0
Amortisation and impairment at 31 March 2019	0.0	894.4	251.1	1,145.5
Carrying amount at 31 March 2019	3,838.1	247.6	82.3	4,168.0
Cost at 1 April 2017	3,734.5	1,107.1	222.1	5,063.7
Reclassification	0.0	0.0	3.9	3.9
Additions	7.3	0.0	40.9	48.2
Disposals	(5.4)	0.0	0.0	(5.4)
Cost at 31 March 2018	3,736.4	1,107.1	266.9	5,110.4
Amortisation and impairment at 1 April 2017	0.0	745.3	172.9	918.2
Amortisation	0.0	73.9	36.0	109.9
Amortisation and impairment at 31 March 2018	0.0	819.2	208.9	1,028.1
Carrying amount at 31 March 2018	3,736.4	287.9	58.0	4,082.3
Amortised over	-	15 years	3-10 years	

Other intangible assets comprise payments regarding software, tenancies taken over, etc. Except for goodwill, all intangible assets are considered to have a limited useful life.

Disposals concern Matas stores closed down in the financial year.

Note 15 – Impairment testing

Goodwill

Goodwill increased by DKK 106.4 million in 2018/19 as a result of the acquisition of Firtal Group, see note 27 on acquisition of subsidiaries and operations. As at 31 March 2019, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill between the Matas Group and Firtal Group. Goodwill has been allocated as follows:

(DKKm)	2018/19	2017/18
Matas chain	3,731.7	3,736.4
Firtal Group	106.4	0.0
Goodwil at 31 March	3,838.1	3,736.4

Management monitors goodwill on the basis of the overall group of CGUs, and impairment testing is thus performed for the Matas chain and Firtal Group.

The Matas Group

As regards the Matas chain, the recoverable value is based on the value in use, which is determined using expected net cash flows on the basis of the approved budget for 2019/20 and a projection for the remaining forecast period (the years 2020/21-2023/24). For the terminal period, an expected EBITDA growth rate of 1.5% p.a. has been used.

In the longer term, demand is expected to be affected by changes in the demographics, mix of consumers and consumer behaviour that support health and beauty trends in Denmark, and by developments in product prices. In addition, the level of innovation among manufacturers as well as product launches will affect demand. Matas anticipates long-term market growth within its product areas of an average 1.5% p.a., assuming continued stable economic growth. Underlying growth is also expected to be positive. In the shorter term, growth will depend partly on general economic trends, including inflation, and on whether economic growth translates into increased consumer spending.

Earnings during the forecast period are based on the historical average profit margin and management's strategic forecasts relating to, e.g., renewed growth in the physical stores as a result of the upgrade of parts of the retail network to the Matas Life concept and ongoing adjustment of the store network.

The discount factor before tax is 9.3% (31 March 2018: 8.9%).

The weighted average growth rate used for extrapolation of future net cash flows for the years after 2023 is estimated at 1.5% (31 March 2018: 1.5%). The growth rate is not assessed to exceed the long-term average growth rate within the Matas chain's markets.

Based on the impairment test performed for the Matas chain at 31 March 2019, there is no current evidence of impairment. In management's assessment, likely changes in the basic assumptions described above will not lead to the carrying amount exceeding the recoverable amount.

Firtal Group

As regards Firtal Group, the recoverable value is based on the value in use, which is determined using expected net cash flows on the basis of the approved budget for 2019/20 and a projection for the remaining forecast period (the years 2020/21-2023/24). For the terminal period, an expected EBITDA growth rate of 1.5% p.a. has been used.

Firtal Group was acquired in autumn 2018. Firtal Group, which operates a number of webshops focused on well-defined niche segments, is expected to report strong growth in the years ahead. Firtal Group performed as expected in the period from the date of acquisition to the date of the statement of financial position.

The discount factor before tax is 12.9%. The weighted average growth rate used to extrapolate future net cash flows for the years after 2023 is estimated at 1.5%.

Note 16 – Property, plant and equipment

(DKK.m)	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 April 2018	119.4	259.3	168.8	547.5
Additions on acquisitions	0.0	0.7	0.1	0.8
Additions	1.6	52.1	9.8	63.5
Disposals	0.0	(15.1)	(1.1)	(16.2)
Cost at 31 March 2019	121.0	297.0	177.6	595.6
Depreciation and impairment at 1 April 2018	31.1	183.2	157.2	371.5
Depreciation	3.5	36.4	4.7	44.6
Disposals	0.0	(14.3)	(1.1)	(15.4)
Depreciation and impairment at 31 March 2019	34.6	205.3	160.8	400.7
Carrying amount at 31 March 2019	86.4	91.7	16.8	194.9
Cost at 1 April 2017	119.4	235.8	167.9	523.1
Additions	0.0	47.4	4.3	51.7
Disposals	0.0	(23.9)	(3.4)	(27.3)
Cost at 31 March 2018	119.4	259.3	168.8	547.5
Depreciation and impairment at 1 April 2017	26.7	165.9	155.8	348.4
Depreciation	4.4	41.2	4.2	49.8
Disposals	0.0	(23.9)	(2.8)	(26.7)
Depreciation and impairment at 31 March 2018	31.1	183.2	157.2	371.5
Carrying amount at 31 March 2018	88.3	76.1	11.6	176.0
Depreciated over:	10-75 years	1-7 years	5-10 years	

Note 17 – Treasury shares

(DKKm)	Number of shares of DKK 2.5		% of share capital	
	2018/19	2017/18	2018/19	2017/18
1 April	657,186	1,657,186	1.72%	4.22%
Assigned in connection with acquisition of Firtal Group	(360,425)	0	(0.94)%	0.00%
Capital reduction resolved at annual general meeting	0	(1,000,000)	0.0%	(2.55)%
Treasury shares at 31 March	296,761	657,186	0.78%	1.72%

Matas assigned 360,425 treasury shares as part of the purchase price for Firtal Group. Reference is made to note 27 on acquisition of subsidiaries and operations.

2017/18

At the company's annual general meeting held on 29 June 2017, it was resolved to reduce the share capital by a nominal amount of DKK 2.5 million by cancelling 1,000,000 treasury shares. The capital reduction was registered with the Danish Business Authority on 2 August 2017.

For an overview of outstanding share option programmes, see note 31.

Note 18 – Inventories

(DKKm)	2018/19	2017/18
Goods for resale	774.7	739.4
Carrying amount of inventories recognised at net selling price	10.8	9.6
Inventories at 31 March	785.5	749.0

Note 19 – Trade receivables

Trade receivables primarily relate to wholesale sales to associated stores which are not owned by the Group. Provisions for expected losses on trade receivables, which are included in the carrying amount of trade receivables, have developed as follows:

(DKKm)	2018/19	2017/18
1 April	0.7	0.2
Loss allowance for the year	0.0	0.5
Realised during the year	(0.4)	0.0
Impairment at 31 March	0.3	0.7

Moreover, the following trade receivables which were overdue but not impaired at 31 March are included:

(DKKm)	2018/19	2017/18
Maturity:		
Up until 30 days	0.5	0.4
Between 30 and 90 days	0.0	0.1
More than 90 days	0.0	0.0
Overdue at 31 March	0.5	0.5

Note 20 – Other receivables

In September 2013, Matas A/S was notified of the Danish tax authorities' decision to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to its former parent company, Svenska M Holding 1 AB.

