MATAS A/S

Annual Report 2019/20

1 April 2019 - 31 Marts 2020

matas

MATAS A/S, RØRMOSEVEJ 1, DK-3450 ALLERØD, DENMARK, CVR NR. 27 52 84 06


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Five-year key financials

DKKm	After IFRS 16 2019/20	Before IFRS 16 2019/20	Before IFRS 16 2018/19	Before IFRS 16 2017/18	Before IFRS 16 2016/17	Before IFRS 16 2015/16
Statement of comprehensive income						
Revenue	3,688.5	3,688.5	3,541.3	3,464.8	3,510.8	3,471.3
Gross profit	1,640.4	1,640.4	1,588.8	1,549.3	1,611.8	1,604.5
EBITDA	678.4	496.4	529.7	534.5	620.1	652.1
EBIT	292.9	297.4	363.3	368.9	475.1	513.6
Net financials	(43.0)	(28.2)	(21.4)	(19.7)	(38.7)	(36.5)
Profit before tax	249.9	269.2	341.9	349.2	436.4	477.1
Profit for the year	191.2	205.9	263.1	280.3	338.7	364.5
Special items	21.5	21.5	18.9	20.1	0.0	0.0
EBITDA before special items	699.9	517.9	548.6	554.6	620.1	652.1
Adjusted profit after tax	282.6	297.3	343.2	356.2	398.0	422.5
Statement of financial position						
Assets	6,588.3	5,795.9	5,538.8	5,303.6	5,270.6	5,315.3
Equity	2,764.0	2,778.6	2,669.9	2,620.9	2,572.5	2,658.3
Net working capital	90.3	90.1	(139.7)	(127.3)	(158.0)	(172.0)
Net interest-bearing debt	2,499.6	1,715.1	1,504.1	1,471.9	1,515.0	1,423.6
Statement of cash flows						
Cash flow from operating activities	446.8	264.8	472.8	412.5	524.5	607.6
Investments in property, plant and equipment	(123.8)	(123.8)	(63.5)	(51.7)	(43.3)	(45.4)
Free cash flow	111.2	(70.8)	233.8	310.4	390.0	537.3
Ratios						
Revenue growth	4.2%	4.2%	2.2%	(1.3)%	1.1%	(0.1)%
Underlying (like-for-like) revenue growth	0.7%	0.7%	0.5%	(1.4)%	1.3%	0.3%
Gross margin	44.5%	44.5%	44.9%	44.7%	45.9%	46.2%
EBITDA margin	18.4%	13.5%	15.0%	15.4%	17.7%	18.8%
EBITDA margin before special items	19.0%	14.0%	15.5%	16.0%	17.7%	18.8%
EBIT margin	7.9%	8.1%	10.3%	10.6%	13.5%	14.8%
Cash conversion	45.3%	26.0%	82.0%	75.9%	85.0%	103.6%
Earnings per share, DKK	5.01	5.40	6.96	7.45	8.79	9.17
Diluted earnings per share, DKK	4.96	5.35	6.93	7.43	8.75	9.11
Dividend per share (proposed), DKK	0.00	0.00	3.00	6.30	6.30	6.30
Share price, end of year, DKK	42.7	42.7	65.8	65.4	99.0	132.5
ROIC before tax	8.5%	9.4%	11.3%	11.6%	13.6%	14.3%
Net working capital as a percentage of revenue	2.4%	2.4%	(3.9)%	(3.7)%	(4.5)%	(5.0)%
Investments[1] as a percentage of revenue	9.1%	9.1%	6.7%	2.9%	3.8%	2.0%
Net interest-bearing debt/Adjusted EBITDA	3.6	3.3	2.7	2.7	2.4	2.2
Number of transactions[2] (millions)*	20.3	20.3	21.0	21.2	22.3	22.7
Average basket size[2] (DKK)	169.4	169.4	163.5	159.4	150.3	144.1
Average number of employees (FTE)	2,197	2,197	2,149	2,164	2,197	2,163

Comparative figures are not comparable due to the implementation of IFRS 16 effective 1 April 2019 and IFRS 9 and 15 effective 1 April 2018. For definitions, see "Definitions of key financials". [1] Total investments, i.e. CAPEX and acquisitions etc. [2] Excluding numbers for Firtal Group. Firtal Group is included in other key financials from 13 November 2018 and Kosmolet from 11 June 2019.


PLAISIR
FIRMING
BODY LOTION
ALL SKIN TYPES
CREATINE, GLYCERIN AND VITAMIN E ACETATE
PLAISIR
BODY OIL
JOJOBA, VITAMIN A+E,
AVOCADO AND SHEA BUTTER
PLAISIR
INTENSIVE
SERUM
PLAISIR
BY MATAS
ALL DAY
MOISTURIZER
YOUNG SKIN
ALGAE, SALICORNIA & LICORICE
NO PERFUME
PLAISIR
BEAUTIFUL GLOW DAY CREAM


matas natur
bodylotion
HAVTORN & BLÅBÆR
MED ØKOLOGISK OG
NATURLIGT INDHOLD
MED PARFUME
matas natur
2-i-1
rensemælk
E-VITAMIN & ALOE VERA
MED ØKOLOGISK OG
NATURLIGT INDHOLD
UDEN PARFUME
matas natur
shampoo
GOJIBÆR & ALOE VERA
MED ØKOLOGISK OG
NATURLIGT INDHOLD
MED PARFUME
matas natur
24h anti-age
ansigtscreme
E-VITAMIN & ALOE VERA
MED ØKOLOGISK OG
NATURLIGT INDHOLD
UDEN PARFUME
matas natur
anti-age serum
E-VITAMIN & ALOE VERA
MED ØKOLOGISK OG
NATURLIGT INDHOLD
UDEN PARFUME
matas natur
håndcreme
E-VITAMIN & ALOE VERA
MED ØKOLOGISK OG
NATURLIGT INDHOLD
UDEN PARFUME


matas SIDEN 1949
LUKSUS SHAMPOO
med collagen & glycerin
NORMALT HÅR
matas SIDEN 1949
GLYCERIN HÅNDCREME
UDEN PARFUME
med glycerin
BESKYTTER OG FUGTER RU OG TØRRE HÆNDER
DAGLIG DANSK VELVÆRE
TØR HUD
matas SIDEN 1949
MILD MICELLAR WATER
UDEN PARFUME
med allantoin & algeekstrakt
RENSER, FJERNER MAKEUP, BEROLIGER OG GIVER FUGT
DAGLIG DANSK VELVÆRE
SENSITIV HUD
matas SIDEN 1949
ØJENMAKEUP FJERNER
UDEN PARFUME
med allantoin & glycerin
DAGLIG DANSK VELVÆRE
ALLE HUDTYPER
matas
ANTI WRINKLE 24H ANSIGTSCREME
UDEN PARFUME
med algeekstrakt & kreatin
DAGLIG DANSK VELVÆRE
NORMAL HUD 25+
matas
GRANATÆBLE BODYCREME
med granatæble & macadamia nøddeolie
RIG PÅ AKTIVE ANTIOXIDANTER OG FUGTGIVENDE
DAGLIG DANSK VELVÆRE
ALLE HUDTYPER