At the time when the interest payments were made to the former parent company, Svenska M Holding 1 AB, tax was not withheld, which, in Matas' opinion, was consistent with the tax legislation in force at the time.

As the Danish tax authorities would continue to charge interest on the alleged outstanding withholding tax, the full amount was paid in October 2013. The total amount was DKK 79.6 million including interest (2017/18: DKK 79.6 million). Matas A/S has appealed the decision of the Danish tax authorities to the National Tax Tribunal.

On 26 February 2019, the European Court of Justice made a decision on a number of comparable cases, in which a number of questions concerning interpretation of EU law had been referred to the Court of Justice for a preliminary ruling. On this basis, management finds it likely that the decision of the National Tax Tribunal will be in favour of Matas.

To ensure indemnity from the tax claim, Matas A/S in December 2013 reserved a right of recourse against its former parent company, Svenska M Holding 1 AB, on the full amount, including any interest and necessary legal costs. The parties have also agreed to suspend all periods of limitation in relation to the tax case. In March 2018, M Holding S.å.r.l took over the right of recourse from Svenska M Holding 1 AB.

Based on the legal right of recourse and the agreement made with the former parent company, Svenska M Holding 1 AB/M Holding S.å.r.l, management is of the opinion that the tax claim will be reimbursed by the former parent company if the National Tax Tribunal should not rule in favour of Matas. On this basis, the DKK 79.6 million receivable from the former parent company concerning Matas A/S' tax payment in October 2016 is maintained.

Based on the developments in the tax case set out above, Matas has reclassified the DKK 79.6 million receivable from corporation tax receivable to other receivables in financial year 2018/19. Costs relating to the tax dispute are stated in the statement of comprehensive income net of the amount recognised for the reimbursement.

Note 21 – Equity

Share capital

The nominal value of the share capital is DKK 95,728,730 divided into shares of DKK 2.50, equivalent to 38,291,492 shares and 38,291,492 votes. The shares are not divided into share classes.

Capital structure

The Group's capital structure must at all times ensure the financial flexibility required to implement the strategic objectives announced.

The financial gearing ratio, measured as net interest-bearing debt (before IFRS 16) to EBITDA before exceptional items, may under exceptional circumstances, such as major strategic initiatives, temporarily exceed 3.

Going forward, specifically towards the end of the strategy period, the Group expects to generate a substantial free cash flow once more. The free cash flow will, in order of priority, be used to bring down debt if the financial gearing target has not been met; for investing for profitable growth within the existing business; and for distribution to the shareholders by way of dividends and, possibly, share buybacks.

The ratio of equity to total equity and liabilities was 48.2% at 31 March 2019 (31 March 2018: 49.4%).

Note 22 – Deferred tax

(DKKm)	2018/19	2017/18
Deferred tax at 1 April	191.5	218.8
Additions on acquisitions	6.6	0.0
Deferred tax for the year, recognised in profit for the year	11.3	(27.3)
Deferred tax at 31 March	209.4	191.5
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	0.0	(19.8)
Deferred tax (liability)	209.4	211.3
Deferred tax at 31 March, net	209.4	191.5
Deferred tax relates to:		
Intangible assets	192.5	194.5
Property, plant and equipment	12.6	14.1
Inventories	3.5	(19.8)
Other assets	0.8	2.7
Deferred tax at 31 March, net	209.4	191.5

Non-recognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 10.7 million (2017/18: DKK 10.8 million).

Changes in temporary differences during the year:

(DKKm)	Balance at 1 April	Additions on acquisitions	Recognised in profit for the year, net	Balance at 31 March
2018/19				
Intangible assets	194.5	6.8	(8.8)	192.5
Property, plant and equipment	14.1	(0.1)	(1.4)	12.6
Inventories	(19.8)	(0.1)	23.4	3.5
Other assets	2.7	0.0	(1.9)	0.8
Total	191.5	6.6	11.3	209.4
2017/18				
Intangible assets	218.8	0.0	(24.3)	194.5
Property, plant and equipment	15.2	0.0	(1.1)	14.1
Inventories	(17.7)	0.0	(2.1)	(19.8)
Other assets	2.5	0.0	0.2	2.7
Total	218.8	0.0	(27.3)	191.5

Note 23 – Prepayments from customers

Prepayments from customers comprise performance obligations regarding issued gift vouchers and the Club Matas customer loyalty programme. Prepayments relating to gift vouchers are recognised at the date of issue.

For the Club Matas customer loyalty programme, performance obligations are recognised at the date of recognition of the sale triggering the allocation of Club Matas points and stripes. The performance obligation is measured at the estimated fair value of the Club Matas points and stripes allocated. The estimated fair value is inherently subject to some uncertainty with respect to actual future redemption and considering the flexibility of the customer loyalty programme.

Note 24 – Amounts owed to credit institutions

(DKKm)	2018/19	2017/18
Amounts owed to credit institutions are recognised in the statement of financial position as follows:		
Non-current liabilities	1,665.0	1,558.3
Total	1,665.0	1,558.3
Nominal value	1,670.0	1,565.0
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
Fair value	1,670.0	1,565.0

The fair value of financial liabilities is determined as the present value of expected future instalments and interest payments. The current interest rate for similar loan periods in the Group is used as discount rate.

Amounts owed to credit institutions carry variable interest rates at an initial margin in the range of 55 - 110 basis points above CIBOR (however, at least 0% for the main part of the debt) and include a margin ratchet dependent on the level of leverage. At 31 March 2019, the effective interest rate on the net debt was 0.2-1.4% p.a. (31 March 2018: 0.3-1.4% p.a.).

Until 30 June 2018, when the agreement expired, Matas' net interest-bearing debt was hedged by an interest rate swap. In 2018/19, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP. See note 29. In this connection, Matas is applying the new hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through profit or loss.

The Group's credit facility is subject to special covenants. The Group has complied with these covenants since raising the facility.

(DKKm)	1/4 2018	Cash flows	31/3 2019
Non-current debt	1,565.0	105.0	1,670.0
Liabilities from financing activities	1,565.0	105.0	1,670.0

(DKKm)	1/4 2017	Group cash flows	31/3 2018
Non-current debt	1,500.0	65.0	1,565.0
Current debt	56.3	(56.3)	0.0
Liabilities from financing activities	1,556.3	8.7	1,565.0

Note 25 – Other payables

(DKKm)	2018/19	2017/18
Included in current liabilities:		
Fair value of hedging instrument	0.0	2.9
VAT payable	35.4	38.1
Holiday pay obligation etc.	104.5	102.0
Pay-related liabilities	26.8	16.3
Other creditors	18.3	14.1
Total other payables, current liabilities	185.0	173.4

Note 26 – Changes in working capital

(DKKm)	2018/19	2017/18
Change in inventories	(4.4)	(62.3)
Change in deposits and receivables	(14.3)	11.3
Change in trade and other payables	48.3	10.0
Total changes in working capital	29.6	(41.0)

Changes in working capital are exclusive of acquisitions of subsidiaries and operations.

Note 27 – Acquisition of subsidiaries and operations

On 13 November 2018, Matas acquired all shares and all voting rights in the Danish company Firtal Group ApS (Firtal Group). Matas did not hold shares in the company prior to the acquisition.

Transaction costs in the amount of DKK 9.2 million were incurred in 2018/19. All costs are included in other external costs in the statement of comprehensive income.

The pre-acquisition balance sheet shows assets with a fair value of DKK 76.4 million, including trademarks of DKK 34.9 million, inventories of DKK 32.1 million and cash and cash equivalents of DKK 1.3 million. Liabilities amount to DKK 36.4 million, including contingent consideration of DKK 14.5 million. The fair value of acquired net assets is DKK 40.0 million.

The total consideration amounts to DKK 146.4 million, and goodwill arising on the acquisition of Firtal Group is thus DKK 106.4 million.

The cash flow from the acquisition of Firtal Group is DKK 110.7 million, excluding the fair value of contingent consideration (DKK 14.5 million) and treasury shares (DKK 20.0 million) as well as cash and cash equivalents (DKK 1.3 million).

Description of the acquired activities

A leading player in online sales and distribution of private label and third-party brands, Firtal Group primarily operates within selected niche e-commerce verticals.

Firtal Group has developed a culture characterised by entrepreneurship and innovation which empowers talented employees to evolve into e-commerce leaders. Firtal Group is headquartered in Lystrup north of Aarhus. Firtal Group will continue as an independent business after the acquisition and will remain based in Lystrup.

Firtal Group operates nine different niche webshops, the most important of which are helsebixen.dk and jala-helsekost.dk, which are well-known Danish e-commerce wellbeing brands.

Note 27 – Acquisition of subsidiaries and operations, continued

Thanks mainly to helsebixen.dk and jala-helsekost.dk, Firtal Group is a major player in the market for green and natural products, including vitamins, supplements and natural beauty products. Management considers the acquisition a good strategic match for Matas' strategic goals:

- Build a leading e-commerce position by increasing the online share of total sales.
- Take additional share of the rapidly growing green market by strengthening the position in the market for green and natural products, including vitamins, supplements and natural beauty products.
- Open new growth and business development tracks through the acquisition of a business with a strong IT platform and a solid track record of profitable growth and innovative capabilities.

Goodwill

Goodwill is recognised at the amount by which the purchase price exceeds the fair value of the identifiable net assets. Goodwill is attributable to potential synergies within marketing, procurement and logistics and to benefits from best practice sharing and from adding skilled leaders with solid entrepreneurship and innovation experience. The amount of goodwill recognised is not tax deductible.

Goodwill recognised in connection with the acquisition of Firtal Group amounts to DKK 106.4 million.

Contingent consideration

The total purchase price includes contingent consideration of up to DKK 20.0 million, which was recognised at a fair value of DKK 14.5 million at the date of acquisition. Management has based its fair value measurement on assumptions which are not observable in the market, which corresponds to level 3 measurement in the fair value hierarchy. Management expects the agreed conditions to be met, following which the full DKK 20.0 million amount will become payable to the seller. If conditions have not been met by the date of approval of the annual report for 2020/21, Matas' obligation to pay parts of the contingent consideration will lapse.

The contingent consideration is related to the commercial development of the acquired activities. Matas' obligation to make the contingent payments is accounted for as a non-current liability. The difference between fair value and future contingent consideration payments will be recognised as a financial expense.

Key assumptions applied in measuring the contingent consideration include the future operational performance of the acquired activities and a discount rate of 13%.

2017/18

The Group acquired four associated Matas stores in 2017/18, one at 1 May 2017, one at 1 June 2017, one at 1 September 2017 and one at 1 October 2017.

The pre-acquisition balance sheets show assets with a fair value of DKK 6.7 million, including inventories of DKK 6.5 million and cash and cash equivalents of DKK 0.2 million. Liabilities amount to DKK 3.6 million. The fair value of acquired net assets is DKK 3.1 million.

The total consideration amounts to DKK 10.4 million, of which goodwill arising on the store takeovers accounts for DKK 7.3 million.

Goodwill represents the value of the existing employees and know-how as well as expected synergies from the combination with the Matas chain.

The cash flow from the acquisition of the stores is DKK 9.5 million, excluding cash and cash equivalents of DKK 0.2 million.

No transaction costs were incurred in connection with the acquisition of stores in 2017/18.

Note 28 – Contingent liabilities and security

In September 2013, Matas A/S was notified of the Danish tax authorities' decision to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to M Holding 1 AB. Reference is made to note 20 for more information.

Matas is also involved in a dispute with the Danish tax authorities concerning VAT on self-supply and a party to a number of minor disputes that are not expected to affect its financial position or future earnings to any significant extent.

Liabilities under operating leases are stated in note 30.

Note 29 – Financial risks and financial instruments

The Group's risk management policy

As a consequence of its financing, the Group is exposed to changes in the level of interest rates. The Group has limited exposure to changes in foreign currencies. The Group does not engage in active speculation in financial risks. The Group's financial management is thus aimed solely at controlling the financial risks which are a direct result of the Group's operations and financing.

For a description of the accounting policies and methods applied, including recognition criteria and measurement basis, see the accounting policies.

There are no changes in the Group's risk exposure or risk management compared with previous years.

Interest rate risk

It is Group policy to fully or partially hedge interest rate risks on all its loans when it is assessed that interest payments can be hedged satisfactorily. Hedging is usually made by means of interest rate swaps, through which floating-rate loans are converted into loans with a fixed interest rate.

Until 30 June 2018, when the agreement expired, the Group's net interest-bearing debt was partially hedged by an interest rate swap. In September 2018, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP, which partially hedges the Group's interest rate risks on loans. In this connection, Matas is applying the new hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through profit or loss.

Due to the Group's floating-rate cash and cash equivalents and debt to credit institutions, a drop in interest rates of 1% p.a. relative to the actual level of interest rates would, other things being equal, have a negative effect on the profit for the year of DKK 11 million (2017/18: DKK 13 million) and on year-end equity of DKK 11 million (31 March 2018: DKK 13 million).

Sensitivity analysis assumptions

Sensitivities are calculated on the basis of financial assets and liabilities recognised at 31 March. No adjustments have been made for instalments, raising of loans, etc. during the course of the year.

Estimated fluctuations are based on the current market situation and expectations for developments in the interest rate level.

Note 29 – Financial risks and financial instruments, continued

Currency risk

The Group's currency risk is primarily related to its purchases in EUR. The Group has not entered into any foreign exchange contracts.

Liquidity risk

The Group's liquidity reserve consists of cash and cash equivalents and unutilised credit facilities and amounted to DKK 400 million at 31 March 2019 (31 March 2018: DKK 535 million). The Group aims to maintain sufficient cash resources for strategic investments etc.

The Group's financial liabilities fall due as follows:

(DKKm)	Carrying amount	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
2018/19						
Credit institutions	1,670.0	1,720.5	16.8	1,703.6	0.0	0.0
Trade payables	636.1	636.1	636.1	0.0	0.0	0.0
Contingent consideration	15.2	20.0	0.0	20.0	0.0	0.0
Financial liabilities at 31 March 2019	2,321.3	2,376.6	652.9	1,723.6	0.0	0.0
2017/18						
<i>Derivative financial instruments</i>						
Interest rate swap	2.9	2.9	2.9	0.0	0.0	0.0
<i>Non-derivative financial instruments</i>						
Credit institutions	1,565.0	1,629.7	17.0	1,612.7	0.0	0.0
Trade payables	579.4	579.4	579.4	0.0	0.0	0.0
Financial liabilities at 31 March 2018	2,147.3	2,212.0	599.3	1,612.7	0.0	0.0

Maturity analysis assumptions

The maturity analysis is based on all undiscounted cash flows including estimated interest payments. The estimates of interest payments are based on current market conditions.