matas medicare
REPAIR CREME
REPARERER OG GENOPBYGGER MEGET TØR OG REVNET HUD
UDEN PARFUME
matas medicare
PANTHENOL SALVE
BEROLIGER OG PLEJER TØR OG IRRITERET HUD
VELEGNET TIL NYE TATOVERINGER
UDEN PARFUME
matas medicare
PANTHENOL CREME
BEROLIGER OG PLEJER TØR OG IRRITERET HUD
UDEN PARFUME
matas medicare
FEDTCREME 70%
PLEJER OG BLØDGØR MEGET TØR HUD
UDEN PARFUME
matas medicare
BARRIERE CREME
BESKYTTER SART HUD MOD FUGT OG FOREBYGGER RØDME
VELEGNET TIL INTIMOMRÅDET
UDEN PARFUME
matas medicare
CARBAMID CREME 25%
INTENSIV PLEJE TIL MEGET TØR HUD
UDEN PARFUME
Astma-Allergi Danmark

To our shareholders

Financial year 2019/20 was a landmark year for Matas. Our "Renewing Matas" strategy produced clear and strong results, but the last few weeks of the financial year were marked by dramatic change due to the spread of coronavirus and the lockdown of large parts of Danish society.

In May 2018, 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. Our overriding challenge is to ensure that Matas remains our customers' preferred choice – whether shopping at physical stores or online.

Our strategy is progressive: Over a period of five years, we plan to invest DKK 600 million in measures to lift customer engagement, stimulate growth and secure Matas' long-term earnings capacity. We are investing in renewing our stores as well as in digital development. Matas' future lies in the interaction between our two sales channels.

At the same time, we are levering our financial strength to implement the strategic transformation as quickly as possible. Experience from numerous other retailers shows that doing too little or not doing it fast enough involves the greatest risk.

We are financing a substantial part of the transformation through systematic and ongoing cost reductions. More than DKK 60 million has been freed up from the conventional part of the business and allocated to growth areas. However, we have also accepted that fast transition erodes short-term earnings because the digital business in particular is in a build-up and growth phase that requires investment and skills building.

Moreover, we want to accelerate the transition by way of acquisitions that are closely related with Matas' existing business to strengthen Matas' overall market position, growth potential, competitive power and long-term earnings capacity.

Solid strategic progress – and a digital breakthrough
Two years into the strategy period, the conclusion is that the strategy is working and producing satisfactory results: All market surveys show that Matas' brand is making significant headway. We have revived growth, organically as well as through acquisitions. Supported by strong interaction between stores and the online channel, sales in the important Christmas quarter hit a new record.

We are particularly pleased with our digital breakthrough. The year before we launched our new strategy, online sales accounted for 3% of our overall sales. By the end of financial year 2019/20, the percentage had risen to 19.3%, including Firtal. Before the new strategy was launched, Matas was among the three largest players on the Danish online market for beauty and wellbeing. Today, we are the market leader. Customer satisfaction with matas.dk (NPS) has risen by 19% to 67.5, and matas.dk is now the fifth most widely used webshop in Denmark across all categories. Two years ago, we ranked no. 20.

Concurrently, we have invested in store upgrades and in adapting the store network. Today, 33% of revenue is generated by stores that have been renovated within the last five years. Since 2018, we have merged 16 stores into eight and relocated and expanded six stores. During the same period, we have closed five stores. Our stores are now newer and bigger, and they are all financially sound thanks partially to ongoing cost adjustments. Our customer satisfaction rate is still on level with the best in the retail industry.

Our new subsidiaries are also delivering. Firtal Group has grown faster than we anticipated when we acquired the business – both organically and through acquisitions. The integration of Kosmolet went smoothly, and together we have grown sales.

A lot still remains to be done, including stepping up efforts to reduce the working capital, which has grown as a result of our growth focus and rapid business transformation. We also need to gear up for future competition by means of efficiency improvements and progressive measures.

Solid performance despite corona pandemic
The lockdown of Danish society imposed in order to contain the spread of coronavirus hit Matas hard at the end of March. We estimate that the lockdown cost Matas about DKK 50 million in lost sales and almost DKK 20 million in lost earnings in March alone. Against this background, we find the full-year performance satisfactory. Disregarding the effects of the pandemic, the 2019/20 performance would have met our expectations in terms of earnings and exceeded them in terms of sales.

Moreover, the past period has shown that Matas' business model is resilient to health crises: As a distributor of OTC medicine and personal care and health products, Matas is an essential business in times of crisis and was therefore exempted from the lockdown of shopping centres imposed by the authorities. We have also seen that when sales at our stores come to a halt, part of the business flows to our online channels: Sales on matas.dk trebled during the first few weeks of the lockdown.

Thanks to our close collaboration with suppliers and the Danish government's wage compensation scheme, we have steered clear of mass redundancies amid the crisis. When Danish society began to reopen, we were therefore quickly back on the growth track. In April and the first half of May 2020, sales were up by more than 7% year on year. This was directly attributable to our decisions to expand online capacity, order stocks of critical goods, maintain a high level of marketing and establish precautionary measures for customers and employees alike during the lockdown.

As a result, Matas was able to recall all employees and exit the wage compensation scheme in May. At the same time, Matas has decided to pay back in full the wage compensation benefits received from the Danish government.

We are pleased to note that we are solidly positioned and stand well prepared to deal with both challenges and opportunities that may arise in the years ahead. We must keep our course and accelerate our transformation. However, in light of the increasing uncertainty, we need to focus even more on earnings, liquidity and gearing to ensure that we have the necessary scope to act and to reduce our exposure to recession and new competition.

Based on the current uncertainty pertaining to economic and societal conditions in 2020/21 and on the Board's decision to strengthen Matas' liquidity and reduce the gearing ratio, the Board of Directors proposes that no dividend be paid for financial year 2019/20.

During the corona pandemic, it has become clear that Matas plays a vital community role and that at times of health crisis customers turn to Matas for essential products and for advice and guidance. In the years ahead, we intend to uphold and expand this role through, among other measures, continued training of our employees.

We would like to extend our sincerest thanks to Matas' employees, whose commitment and efforts have been critical to our ability to renew Matas and steer through the first wave of the crisis.

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 2019/20, including initiatives to accelerate online growth via matas.dk and implement the new store concept, Matas Life, the acquisition of Kosmolet A/S and with it Denmark's largest makeup brand, Nilens Jord, and measures to grow online sales through Firtal's 20 webshops and to gain a stronger position in the green market.

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 special items above 18% in financial year 2022/23 after effects of IFRS 16. (*Previously: above 14% before effects of IFRS 16)*.