On the basis of the Group's expectations regarding future operations and its current cash resources, no significant liquidity risks have been identified.

Credit risk

The Group's credit risks are related to receivables and cash and cash equivalents. The maximum credit risk related to financial assets corresponds to the values recognised in the statement of financial position.

The Group is not exposed to any significant risks regarding any one individual customer or partner. Accordingly, trade receivables are not insured. The Group has no significant overdue receivables and has therefore only recognised minor loss allowances, see note 19.

Note 29 – Financial risks and financial instruments, continued

(DKKm)	Carrying amount 2018/19	Fair value 2018/19	Carrying amount 2017/18	Fair value 2017/18
Deposits	42.6	42.6	40.7	40.7
Trade receivables	11.4	11.4	7.1	7.1
Other receivables	90.1	90.1	6.7	6.7
Cash and cash equivalents	160.9	160.9	86.4	86.4
Loans and receivables	305.0	305.0	140.9	140.9
Derivative financial instruments included in the trading portfolio	1.6	1.6	2.9	2.9
Financial liabilities at fair value through profit or loss	1.6	1.6	2.9	2.9
<i>Non-current financial liabilities</i>				
Credit institutions	1,665.0	1,670.0	1,558.3	1,565.0
<i>Current financial liabilities</i>				
Suppliers	638.3	638.3	579.4	579.4
Financial liabilities at amortised cost	2,303.3	2,308.3	2,137.7	2,144.4

Derivative financial instruments (CAP) are measured at fair value according to generally accepted valuation techniques based on relevant and observable yield curves.

The methods applied are unchanged from 2017/18.

DKKm)	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
2018/19				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	1.6	0.0	1.6
Total financial liabilities	0.0	1.6	0.0	1.6
2017/18				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	2.9	0.0	2.9
Total financial liabilities	0.0	2.9	0.0	2.9

Derivative financial instruments

The Group uses derivative financial instruments to partially hedge the interest rate risk on the Group's loans. The Group does not actively speculate in the interest rate risk.

Effective September 2018, the Group entered into an agreement concerning a new interest rate hedging instrument, a CAP, with a principal amount of DKK 550 million for partial hedging of interest rate risks on loans. Under the agreement, the floating interest rate cannot exceed 0%, implying that the margin depends on the Group's level of gearing. The Group's previous interest rate swap expired on 30 June 2018.

Note 29 – Financial risks and financial instruments, continued

(DKKm)	Notional amount	Fair value adjustment recognised through profit or loss	Fair value	Term to maturity (mths)
2018/19				
<i>Interest rate risks</i>				
CAP, trading portfolio	550.0	0.0	1.6	36.0
Interest rate swap, trading portfolio	0.0	2.9	0.0	0.0
2017/18				
<i>Interest rate risks</i>				
Interest rate swap, trading portfolio	750.0	10.2	(2.9)	3.0

Note 30 – Liabilities under operating leases

The Group leases retail premises, buildings and operating equipment on operating lease terms. The lease period for retail premises is typically between 3 and 12 months with a possibility of extension after the expiry of the period. The majority of the leases do not contain conditional lease payments. A few leases have variable lease payments depending on revenue.

Payments under interminable minimum operating leases are specified as follows:

(DKKm)	2018/19	2017/18
0-1 years	122.9	98.6
1-5 years	37.7	38.7
> 5 years	0.0	0.0
Total	160.6	137.3

In 2018/19, DKK 182.2 million (2017/18: DKK 184.3 million) was recognised in profit/loss regarding operating leases. This amount comprises rent, car leases and leases of certain other assets.

Note 31 – Management's remuneration, share options and shareholdings

The fee to the members of the Board of Directors is DKK 300,000 each. The Chairman receives 2.5 times the annual fee and the Deputy Chairman receives 1.5 times the fee. The chairman of the Audit Committee receives 1.25 times the fee. No separate remuneration is paid for work on the Nomination Committee and the Remuneration Committee. The members of the Board of Directors do not participate in the share option programme or bonus schemes.

The base salary of the members of the Executive Management consists of salary, pension contributions and other benefits. In addition, the members of the Executive Management are eligible to receive a short-term bonus subject to achievement of certain financial targets. The CEO is eligible to receive a bonus of up to 70% of his annual base salary, whilst the CFO is eligible to receive up to 60% of his annual base salary. Moreover, the members of the Executive Management are eligible to receive share options or other rights such as PSUs (Performance Share Units) at a value of up to 75% of their annual base salary excluding pension contributions as at the date of grant. A breakdown of management compensation included in staff costs (see note 7) appears as follows:

(DKKm)	Base salary incl. benefits	Pension contributions	Short-term bonus 1)	Total	PSUs 2)	Total, including PSUs
2018/19						
Gregers Wedell-Wedellsborg	4.8	0.5	1.1	6.3	2.6	8.9
Anders Skole-Sørensen	2.6	0.2	0.3	3.2	1.4	4.6
Executive Management, total	7.4	0.7	1.4	9.5	4.0	13.5
Other executives, total	15.5	1.0	0.9	17.4	2.8	20.2
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.5	-	-	0.5	-	0.5
Christian Mariager	0.3	-	-	0.3	-	0.3
Mette Maix	0.3	-	-	0.3	-	0.3
Signe Trock Hilstrøm	0.3	-	-	0.3	-	0.3
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Board of Directors, total	2.5	-	-	2.5	-	2.5
Total	2536	1.7	2.3	29.3	6.8	36.1

1) Paid in the financial year, 2) Granted in the financial year

Four executives stepped down and two new executives were appointed in financial year 2018/19, as a result of which there was a net reduction of two persons from the team of other executives. In addition, the team of other executives was expanded by Firtal's executive management as at 31 March 2019.

Note 31 – Management's remuneration, share options and shareholdings, cont.

Matas A/S may terminate an employment relationship with a member of the Executive Management by giving up to 24 months' notice. A member of the Executive Management may terminate the employment relationship by giving at least four months' notice. Termination benefits cannot exceed the aggregate compensation paid to the member of the Executive Management during the last 24 months

(DKKm)	Base salary incl. benefits	Pension contributions	Short-term bonus 1)	Total	PSUs 2)	Total, including PSUs
2017/18						
Gregers Wedell-Wedellsborg (appointed on 1/11/2017)	2.0	0.2	-	2.2	2.3	4.5
Terje List (retired on 31/10/2017)	3.2	0.1	1.0	4.3	-	4.3
Anders Skole-Sørensen	2.6	0.2	0.6	3.5	1.3	4.7
Executive Management, total	7.8	0.5	1.6	10.0	3.6	13.5
Executive Management, termination pay, Terje List	10.5	-	-	10.5	-	10.5
Other executives, total	10.2	0.7	1.1	12.0	2.5	14.5
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.4	-	-	0.4	-	0.4
Christian Mariager	0.3	-	-	0.3	-	0.3
Mette Maix	0.2	-	-	0.2	-	0.2
Signe Trock Hillstrøm	0.2	-	-	0.2	-	0.2
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Ingrid Jonasson Blank (retired on 30/6 2017)	0.1	-	-	0.1	-	0.1
Board of Directors, total	2.4	-	-	2.4	-	2.4
Total	30.9	1.2	2.7	34.9	6.1	41.0

1) Paid in the financial year, 2) Granted in the financial year

A number of changes occurred in the Executive Management in financial year 2017/18, in which connection termination benefits of DKK 10.5 million, excluding PSUs, for the company's former CEO were incurred. This termination pay is shown separately in the table above in order to better reflect the ordinary remuneration paid to the Executive Management in the financial year.

In addition, one executive stepped down and two new executives were appointed in financial year 2017/18, as a result of which there was a net increase of one person to the team of other executives.

In accordance with Matas A/S's overall guidelines on incentive pay, Matas in 2018/19 granted a total of 148,365 PSUs to purchase shares in Matas A/S, consisting of 87,853 PSUs to members of the Executive Management and 60,512 PSUs to key employees. Depending on the achievement of two KPIs, which are each weighted 50%, the number of PSUs granted may at vesting vary between 75% and 150% of the number originally granted. One KPI is based on the EBITDA performance and the other on the revenue performance in the period up to and including financial year 2020/21. The PSUs are granted free of charge, and provided that the PSUs vest and do not lapse, each PSU entitles the holder to receive one Matas share at the time of vesting. Provided that the KPIs described above are achieved, the PSUs granted will vest after publication of the annual report for 2020/21.

Assuming minimum and maximum achievement, respectively, of the KPIs by the end of financial year 2020/21, the PSUs represent a value of DKK 6.8 million and DKK 13.6 million, respectively.

Note 31 – Management's remuneration, share options and shareholdings, cont.

Programme	Number of employees	Number of PSUs granted	Market value at grant (DKKm)
2016/17	9	66,968	6.3 - 12.5
Adjustment relating to retired employees	(4)	(39,379)	(3.7) - (7.4)
2016/17, adjusted	5	27,589	2.6 - 5.2
2017/18	10	101,916	6.1-12.3
Adjustment relating to retired employees	(4)	(19,959)	(1.3) - (2.6)
2017/18, adjusted	6	81,957	4.8 - 9.7
2018/19	11	148,365	6.8 - 13.6
Adjustment relating to retired employee	(1)	(3,806)	(0.2) - 0.3
2018/19, adjusted	10	144,559	6.6 - 13.3

Movements in outstanding PSUs:

(No.)	Gregers Wedell-Wedellsborg	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Market value at grant (DKKm)
Outstanding at 1 April 2018	42,135	33,705	75,840	58,039	133,879	9.2 - 18.4
PSUs granted in 2018/19	57,561	30,292	87,853	60,512	148,365	6.8 - 13.6
Retired employees	-	-	-	(28,139)	(28,139)	(2.0) - (4.0)
Outstanding at 31 March 2019	99,696	63,997	163,693	90,412	254,105	14.0 - 28.1

In 2018/19, the cost recognised relating to PSUs was DKK 5.7 million, including DKK 1.0 million relating to retired employees.

Shareholdings

Shareholdings of the Board of Directors and the Executive Management in Matas A/S and changes in shareholdings in 2018/19:

	Shareholding at 1 April 2018 No.	Purchase/sale in the period No.	Shareholding at 31 March 2019 No.	Market value at 31 March 2019 (DKKm)
Board of Directors				
Lars Vinge Frederiksen, Chairman	19,095	0	19,095	1.3
Lars Frederiksen	8,269	0	8,269	0.5
Birgitte Nielsen	1,739	1,700	3,439	0.2
Christian Mariager	3,500	0	3,500	0.2
Signe Trock Hilstrøm	0	0	0	0.0
Mette Maix	0	0	0	0.0
Executive Management				
Gregers Wedell-Wedellsborg	0	16,641	16,641	1.1
Anders Skole-Sørensen	94,657	0	94,657	6.2

Note 32 – Related parties

The Matas Group's related parties with significant influence comprise the companies' boards of directors and executive boards and their related family members. Further, related parties comprise companies in which the above-mentioned persons have significant interests.

Following the acquisition of the Group in 2007, leases were entered into with former store owners as landlords for approximately 57 of the Group's current leased stores, including board member Lars Frederiksen, who indirectly owns one leased store. Rent for the retail lease was DKK 0.8 million (2017/18: DKK 0.9 million).

Management's remuneration is disclosed in note 31.

Note 33 – Events after the date of the statement of financial position

On 28 May, Matas signed a agreement to acquire Kosmolet A/S. The transaction prices Kosmolet A/S at an initial value of DKK 145 million, to which should be added an earn-out agreement of up to DKK 20 million. The initial purchase price of DKK 145 million will be paid partly in cash (DKK 135 million) and partly in the form of Matas shares (DKK 10 million) at closing.

The completion of the transaction is subject to confirmatory due diligence, which is expected to be completed by the end of June 2019.

The acquisition is expected to entail transaction and restructuring costs of about DKK 5 million in 2019/20, which will be recognised under exceptional items.

As Matas already carries Nilens Jord, the acquisition will have a limited effect on revenue, but is expected to boost annual EBITDA by more than DKK 25 million after completion of the integration.

Pending the completion of the due diligence procedures, it is not possible to complete the purchase price allocation.

No other events have occurred after the date of the statement of financial position that could significantly affect the Group's financial position.

Note 34 – New financial reporting regulation

Matas intends to implement the most significant standards and interpretations that have been issued but not yet entered into force when they come into force. IFRS 16, Leases will have a significant impact on Matas' lease assets and lease liabilities, as described below.

IFRS 16: LEASES

IFRS 16 Leases was published in mid-January 2016. The standard, which takes effect for financial years beginning on or after 1 January 2019, significantly changes the accounting for leases that are currently accounted for as operating leases. Under the standard, all leases, regardless of type – with a few exceptions – must be recognised in Matas' statement of financial position as an asset with a corresponding lease liability.

The statement of comprehensive income will also be affected as the annual leasing expense will in future consist of two elements – a depreciation charge and an interest expense – unlike today where annual expenses in respect of operating leases are recognised as one amount under other external costs.

Lastly, the cash flow statement will also be affected because existing operating lease payments, which are currently presented as cash flows from operating activities, will henceforth be presented as financing activities.

IFRS 16 also requires the disclosure of more and more comprehensive information.

Matas' transition to IFRS 16

Matas has performed a detailed analysis of the effects of the new standard for the Group.

Note 34 – New financial reporting regulation, continued

Matas will apply the simplified transition method, under which lease liabilities are stated at the present value of the remaining lease payments at 1 April 2019, discounted on the basis of Matas' marginal borrowing rate. The lease asset is stated at the same value as the lease liability at 1 April 2019.

Comparatives are not restated.

In accordance with the transition provisions of IFRS 16, Matas will implement the standard using the following transition provisions:

- Not to recognise leases with a term of less than 12 months or leases of low-value assets
- Not to reassess whether a contract is or contains a lease
- To determine a discount rate to a portfolio of leases with similar characteristics

For purposes of assessing its future lease payments, Matas has reviewed the Group's operating leases and identified the lease payments that relate to a lease component and which are fixed or variable, but which change in accordance with changes in an index or an interest rate. By far the majority of Matas' leases relate to leased stores.