	Realised for 2019/20	Ambitions for 2022/23
Lift customer engagement (M-NPS)	63.1 (index 99)	70 (index 110)
Grow revenue	DKK 3.7 bn	Approx. DKK 4.0 bn
Secure earnings* (EBITDA margin before special items)	19%	Above 18%

* After effects of IFRS 16, including Firtal Group and Kosmolet A/S.

Strategic focus areas going forward to 2023

'Renewing Matas' builds on five strategic focus areas intended to help Matas fulfil its 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 2019/20.

1. Live our purpose

The strategy is based on Matas' purpose: 'Beauty and wellbeing for life'. This purpose emphasises that Matas' business model relies on lifelong relations with its customers.

Matas has defined six guideposts to help it enhance and renew customers' perception of Matas:

- **More personal** – even better at identifying and advising about what is right for each individual customer.
- **More green** – for the many customers who care about living healthy, green and natural lives.
- **More Danish** – more Danish products created by local enthusiasts rooted in Danish values and design traditions.
- **More sensuous** – beauty and wellbeing is about smelling, feeling, seeing and trying.
- **More simple** – shopping in Matas' 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.

A number of customer and consumer surveys conducted during the financial year showed that Matas' efforts to strengthen its brand and lift customer satisfaction are paying off.

In October 2019, YouGov published its 'Word of Mouth' survey which showed that Matas, advancing second-most of all 400 brands, has strongly improved its popularity among young people between the ages of 18 and 34. The survey scores the brands that were 'most talked about' among the 18-34 age group. In January 2020, Matas was ranked fifth in YouGov's 2019 Buzz Rankings of the 'most heard of' brands among that specific demographic.

In the financial year, Matas began to measure satisfaction with the Club Matas loyalty concept. Satisfaction is developing satisfactorily, and the NPS score for Club Matas was 27 in Q4 2019/20. Satisfaction with transactions in Matas' stores and online was 63.1 (M-NPS) at 31 March 2020 against 64 at 31 March 2019, while matas.dk scored a rating of 4.4, corresponding to 'Excellent' on Trustpilot, which was unchanged compared with 2018/19.

As part of its efforts to lift customer engagement, Matas used social platforms such as Facebook, Instagram and YouTube to provide advice and inspiration for its almost 400,000 followers and thereby strengthen its relationship with customers, particularly the younger consumers. More than 250 Matas stores operate their own Facebook pages and thereby contribute to establishing a closer relationship with their customers. Matas' social platform presence is themed around beauty and wellbeing, and followers are encouraged to embrace new brands and products or beauty routines. On a monthly basis, Matas reaches some 1.7 million people through own and sponsored content.

In connection with the release of its annual report for 2018/19, Matas launched its new CSR strategy focused on diversity, sustainability and security. Implementing its CSR strategy across the Group, Matas continued working on a number of projects and undertook various fundraising activities in the past financial year. These activities are described in detail in the section on Corporate Social Responsibility.

In March 2020 when the corona pandemic hit Denmark for real and many consumers stayed home, Matas quickly adapted its communications to the new reality, informing customers of safe shopping in its stores and services available online, personal care products and immune system boosters, home exercises and home spa self-indulgence. At the same time, Matas facilitated an ongoing social media dialogue with customers on their current concerns, which aroused great customer engagement and interaction.

2. Win online

Matas Group aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023, and with a view to achieving this goal, the Group is making targeted efforts to enhance the customer experience.

The Danish online market for beauty and wellbeing remains fragmented and consists of Danish as well as international players, but Matas successfully strengthened its position during 2019/20 and was the largest player by the end of the financial year.

Sales via matas.dk grew by 76% in 2019/20, while the growth in Firtal Group exceeded 2019/20 expectations. As per Matas' principles for calculating underlying growth, underlying (like-for-like) revenue growth can be calculated after 13 full months. As Firtal Group A/S was acquired in mid-November 2018, its underlying growth can be calculated from December 2019. Firtal's underlying revenue growth was 25% for the last four months of the financial year (December 2019 to March 2020). Firtal's growth and earnings performance was as expected.

In financial year 2019/20, 14.7% of Matas Group's revenue was generated by its webshops, compared with 7.1% in 2018/19. Online sales accelerated over the course of the financial year, and in the fourth quarter of 2019/20, online revenue accounted for 19.3% of overall revenue.

Online growth began to accelerate in March 2020 with many consumers choosing to do their shopping online amid the corona pandemic. During the period immediately after the lockdown, sales on matas.dk trebled.

While Matas is of the opinion that matas.dk in particular achieved significant market share in the financial year, Firtal's webshops also recorded above-market sales growth.

As regards its online presence, Matas expanded its customised subscription service to include some 800 products, primarily from the Health & Wellbeing and Mass Beauty categories, in the past financial year. In the first half of the financial year, Matas launched an online customer advice service manned by dedicated, specially selected materialists, and in early October 2019, the Matas Skin Consultation service was introduced on matas.dk. As part of the service, customers are offered online personal advice by a trained materialist based on an online skin analysis. In response to changing shopping patterns and consumer needs in the wake of the lockdown of large parts of Denmark imposed in an effort to contain the spread of coronavirus, Matas launched a live online shopping service in March 2020 offering customers direct interaction with the materialists and product specialists hosting the direct shopping event.

The interaction between the online service and the stores is an important value driver for customers and strengthens both sales channels by making it easy to get advice, search for products and shop whenever and wherever it suits the customer. Data show that omnichannel customers generally shop more often and purchase more products than customers confining their shopping to physical Matas stores. The interaction between channels thus drives greater customer loyalty and higher sales.

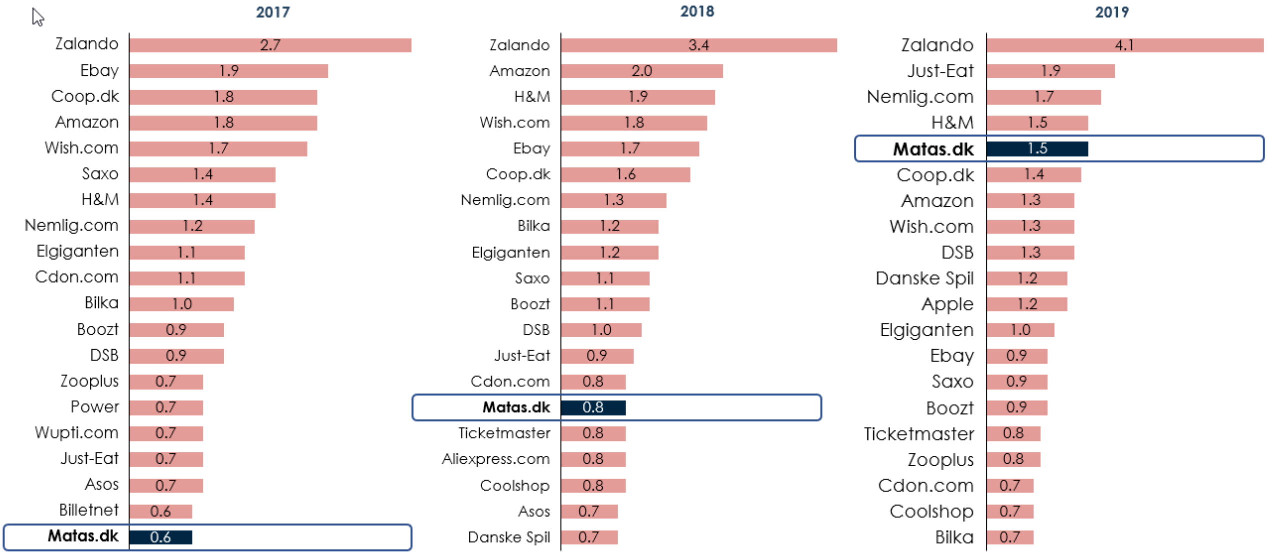
As about half of all online customers pick up their purchases at a physical Matas store, the interaction between the sales channels also helps to generate a higher footfall. More than one in four customers picking up their online purchases buy additional products at the store.

Ongoing efforts were made during the financial year to enhance the customer experience on matas.dk. The search function was improved, and the website was further optimised for mobile devices to accommodate customer preferences. Customers use their mobile or tablet in three out of four visits to matas.dk. As a result, a greater proportion of visits to matas.dk led to actual purchases. In addition, digital marketing was optimised across channels, producing a higher return on marketing investments.

To ensure quick and seamless delivery and enough capacity to handle big shopping events like Black Friday and Christmas, the webshop relocated to new premises in Humlebæk north of Copenhagen in September 2019. From these new premises, matas.dk will be able to continue to grow in the years ahead.

Matas' targeted efforts to obtain a leading position in the Danish beauty and wellbeing market were reflected in FDIH, the Danish E-commerce Association's 2019 survey of Danish consumers' preferred webshops. In the survey, which was published in February 2020, matas.dk advanced ten places from no. 15 in 2018 to no. 5 in 2019 (no. 20 in 2017).

Matas.dk was the fifth most widely used webshop in Denmark in 2019



Source: FDIH e-commerce analysis 2017, 2018, 2019

3. Reignite store growth

With consumer behaviour currently undergoing major change, Matas is committed to renewing and consolidating its physical store network. The retail industry is changing rapidly with an increasing share of retail shopping migrating to online channels, and customers are changing their expectations as to the needs a physical store or a brand should be able to meet.

In working to develop its retail network, Matas leverages its solid customer relations and the competencies it has built over the past many years as well as its historically proven proficiency in adapting to changing customer needs and market conditions. Matas adjusts the retail network on an ongoing basis, merging, closing, opening and relocating stores as and when required and investing in upgrades of existing physical stores.

In financial year 2018/19, Matas launched a process to develop a new store concept, Matas Life, that seeks to capture all aspects of the strong relations built over 70 years of doing business with Danish consumers. The Matas Life concept offers customers sensuous and personal experiences, more inspiration and more activities.

As part of the Matas Life concept, Matas also introduced new service elements such as mobile check-out devices, segregation of service and payment functions and a different physical layout with separate category centres for makeup and skincare across Mass Beauty and High-End Beauty ranges. Thus, the Mats Life 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.

The first four Matas Life stores opened in March 2019, and financial year 2019/20 saw the opening of a total of 30 Matas Life stores, including 15 upgrades of existing stores, seven mergers of two stores in new locations, four relocations to new premises with better locations, two expansions involving the existing Matas store merging with neighbouring premises and two new stores in Frederiksberg.

The concept has generally been well received by customers and has been adjusted along the way to incorporate the experience gained from the first stores. Evaluations of the concept have shown that the largest effect on sales and earnings is achieved when a store is upgraded to the Matas Life concept in connection with an expansion, a relocation or a merger as this allows Matas to offer customers a larger selection of products and better service and to adapt the store to local conditions.

Such upgrades will therefore be prioritised going forward, which will slow down the pace of Matas Life roll-outs in 2020/21 compared with 2019/20. The selection of a store for upgrade will also depend on whether the owner (lessor) contributes to funding it. Matas will continue to renovate existing stores, and the most successful elements from the Life concept will be rolled out to other Matas stores.

Since 2016, 66 stores, primarily larger stores, have undergone thorough renovation or relocated. Updated stores account for 33% of Matas' revenue from physical stores.

At 31 March 2020, Matas Group had 268 stores compared with 278 a year earlier. The retail network is still expected to consist of fewer but bigger and newer stores at the end of the strategy period compared with the situation at 31 March 2020.

In March 2020, footfall to Matas' physical stores declined as a result of the coronavirus outbreak. As a result, sales in physical stores were at index 70 relative to the year-earlier period. As a consequence of the lockdown of all Danish shopping centres, Matas shut down some 35 of its stores during the last weeks of March. By 11 May 2020, all 268 were open again.

4. Open new growth tracks

Matas works systematically to identify new growth avenues. New business areas must be closely related with Matas Group's core business.

The first growth track, which was launched in May 2018, was Matas Natur, designed to meet growing customer demand for green and clean products produced with care and consideration for human health, the environment and inner beauty. The Matas Natur track provides customers with a broader range of green, natural products across all sales channels.

In November 2018, Matas acquired Firtal Group ApS, an e-commerce powerhouse. The strategic purpose of this acquisition was to develop Matas Group's online position and enhance its green credentials through helsebixen.dk and jala-helsekost.dk. Firtal Group was a significant driver behind Matas' online growth in financial year 2019/20, contributing 5.7% of total revenue compared to 1.8% in 2018/19. In addition, building on its strong relationship with a large number of small suppliers of primarily health food products, Firtal Group partially assumed the role of Matas' health food wholesaler in December 2019.

The efforts to strengthen the green product range across Matas Group continued in financial year 2019/20. Measures included giving green and local products more commercial space in Matas' stores and media. Based on this strategy, Matas Group grew its revenue from the health (Vital) area by 19.1% to DKK 566 million in 2019/20 from DKK 475 million in 2018/19. The Matas Natur concept store in Aarhus closed in January 2020 to be integrated with the new Matas Life concept store that opened in the Bruuns Galleri shopping centre in April 2020.

In pursuance of the strategy to increase the proportion of private labels and brands with exclusive rights, Matas acquired Kosmolet A/S, the owner of the successful Danish makeup brand Nilens Jord, in the first quarter of the financial year. The acquisition was announced on 28 May 2019 and completed on 11 June 2019. Nilens Jord is known for its allergy-friendly and natural profile. The brand has many dedicated and loyal customers spanning all age groups. Established in 1996, Nilens Jord was a first-mover in making completely perfume-free makeup products. Nilens Jord was the most popular Danish makeup brand also in financial year 2019/20. The acquisition of Nilens Jord has given Matas a stronger position and a more powerful organisation in the green market.

On 9 October 2019, Firtal Group acquired Din Frisør Shop, the operator of two webshops, thus expanding its professional haircare and beauty range. The two webshops were fully integrated into Firtal's platform by the end of Q4 2019/20.