For purposes of assessing the expected lease term, Matas has identified the non-cancellable lease term of the agreement plus periods comprised by an extension option which Matas with reasonable probability expects to exercise and plus periods comprised by a termination option which Matas with reasonable probability expects to exercise.

For strategic reasons, the expected lease term for leased stores has been assessed to be up to eight years.

As regards other leases, the expected lease term has been assessed to be the non-cancellable lease term of the agreements as Matas does not have a history of exercising extension options in similar agreements.

The lease liability has been determined on the basis of Matas' alternative borrowing rate of 0.7% – 1.3% for leased stores.

Based on Matas' contractual obligations at 31 March 2019, the Group's total assets and total liabilities are expected to increase by about DKK 950 million after adjusting for prepayments at 31 March 2019. The implementation of IFRS 16 is expected to have a positive effect on EBITDA in the amount of some DKK 170 million. IFRS 16 will also affect the statement of financial position and related ratios such as ROIC and net interest-bearing debt due to the recognition of the lease asset and the financial lease liability.

Group overview

	Domicile	Ownership
Parent company		
Matas A/S	Denmark	
Subsidiaries		
Denmark		
Matas Operations A/S	Denmark	100%
Stylebox A/S	Denmark	100%
Matas Property A/S	Denmark	100%
Firtal Group ApS	Denmark	100%
Firtal Web A/S	Denmark	100%
Firtal Tech A/S	Denmark	100%
Firtal Distribution A/S	Denmark	100%
Firtal Production A/S	Denmark	100%
Geniads ApS	Denmark	50%
Other countries		
Matas Torshavn P/F	Faroe Islands	100%
Matas Sverige AB (dormant)	Sweden	100%

Matas Operations A/S merged with the subsidiary M Holding 3 A/S in financial year 2018/19 (effective 1 April 2018). The surviving company, M Holding 3 A/S, changed its name to Matas Operations A/S in connection with the merger.

Financial statements of the parent company Matas A/S 2018/19

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Statement of comprehensive income

(DKKm)	Note	2018/19	2017/18
Other operating income	3	7.9	8.8
Other external costs		(4.6)	(7.2)
Staff costs	4	(17.2)	(27.5)
EBIT		(13.9)	(25.9)
Financial income	5	300.0	300.0
Financial expenses	6	(1.5)	(2.4)
Profit before tax		284.6	271.7
Tax on the profit for the year	7	1.4	6.7
Profit for the year		286.0	278.4
Other comprehensive income			
Other comprehensive income after tax		0.0	0.0
Total comprehensive income for the year		286.0	278.4
Proposed appropriation of profit			
Proposed dividend DKK 3.00 per share (2017/18: DKK 6.30 per share)		114.9	241.2
Retained earnings		171.1	37.2
Total		286.0	278.4

Statement of cash flows

(DKKm)	Note	2018/19	2017/18
Profit before tax		284.6	271.7
Financial income	5	(300.0)	(300.0)
Financial expenses	6	1.5	2.4
Non-cash operating items etc.		5.7	5.1
Cash generated from operations before changes in working capital		(8.2)	(20.8)
Changes in working capital	11	(1.0)	1.8
Cash generated from operations		(9.2)	(19.0)
Interest paid	6	(1.5)	(2.4)
Corporation tax paid		(92.7)	(93.7)
Cash flow from operating activities		(103.4)	(115.1)
Debt raised/settled with group entities		40.5	52.2
Dividend received	5	300.0	300.0
Cash flow from investing activities		340.5	352.2
Free cash flow		237.1	237.1
Dividend paid		(237.1)	(237.1)
Cash flow from financing activities		(237.1)	(237.1)
Net cash flow from operating, investing and financing activities		0.0	0.0
Cash and cash equivalents at 1 April		0.0	0.0
Cash and cash equivalents at 31 March		0.0	0.0

Statement of financial position

(DKKm)	Note	2018/19	2017/18
NON-CURRENT ASSETS			
Investments in subsidiaries	8	2,036.3	2,036.3
Deferred tax assets		2.6	1.3
Total non-current assets		2,038.9	2,037.6
CURRENT ASSETS			
Receivables from group entities	13	51.6	91.1
Corporation tax receivable	7	55.6	112.6
Other receivables	9	79.6	0.0
Prepayments		0.2	0.9
Total current assets		187.0	204.6
TOTAL ASSETS		2,225.9	2,242.2

(DKKm)	Note	2018/19	2017/18
EQUITY AND LIABILITIES			
Share capital	10	95.7	95.7
Treasury share reserve		(33.3)	(73.7)
Retained earnings		2,047.6	1,887.3
Proposed dividend for the financial year		114.9	241.2
Total equity		2,224.9	2,150.5
Payables to group entities	13	0.0	89.0
Trade payables	13	1.0	2.7
Total current liabilities		1.0	91.7
Total liabilities		1.0	91.7
TOTAL EQUITY AND LIABILITIES		2,225.9	2,242.2

Statement of changes in equity

(DKKm)	Share capital	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	95.7	(73.7)	241.2	1,887.3	2,150.5
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	114.9	171.1	286.0
Total comprehensive income	0.0	0.0	114.9	171.1	286.0
Transactions with owners					
Dividend paid	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	(4.1)	4.1	0.0
Disposal of treasury shares	0.0	40.4	0.0	(20.4)	20.0
Share-based payment	0.0	0.0	0.0	5.5	5.5
Total transactions with owners	0.0	40.4	(241.2)	(10.8)	(211.6)
Equity at 31 March 2019	95.7	(33.3)	114.9	2,047.6	2,224.9

(DKKm)	Share capital	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2017	98.2	(185.3)	247.5	1,943.7	2,104.1
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	241.2	37.2	278.4
Total comprehensive income	0.0	0.0	241.2	37.2	278.4
Transactions with owners					
Dividend paid	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	-10.4	10.4	0.0
Capital reduction	(2.5)	111.6	0.0	(109.1)	0.0
Share-based payment	0.0	0.0	0.0	5.1	5.1
Total transactions with owners	(2.5)	111.6	(247.5)	(93.6)	(232.0)
Equity at 31 March 2018	95.7	(73.7)	241.2	1,887.3	2,150.5

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Notes to the financial statements

Note 1 – Accounting policies

The separate financial statements of the parent company are incorporated in the annual report because the Danish Financial Statements Act requires separate parent company financial statements for companies reporting under IFRS.

The financial statements of the parent company are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

The accounting policies are otherwise consistent with those of last year.

Description of accounting policies

The parent company's accounting policies differ from the accounting policies applied in the consolidated financial statements (see note 1 to the consolidated financial statements) in the following respects:

Financial income

Dividend in subsidiaries is recognised in the parent company's statement of comprehensive income in the financial year in which the dividend is declared. An impairment test is performed if more than the comprehensive income of a subsidiary is distributed.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company's financial statements. Cost includes the purchase consideration calculated at fair value plus direct acquisition costs.

If there is an indication of impairment, an impairment test is performed as described in the accounting policies applied in the consolidated financial statements. Where the carrying amount exceeds the recoverable amount, the investment is written down to this lower value.

When distributing other reserves than retained earnings in subsidiaries, the distribution reduces the cost of the investments if the distribution is in the nature of a repayment of the parent company's investment.

Tax

Matas A/S is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Matas A/S is the administration company in respect of the joint taxation and accordingly settles all corporation taxes with the tax authorities. Joint taxation contributions to/from subsidiaries are recognised under tax on the profit for the year. Tax payable and tax receivable is recognised under current assets/liabilities. Joint taxation contributions payable and receivable are recognised in the statement of financial position under receivables from and payables to group entities.

Companies using the tax losses of other entities pay a joint taxation contribution to the parent company at an amount corresponding to the tax base of the tax losses used. Companies whose tax losses are used by other entities receive joint taxation contributions from the parent company corresponding to the tax base of the losses used (full distribution).

Note 2 – Accounting estimates and judgments

Estimation uncertainty

The determination of the carrying amount of certain assets and liabilities requires estimates as to how future events will affect the value of such assets and liabilities at the date of the statement of financial position. Estimates material to the parent company's financial reporting are made, *inter alia*, by reviewing investments in subsidiaries for impairment.

Note 2 – Accounting estimates and judgments, continued

The estimates used are based on assumptions which management believes to be reliable, but which are inherently subject to uncertainty. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties that may cause the actual results to differ from these estimates. The financial risks affecting the Matas Group are described in note 2 to the consolidated financial statements.

The notes to the financial statements comprise disclosures on assumptions of future events and other estimation uncertainties at the date of the statement of financial position involving a considerable risk of changes that could lead to a material adjustment of the carrying amount of assets or liabilities in the coming financial year.

Note 3 – Other operating income

(DKKm)	2018/19	2017/18
Management fee to group entities	7.9	8.8
Total	7.9	8.8

Note 4 – Staff costs

Remuneration of the parent company's Board of Directors and Executive Management is recognised in profit or loss.

The fees to the Board of Directors are recognised in the amount of DKK 2.5 million (2017/18: DKK 2.5 million). The remuneration of the Executive Management is recognised in profit or loss in the amount of DKK 9.0 million (2017/18: DKK 20.0 million, including termination benefits in connection with the change of CEO in the amount of DKK 10.5 million).

Share-based payment is recognised in the amount of DKK 5.7 million (2017/18: DKK 5.1 million).

For additional information on remuneration of the Board of Directors and the Executive Management, see note 31 to the consolidated financial statements.

Note 5 - Financial income

(DKKm)	2018/19	2017/18
Dividend from the subsidiary Matas Operations A/S	300.0	300.0
Total financial income	300.0	300.0

Note 6 – Financial expenses

(DKKm)	2018/19	2017/18
Interest, subsidiaries	1.5	2.4
Total financial expenses	1.5	2.4

Note 7 – Tax

(DKKm)	2018/19	2017/18
Tax on the profit for the year is specified as follows:		
Tax on the profit for the year	(1.4)	(6.7)
Total	(1.4)	(6.7)
Tax on the profit for the year has been calculated as follows:		
Joint taxation contributions	(0.4)	(5.3)
Deferred tax	(1.3)	(1.4)
Prior-year adjustment	0.3	0.0
Total	(1.4)	(6.7)
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	62.6	59.8
Non-taxable income	(66.0)	(66.0)
Recognition of deferred tax asset	(1.3)	(1.3)
Others	3.3	0.8
Total	(1.4)	(6.7)
Effective tax rate	(0.5)%	(2.5)%

Note 8 – Investments in subsidiaries

(DKKm)	2018/19	2017/18
Cost at 1 April	2,036.3	2,036.3
Carrying amount at 31 March	2,036.3	2,036.3

The company's equity investment in Matas Operations A/S was 100% at 31 March 2019 (31 March 2018: ownership interest 100%).

Note 9 – Other receivables

Other receivables, DKK 79.6 million, comprise receivables concerning the charging of withholding tax for prior years. Reference is made to note 20 for additional information.

Note 10 – Equity and treasury shares

Share capital

The nominal value of the share capital is DKK 95,728,730 divided into shares of DKK 2.50, equivalent to 38,291,492 shares and 38,291,492 votes. The shares are not divided into share classes.

Capital structure

The company regularly assesses the need for adjustment of the capital structure. The capital is managed for the Group as a whole.

The ratio of equity to total equity and liabilities was 100% at 31 March 2019 (31 March 2018: 95.9%).

Treasury shares

See note 17 to the consolidated financial statements.

Note 11 - Changes in working capital

(DKKm)	2018/19	2017/18
Change in receivables	0.7	(0.2)
Change in trade payables, other payables	(1.7)	2.0
Total	(1.0)	1.8

Note 12 - Contingent liabilities and security

The parent company is jointly taxed with the other Danish companies of the Matas Group. As the administration company, the company has unlimited and joint and several liability with the other entities participating in the joint taxation for Danish corporation tax payable by the jointly taxed entities. Corporation tax payable amounted to DKK 0 at 31 March 2019 (31 March 2018: DKK 0). Any adjustments to the taxable joint taxation income may cause the parent company's liability to increase.

The parent company and the Matas Group's Danish subsidiaries are jointly and severally liable for the joint registration of VAT.

Security

The company has guaranteed all debt raised under the agreement with credit institutions.

Debts to credit institutions raised by subsidiaries stood at DKK 1,670 million at 31 March 2019 (31 March 2018: DKK 1,565 million).

Note 13 - Financial risks and financial instruments

The company has no activity and no direct foreign currency risks.

Liquidity risk

The company's financial liabilities fall due as follows:

(DKKm)	Carrying amount	Contractual cash flows	Within 1 year	2 to 3 years	4 to 5 years	After 5 years
2018/19						
<i>Non-derivative financial instruments</i>						
Payables to group entities	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	1.0	1.0	1.0	0.0	0.0	0.0
31 March 2019	1.0	1.0	1.0	0.0	0.0	0.0
2017/18						
<i>Non-derivative financial instruments</i>						
Payables to group entities	89.0	89.0	89.0	0.0	0.0	0.0
Trade payables	2.7	2.7	2.7	0.0	0.0	0.0
31 March 2018	91.7	91.7	91.7	0.0	0.0	0.0

Note 13 - Financial risks and financial instruments, continued

Maturity analysis assumptions

The maturity analysis is based on all undiscounted cash flows including estimated interest payments. The estimates of interest payments are based on current market conditions.

On the basis of the company's expectations regarding future operations and the company's current cash resources, no significant liquidity risks have been identified.

Credit risk

The maximum credit risk related to financial assets corresponds to the values recognised in the statement of financial position.

The company has no material credit risk.

(DKKm)	Carrying amount 2018/19	Fair value 2018/19	Carrying amount 2017/18	Fair value 2017/18
Receivables from group entities	51.6	51.6	91.1	91.1
Loans and receivables	51.6	51.6	91.1	91.1
Payables to group entities	0.0	0.0	89.0	89.0
Suppliers	1.0	1.0	2.7	2.7
Financial liabilities at amortised cost	1.0	1.0	91.7	91.7

Financial liabilities measured at amortised cost have a short credit period and are deemed to have a fair value that is equivalent to the carrying amount.