5. Change how we work

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

Commercial excellence helps strengthen customer relations and drive earnings. The efforts to renew the product range continued in financial year 2019/20. New brands and products were launched, while some of the existing brands and products were discontinued. The 'Beautiful brands – sharp prices' and 'Fair prices' concepts were developed and launched with a view to strengthening Matas' pricing position. The intensified focus on Matas' private labels led to a very successful relaunch of Matas' 'Stripes' hair and body products and the introduction of new facecare products. The work with strategic supplier partnerships continued and as a result, Matas launched a number of exclusive brands and products. As a consequence of the acquisition of Kosmolet, the proportion of revenue generated by private labels and exclusive brands increased to 17.1% in 2019/20 from 14.4% in 2018/19.

On the advertising front, Matas developed a new platform, Matas Media, for its collaboration with suppliers. Through this platform, Matas intends to expand its media collaboration with suppliers to include far more digital media in addition to the more conventional printed media that have historically been the focus of the collaboration.

Sales excellence optimises the ways in which Matas meets its customers in the new Matas Life stores, the Group's other stores, on matas.dk and in Firtal's webshops. This will be achieved through locally customised product ranges and product placements based on statistical, data-based analysis models. In addition, the ongoing efforts to improve store operations through process optimisation based on lean principles continues.

Customer excellence is focused on lifting customer satisfaction and enhancing customer engagement via Matas' own channels, including Club Matas, SoMe and the advertising brochure, on simplifying and digitalising the customer journey and on using customer data to ensure relevant, personalised communication with the many active Club Matas members. New ways of communicating developed as part of the Matas Media platform ensure that Club Matas members are made aware of new relevant products and brands. Developing new ways of meeting customers on online platforms constitutes an important part of Matas' customer excellence efforts, and a number of new significant digital services were introduced in the financial year, including Matas Skin Consultation, an online customer advice service manned by dedicated, specially selected materialists and a live online shopping service offering customers direct interaction with the materialists and product specialists hosting the event. At 31 March 2020, the Club Matas app had more than 780,000 active users against 705,000 the year before.

People & Tech excellence involves the development of two key assets: the technological platform and Matas' employees. Matas' IT platform is developed on an ongoing basis with a view to supporting the Group's strategic priorities, focus being on sustaining Matas' leading technology position in retailing and on ensuring Matas has a robust IT infrastructure to provide strategic and operational agility. The work in relation to culture and people, including rethinking how Matas works, also continued in the past financial year with focus being on renewing and simplifying processes, establishing a new physical setting at Matas' head office and making collaboration and job satisfaction key focal points of executive development programmes.

To secure progress in these four areas and sustain Matas' ability to predict and adapt to market changes, Matas recruited a number of new employees and made organisational changes during the financial year. The E-commerce department was significantly strengthened with a number of important new appointments, a new head of the sales department was appointed, and the head of logistics joined Matas' executive team. Moreover, an efficiency programme was implemented in the second quarter of the year, successfully reducing underlying costs.

Performance relative to 2019/20 financial guidance impeded by the corona pandemic

As at 27 February 2020 – prior to the coronavirus outbreak – Matas guided overall revenue growth above 5% and underlying revenue growth above 1.5% for financial year 2019/20. The EBITDA margin before special items and before IFRS 16 was expected to be in the 14–14.5% range for the year as a whole.

On 11 March 2020, the Danish government placed large parts of Danish society on lockdown in an effort to contain the spread of coronavirus, and on 18 March 2020, additional segments of society, including large parts of the retail industry, were shut down as well.

In response to the lockdown, Matas suspended its financial guidance for 2019/20 on 18 March and instead presented two revenue and earnings scenarios for 2019/20 as a whole.

In the best-case scenario, most stores would remain open, and underlying revenue growth would be about 0.5% and the EBITDA margin before special items and before IFRS 16 would be above 13.5%. In the worst-case scenario, a curfew or a temporary shutdown of all retail stores would be imposed, which would result in negative underlying revenue growth of about 1.5% and an EBITDA margin before special items and before IFRS 16 above 13%.

The actual performance in the second half of March 2020 was closer to the best-case scenario with about 235 Matas stores staying open during the period 19–31 March 2020. Revenue is estimated to have been affected in the amount of DKK 50 million in the last three weeks of March 2020, giving a revenue index level of 86 for March 2020 compared with the year before and a Q4 index level of 99 compared with the year before. The overall impact of the corona pandemic on the 2019/20 performance was thus slightly less severe than feared when the two scenarios were presented.

In financial year 2019/20, revenue grew by 4.2% to DKK 3,688 million. Underlying (like-for-like) revenue growth came to 0.7%, and the EBITDA margin (EBITDA before special items as a percentage of revenue) was 14.0% (before IFRS 16).

In management's assessment, if not for the effects of the corona pandemic, overall revenue growth for financial year 2019/20 would have exceeded 5.5%, underlying (like-for-like) revenue growth would have exceeded 2%, and the EBITDA margin before special items and before IFRS 16 would have been well over 14%.

Financial targets for 2019/20	**Realised for 2019/20**	**Adjusted guidance 9M 2019/20 (February/20)**	**Worst/best-case guidance suspension (March/20)**
Customer engagement (M-NPS)	63.1	Ongoing improvement	Ongoing improvement
Revenue (DKK)/revenue growth*	DKK 3.7 billion/4.2%	Above 5%	(3–4%)
Underlying like-for-like revenue growth	0.7%	Above 1.5%	-1.5%/0.5%
EBITDA margin before special items (bef. IFRS 16)	14.0%	14–14.5%	13–13.5%
CAPEX	DKK 193 million	DKK 150–170 million	DKK 150–170 million
Gearing (before IFRS 16)	3.3	2.5–3	2.5–3

* Includes revenue from Kosmolet as from 11 June 2019.

CAPEX for financial year 2019/20 was DKK 193 million, which was higher than anticipated. This was due in part to the bringing forward of investments to Q4 2019/20 in response to the booming online sales and in part to the earlier than anticipated completion of a number of IT projects and the renovation of the head office.

The financial gearing ratio was 3.3 at 31 March 2020, which was above the long-term ambition but within the previously announced interval, according to which gearing may temporarily exceed 3. The financial gearing ratio was adversely affected by the coronavirus outbreak as the lockdown of large parts of Denmark, including a number of Matas stores, impacted negatively on the Company's cash flow in Q4 2019/20. The corona pandemic impacted negatively on the free cash flow, due in part to the DKK 50 million shortfall in sales and in part to stockbuilding of corona-related products, part of which was paid for in cash.

M-NPS was 63.1 for financial year 2019/20 against 64 the year before, reflecting mainly that a greater proportion of revenue is generated through matas.dk, where the NPS is generally lower than for the physical stores. However, NPS for matas.dk rose by 19% during the financial year to exceed the level for Matas' physical stores by the end of 2019/20.

Financial targets and ambitions

The health related, financial and structural consequences of the COVID-19 pandemic are severe and could potentially affect consumer behaviour and society at large for a long time to come.

As a result, the uncertainty pertaining to the retail industry in particular and economic developments in general has increased. Against this background, Matas has decided not to provide specific financial guidance for financial year 2020/21 for the time being.

Matas' long-term financial ambitions for revenue and earnings going forward to 2022/23 are reiterated. The financial ambitions going forward to 2022/23 are based on continuing steady market growth and moderately increasing competition. In addition, the ongoing channel shift from physical store shopping to online shopping is expected to continue through the strategy period. It is noted that the assumptions are subject to increased uncertainty.

Implementation of IFRS 16 has led to a technical adjustment of the 2022/23 ambition for the EBITDA margin before special items, which has been lifted by about 4% percentage points. The underlying ambition for the EBITDA margin before special items remains unchanged, as the increase from 14% to 18% is purely technical.

The underlying long-term ambition for the Company's gearing ratio (net interest-bearing debt to EBITDA before special items) has been revised. The ambition remains a gearing ratio of between 2.5 and 3. This effectively corresponds to a tightening of the previous target, as the technical effect of IFRS 16 implementation on the gearing ratio was an increase of about 0.3 (for a gearing ratio at 31 March 2020 of 3.6 after IFRS 16 as compared with 3.3 before IFRS 16).

Lastly, the annual CAPEX level has been lowered for the remaining three years of the strategy period with investments having been skewed to the first two years of the strategy period.

The financial ambitions for the period to and including financial year 2022/23 are as follows:

- Overall 2022/23 revenue of about DKK 4 billion.
- Underlying positive revenue growth.
- An EBITDA margin before special items above 18% (after IFRS 16) by the end of the strategy period.
- Annual CAPEX of DKK 80–120 million during the last three years of the strategy period.
- A gearing ratio (after IFRS 16) of 2.5–3 (net interest-bearing debt to EBITDA before special items). The gearing ratio should not materially exceed 3 for extended periods of time.

Financial targets and ambitions	**Realised for 2019/20**	**Ambitions for 2022/23**
Customer engagement (M-NPS)	63.1 (index 99)	70 (index 110)
Revenue (DKK)/revenue growth*	DKK 3.7 billion/4.2%	Approx. DKK 4.0 bn
Underlying (like-for-like) revenue growth	0.7%	Positive
EBITDA margin before special items (after IFRS 16)**	19%	Above 18%
CAPEX	DKK 193 million	Below DKK 90 million
Financial gearing***	3.3/3.6	2.5–3

* Includes revenue from Kosmolet as from 11 June 2019. ** After IFRS 16, inclusive of Firtal Group and Kosmolet. *** Before/after IFRS 16 for 2019/20, after IFRS 16 for 2022/23.

The effects of the acquisitions of Firtal Group and Kosmolet and of the green market initiatives (Matas Natur etc.) are reflected in the 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.

Revenue for the period 1 April–17 May 2020 was at index 107 relative to revenue for the year-earlier period. Revenue for the period 1-17 May 2020 was up year on year.

Revenue growth during the 1 April-17 May 2020 period was driven mainly by exceptionally strong online sales. Online sales via matas.dk and Firtal were about three times higher than in the same period the year before. Sales in physical stores were up on March 2020 but below the year-earlier period as a number of stores located in shopping centres remained closed. Store revenue approached normal levels towards the end of the period. The proportion of campaign sales was up year on year, which, combined with the high proportion of online sales and extraordinary costs for matas.dk operations and delivery of online purchases put moderate pressure on earnings.

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.

Going forward, specifically towards the end of the strategy period, the Group expects to generate substantial free cash flows once more. The free cash flows will, in order of priority, be used to bring down debt if the financial gearing ambition 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.

Based on the current uncertainty pertaining to economic and societal conditions in 2020/21 and on the Board's decision to strengthen Matas' liquidity and reduce the gearing ratio, the Board of Directors proposes that no dividend be paid for financial year 2019/20.

Going forward, a payout ratio of at least 30% of Adjusted profit after tax is expected.

Forward-looking statements

The annual report contains statements relating to the future, including statements regarding 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 this report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond Matas Group's control. This may have the effect that actual results may differ significantly from the expectations expressed in the report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues as well as any effects of measures to contain the spread of COVID-19 that are not specifically mentioned above.

Group performance in 2019/20

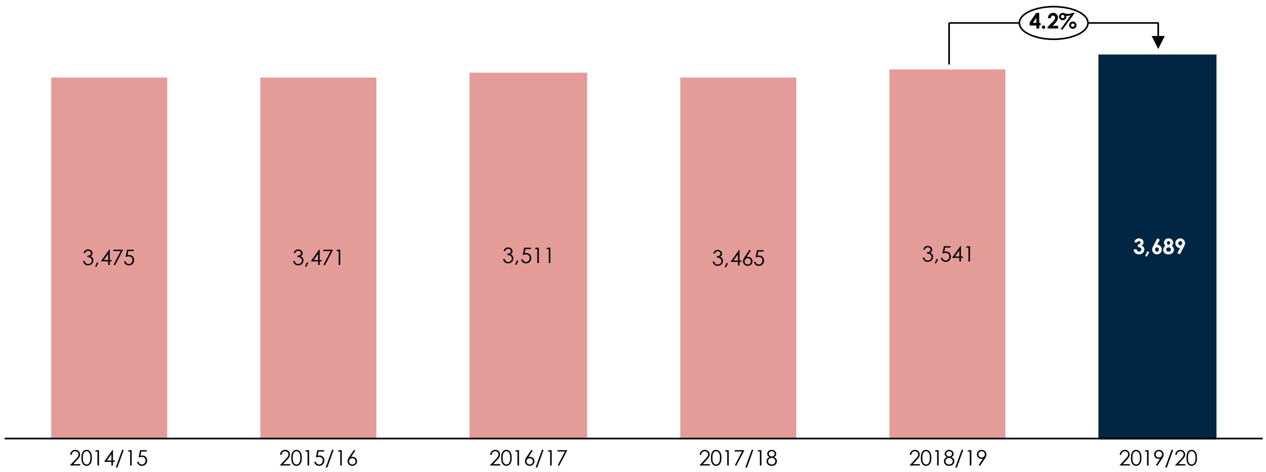
IFRS 16, Leases
Matas implemented IFRS 16, Leases, effective 1 April 2019. This affected the financial statements for 2019/20, mainly because leased stores used to be classified as operating leases and were therefore not recognised in the statement of financial position. In accordance with IFRS 16, leased stores were recognised at DKK 774.1 million under lease assets and at DKK 784.5 million under lease liabilities at 31 March 2020.

IFRS 16 implementation primarily affected EBITDA and EBIT as well as cash flows from operating and financing activities. 2019/20 EBITDA increased by DKK 182 million as operating lease expenses are now recognised as depreciation of lease assets and interest on lease liabilities, as opposed to previously, when they were presented as rent under other external costs. 2019/20 EBIT was affected in the amount of DKK 4.5 million as a result of increased depreciation. Cash flows for 2019/20 were unchanged as the DKK 182 million increase in cash flows from operating activities was offset by a corresponding decline in cash flows from financing activities. See notes 1 and 30 to the financial statements for more information.