Note 14 - Related parties

In addition to the disclosures in note 32 to the consolidated financial statements, the parent company's related parties comprise subsidiaries, see note 8 to the parent company's financial statements.

Matas A/S is jointly taxed with its subsidiaries. The joint taxation contributions from subsidiaries amounted to DKK 0.4 million in 2018/19 (2017/18: DKK 5.3 million). Matas A/S has received DKK 300 million in dividend from subsidiaries.

Matas A/S has set up a management fee scheme with its subsidiaries and a cash pool scheme including interest thereon.

No other transactions were made during the year with members of the Board of Directors, members of the Executive Management, significant shareholders or other related parties with the exception of management remuneration. For additional information, see note 4 to the parent company's financial statements and note 31 to the consolidated financial statements.

Note 15 – New standards and interpretations

The description in note 34 to the consolidated financial statements of new standards not yet in force also fully covers the parent company.

Definitions of key financials

The financial ratios shown in the list of key financials in the consolidated financial statements have been calculated in accordance with the guidelines of the Danish Finance Society.

Revenue growth	Revenue for the year less last year's revenue/last year's revenue
Gross margin	Gross profit as a percentage of revenue
Earnings per share	Profit for the year attributable to shareholders of Matas A/S divided by average number of shares
Diluted earnings per share	Profit for the year attributable to shareholders of Matas A/S divided by diluted average number of shares
Dividend per share	Proposed dividend per share

In the annual report, Matas applies the following non-GAAP measures:

Underlying (like-for-like) revenue growth	Growth reported by retail stores included in two comparable periods
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment
EBITDA margin	EBITDA as a percentage of revenue
EBITDA before exceptional items	EBIT plus amortisation, depreciation and impairment losses plus specific external costs which management does not consider part of normal operations
EBITDA margin before exceptional items	EBITDA margin before exceptional items as a percentage of revenue
EBITA	EBIT plus amortisation of trademarks and other intangible assets except software plus any impairment losses in respect of goodwill and other intangible assets plus specific external costs which management does not consider part of normal operations
EBITA margin	EBITA as a percentage of revenue
EBIT	Earnings before interest and tax
EBIT margin	EBIT as a percentage of revenue
Adjusted profit after tax	Profit after tax for the year plus the tax-adjusted effect of amortisation of intangible assets except software and impairment losses and specific external costs which are not considered part of normal operations
Cash conversion	EBITDA before exceptional items plus change in net working capital less capital expenditure divided by EBITDA before exceptional items
Net working capital	The sum of inventories, trade receivables, other receivables and prepayments less the sum of prepayments from customers, trade payables and other current liabilities
Free cash flow	Cash flow from operating activities less net capital expenditure including acquisitions of subsidiaries and operations
Net interest-bearing debt	Debt to credit institutions and other interest-bearing debt less cash and cash equivalents

Net interest-bearing debt to EBITDA before exceptional items	Ratio of net interest-bearing debt at year-end to LTM EBITDA before exceptional items
Invested capital	The sum of property, plant and equipment, intangible assets and net working capital less parts of deferred tax
Return on invested capital (ROIC) before tax	EBITA as a percentage of average invested capital
Return on invested capital (ROIC) before tax, excluding goodwill	EBITA as a percentage of average invested capital excluding goodwill
Investments as a percentage of revenue	The year's addition of intangible assets and property, plant and equipment, including acquisitions of subsidiaries and operations as a percentage of revenue

Interim financial highlights

(unaudited)

(DKKm)	2018/19				2017/18			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Statement of comprehensive income								
Revenue	827.7	1,092.6	777.2	843.8	769.3	1,074.8	789.9	830.8
Gross profit	377.2	480.9	349.0	381.7	341.8	484.2	344.2	379.1
EBITDA	92.6	204.7	99.1	133.3	81.7	221.5	94.8	136.5
EBIT	49.4	162.9	55.9	95.1	34.7	177.3	57.0	99.9
Net financials	(6.1)	(6.1)	(5.0)	(4.3)	(4.2)	(5.2)	(5.3)	(5.0)
Profit before tax	43.3	156.8	50.9	90.8	30.5	172.1	51.7	94.9
Profit for the period	33.3	122.3	36.6	70.8	31.7	134.2	40.3	74.0
Statement of financial position								
Assets	5,538.8	5,520.0	5,256.2	5,410.7	5,303.6	5,328.0	5,305.1	5,490.1
Equity	2,669.9	2,636.1	2,494.2	2,456.3	2,620.9	2,588.2	2,452.6	2,410.1
Net working capital	(60.1)	(157.4)	(29.7)	(89.1)	(127.3)	(166.7)	(56.2)	(98.0)
Net interest-bearing debt	1,504.1	1,509.6	1,636.5	1,399.4	1,471.9	1,457.0	1,694.0	1,481.8
Statement of cash flows								
Cash flow from operating activities	45.1	266.2	42.0	98.1	5.8	260.5	48.0	69.3
Cash flow from investing activities	(38.8)	(138.8)	(36.2)	(25.2)	(20.3)	(23.1)	(22.7)	(36.0)
Free cash flow	6.3	127.4	5.8	72.9	(14.5)	237.4	25.3	33.3
Net cash flow from operating, investing and financing activities	94.7	11.4	(139.5)	107.9	34.2	(0.1)	(168.0)	187.0
Key performance indicators								
Number of transactions (in millions)	4.8	5.9	5.0	5.3	4.9	6.0	5.1	5.2
Average basket size (in DKK)	159.9	179.7	154.0	157.6	154.4	175.3	149.8	155.1
Total retail floor space (in thousands of square metres)	53.7	53.9	53.5	53.3	53.3	53.4	53.3	52.6
Avg. revenue per square metre (in DKK thousands) - LTM	65.5	64.5	64.2	64.5	64.3	64.7	64.7	64.7
Like-for-like growth	2.1%	0.5%	(1.9)%	1.1%	(2.6)%	(0.8)%	0.8%	(2.9)%
Adjusted figures								
EBITDA	92.6	204.7	99.1	133.3	81.7	221.5	94.8	136.5
Exceptional items	3.1	1.3	9.5	5.0	2.0	5.5	12.7	0.0
EBITDA before exceptional items	95.7	206.0	108.6	138.3	83.7	227.0	107.5	136.5
Depreciation of property, plant and equipment	(21.5)	(21.0)	(23.6)	(19.0)	(29.3)	(23.2)	(18.5)	(17.5)
Exceptional items, amortisation and depreciation	0.0	0.0	0.0	0.0	1.4	4.0	0.0	0.0
EBITA	74.2	185.0	85.0	119.3	55.8	207.8	89.0	119.0
Adjusted profit after tax	52.7	139.8	61.0	89.7	47.0	154.8	65.3	88.9
Gross margin	45.6%	44.0%	44.9%	45.2%	44.4%	45.0%	43.6%	45.6%
EBITDA margin	11.2%	18.7%	12.8%	15.8%	10.6%	20.6%	12.0%	16.4%
EBITDA margin before exceptional items	11.6%	18.8%	14.0%	16.4%	10.9%	21.1%	13.6%	16.4%
EBITA margin	9.0%	18.4%	10.9%	14.1%	7.3%	19.3%	11.3%	14.3%
EBIT margin	6.0%	14.9%	7.2%	11.3%	4.5%	16.5%	7.2%	12.0%

matas

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