Revenue
Revenue in 2019/20
Matas generated total revenue of DKK 3,688.5 million in financial year 2019/20, an increase of 4.2% compared with 2018/19.

Kosmolet was consolidated as of the date of closing, i.e. 11 June 2019. See note 27 to the financial statements for more information.

Matas Group revenue 2014/15 to 2019/20 (DKKm)



Sales in stores operated by the Group in both 2019/20 and 2018/19 were up by 0.7% (underlying growth), which was consistent with the scenarios presented on 18 March 2020 forecasting underlying revenue growth in 2019/20 of about 0.5% in a best-case scenario.

The revenue performance was supported by improved Health & Wellbeing and Mass Beauty sales compared with 2018/19. Overall footfall decreased, and the number of transactions fell by 3.5%. The average basket size grew by 3.6%, which was satisfactory.

Online sales on matas.dk were up by 76% year on year. Factoring in revenue from Firtal Group, 14.7% of sales were completed online, compared with 7.1% in 2018/19.

Sales in Matas' own retail stores and via webshops grew by DKK 148 million or 4.2% relative to 2018/19. The difference between the underlying increase of 0.7% and the own store revenue growth rate of 4.2% was attributable to revenue from Firtal (including Din Frisør Shop ApS, which was acquired on 10 October 2019) and the net effect of store closures and openings. New stores are not included in underlying growth until 13 months after opening.

Revenue by shops-in-shop (historic category structure)

(DKKm)	2019/20 FY	2018/19 FY	Growth	2019/20 Q4	2018/19 Q4	Growth
Beauty	2,551.5	2,500.3	2.0%	522.7	554.8	(5.8)%
Vital	566.1	475.4	19.1%	149.2	140.0	6.6%
Material	320.0	325.6	(1.7)%	69.3	69.4	(0.1)%
MediCare	204.3	185.6	10.1%	54.8	45.8	19.6%
Other	14.5	21.3	(31.8)%	9.5	9.6	(0.8)%
Total own store and webshop revenue	**3,656.4**	**3,508.2**	**4.2%**	**805.5**	**819.6**	**(1.7)%**
Wholesale sales etc.	32.1	33.1	(2.9)%	11.5	8.1	43.2%
Total revenue	**3,688.5**	**3,541.3**	**4.2%**	**817.0**	**827.7**	**(1.3)%**

Wholesale sales etc., including Kosmolet, were down by DKK 1 million. Revenue from Club Matas relating to partners and value adjustments of Club Matas points are also included in this item.

The Beauty category grew revenue by 2.0% in 2019/20 although, adversely affected by the corona pandemic, sales for March dragged the Q4 index significantly below last year's level.

The Vital segment reported a strong 19.1% increase in revenue in 2019/20 year on year, supported mainly by the Firtal Group acquisition but also by a strong Q4 performance with the corona pandemic affecting sales favourably.

Revenue from the Material category fell by 1.7% in 2019/20.

MediCare revenue was up by 10.1% in 2019/20, and the positive trend in this category accelerated further towards the end of the financial year due to the corona crisis.

In order to better reflect how Matas works with categories, the category structure will be reorganised from the current five categories (Beauty, Vital, Material, MediCare and Other) to four categories (High-End Beauty, Mass Beauty, Health & Wellbeing and Other).

The Beauty segment is thus divided into a High-End category and a Mass category, while the Vital segment and most of the MediCare segment are combined in a Heath & Wellbeing category, which will also include slightly more than half of the Material segment's revenue. The rest of the Material segment's revenue will be included in the Mass Beauty and Other (Clothing & Accessories and House & Garden) categories. A small proportion of the MediCare segment's revenue will be transferred to the Mass Beauty category.

The Beauty category accounted for 70.6% of total 2019/20 revenue against 72.0% in 2018/19.

Revenue by new category structure

(DKKm)	2019/20 FY	2018/19 FY	Growth	2019/20 Q4	2018/19 Q4	Growth
High-End Beauty	1,327.4	1,318.3	0.7%	255.4	279.3	(8.6)%
Mass Beauty	1,275.1	1,231.3	3.6%	281.9	287.4	(1.9)%
Health & Wellbeing	920.7	826.8	11.4%	237.4	221.5	7.2%
Other	133.2	131.8	1.0%	30.7	31.3%	(2.0)%
Total own store and webshop revenue	**3,656.4**	**3,508.2**	**4.2%**	**805.5**	**819.6**	**(1.7)%**
Wholesale sales etc.	32.1	33.1	(2.9)%	11.5	8.1	43.2%
Total revenue	**3,688.5**	**3,541.3**	**4.2%**	**817.0**	**827.7**	**(1.3)%**
Physical stores	84.4%	91.9%		79.3%	87.8%	
Webshops (matas.dk and Firtal)	14.7%	7.1%		19.3%	11.2%	
Wholesale sales etc. (incl. Kosmolet)	0.9%	1.0%		1.4%	1.0%	

Revenue in Q4 2019/20
Revenue for Q4 2019/20 came to DKK 817.0 million, down 1.3% on Q4 2018/19.

Overall retail revenue was down by DKK 14 million, or 1.7%, to DKK 805 million, as the increase in online sales did not fully offset the decline in physical store sales. Wholesale revenue was up by DKK 3 million to DKK 12 million, a year-on-year increase of 43% that was primarily driven by Kosmolet.

Sales in stores operated by the Group in both Q4 2019/20 and Q4 2018/19 were down by 2.2% (underlying like-for-like growth).

Sales via matas.dk were up by 85%, and online sales including Firtal accounted for 19.3% of overall retail revenue in Q4 2019/20.

In an effort to contain the spread of coronavirus, large parts of Denmark, including shopping centres and department stores, were placed on lockdown in March 2020. Essential retailers, i.e. supermarkets, pharmacies and specialist retailers offering medical equipment, were exempted and thus allowed to stay open, also those located in shopping centres. Public institutions, restaurants, sports facilities and a number of liberal professions, including hairdressers and beauty salons, were also shut down, while retail stores and specialty shops located in pedestrian zones were allowed to stay open.

As a result of these decisions, most of Matas' 268 Danish stores were able to stay open during the lockdown period, providing personal care products and medical equipment to Danish consumers and contributing to spreading physical retail shopping over a larger area. Nevertheless, physical store footfall declined as a result of the lockdown. For Matas, the consequence was a sharp drop in physical store sales in March 2020, while online sales doubled during the same period.

Sales channels

At 31 March 2020, the Matas Group consisted of 268 physical stores - 266 stores in Denmark, one in the Faroe Islands and one associated store in Greenland. 84% of revenue was generated by the Group's physical stores.

In addition, Matas was present online through matas.dk and 20 webshops run by Firtal, including helsebixen.dk, jala-helsekost.dk and made4men.dk. 15% of revenue was generated through the Group's online channels.

Wholesale sales, including wholesale sales from Kosmolet, accounted for 1% of overall sales.

The Group has no physical activities outside Denmark as the store in the Faroe Islands and the associated store in Greenland are considered Danish stores in this context.

Categories

Matas is characterised by its wide product range within beauty, personal care, health & wellbeing and problem-solving household products. This broad product range creates a unique one-stop retail value proposition for the Group's customers in the shape of four categories:

High-End Beauty: Luxury beauty products, including cosmetics, skincare and haircare products and fragrances.

Mass Beauty: Everyday beauty products and personal care, including cosmetics and skincare and haircare products.

Health & Wellbeing: Medicare (OTC medicine and nursing products). Vitamins, minerals, supplements, specialty foods and herbal medicinal products. Sports, nutrition and exercise. Mother and child. Personal care products (oral, foot and intimate care and hair removal). Special skincare.

Other: Clothing and accessories (footwear, hair ornaments, jewellery, toilet bags, etc.). House and garden (cleaning and maintenance, electrical products, interior decoration and textiles). Other revenue.

Business developments

At the end of the financial year, Club Matas had a membership of over 1.65 million against more than 1.6 million the year before, retaining the position as one of Denmark's largest customer clubs.

At the end of the financial year, some 70% of all Danish women between the ages of 18 and 65 were members of Club Matas. Of the more than 1.65 million members, 1.5 million had consented to being contacted by the club, while more than 1.4 million were active, shopping members.

At 31 March 2020, more than 780,000 members had downloaded the Club Matas app.

Customer satisfaction among Club Matas members was largely unchanged in financial year 2019/20 at 3.75 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. Customer satisfaction in 2018/19 was 3.79.

In January 2020, Matas decided to close the Club Matas partner programme effective August 2020 and instead focus all resources on the potential provided by data-based 1:1 communication via Matas' own media.

The overall number of Matas stores fell by ten in 2019/20 as 23 stores were closed and 13 new ones opened.

Eleven of the stores that were closed were replaced by new and larger stores. 14 stores in Ballerup, Fredericia, Hjørring, Viborg, Holstebro, Kolding and Ringkøbing were merged into seven stores in new locations, while the stores in Thisted, Ålborg, St. Heddinge and in the Rosengårdcentret shopping centre in Odense relocated. To further support the business, two new stores opened in Frederiksberg during the financial year.

StyleBox continued to operate 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.

Costs and operating performance in 2019/20

Gross profit for 2019/20 was DKK 1,640 million, a 3.2% increase from DKK 1,589 million in 2018/19. The gross margin for 2019/20 was 44.5%, down from 44.9% in 2018/19.

Other external costs were up by DKK 49.3 million or 13.9% year on year in 2019/20. Non-recurring costs in the amount of DKK 3.9 million, relating primarily to the Kosmolet transaction, were incurred in 2019/20. In 2018/19, non-recurring costs in the amount of DKK 14.1 million, relating primarily to the Firtal transaction, were incurred. Adjusted for non-recurring costs, other external costs were up by DKK 59.5 million. The increase was driven primarily by operating costs relating to Kosmolet in the period from 11 June 2019 to 31 March 2020, the full-year effect of operating costs relating to Firtal Group and increased activity on matas.dk, including costs relating to webshop operations and freight and logistics. Adjusted for these effects, other external costs fell by DKK 4 million in 2019/20.

Other external costs as a percentage of revenue were 11.0% in 2019/20, compared with 10.0% in 2018/19.

IFRS 16 adoption caused a DKK 182 million decline in other external costs as rent is now recognised as depreciation of lease assets and financial expenses and is therefore no longer included in other external costs.

Staff costs rose by DKK 35.6 million year on year in 2019/20. Staff costs included non-recurring costs of DKK 7.2 million relating to executive changes in Matas A/S. Non-recurring costs in financial year 2018/19 were DKK 4.8 million. Adjusted for non-recurring costs, staff costs were up by DKK 33.2 million. The increase was driven primarily by staff costs relating to Kosmolet in the period from 11 June 2019 to 31 March 2020, the full-year effect of staff costs relating to Firtal Group and staff costs relating to increased activity on matas.dk. Adjusted for staff costs relating to Kosmolet, Firtal Group and matas.dk and non-recurring costs in connection with management changes, underlying staff costs were down by DKK 11 million.

Staff costs for 2019/20 included DKK 7.0 million related to the Group's long-term share-based compensation programme, a year-on-year increase of DKK 1.3 million.

Staff costs amounted to 20.1% of 2019/20 revenue, against 19.9% in 2018/19.

In the 2019/20 financial year, the Group had 2,197 full-time employees (FTE), up from 2,149 in 2018/19.

Costs, FY (DKKm)	**After IFRS 16 2019/20**	**Before IFRS 16 2019/20**	**Before IFRS 16 2018/19**	**Growth**
Other external costs	222.2	404.2	354.9	13.9%
- *of which special items*	3.9	3.9	14.1	
As a percentage of revenue	6.0%	11.0%	10.0%	
Staff costs	739.8	739.8	704.2	5.1%
- *of which special items*	7.2	7.2	4.8	
As a percentage of revenue	20.1%	20.1%	19.9%	

Other external costs and staff costs include Kosmolet for the period 11 June 2019 – 31 March 2020.
The "Before IFRS 16 2019/20" figures have been restated to exclude the effects of IFRS 16 implementation.

EBITDA before the effects of IFRS 16 was down by 6.3% year on year to DKK 496.4 million for 2019/20. The EBITDA margin before the effects of IFRS 16 was 13.5% against 15.0% the year before.

2019/20 EBITDA before special items and before the effects of IFRS 16 was DKK 517.9 million against DKK 548.6 million last year. The EBITDA margin before special items and before the effects of IFRS 16 was 14.0% for 2019/20.

After IFRS 16, 2019/20 EBITDA was DKK 678.4 million, while EBITDA before special items was DKK 699.9 million.

EBIT before the effects of IFRS 16 came to DKK 297 million, compared with DKK 363 million in 2018/19.

Special items (DKKm)	**2019/20**	**2018/19**
Non-recurring costs		
- In connection with executive changes	7.2	4.8
- In connection with strategy update	0.4	2.9
- In connection with acquisition of Kosmolet	3.5	0.0
- In connection with acquisition of Firtal Group	0.0	9.2
Normalisation of intra-group profits in connection with acquisition of Kosmolet	10.4	-
Provision for duty on electric blankets, prior years	0.0	2.0
Total special items	**21.5**	**18.9**

Costs and operating performance in Q4 2019/20

Gross profit for Q4 2019/20 was DKK 374 million, a decline of 0.9% relative to Q4 2018/19. This represents a gross margin of 45.8% compared with 45.6% for the same period the year before.

Other external costs were up by DKK 13.7 million to DKK 114.7 million in Q4 2019/20, a year-on-year increase of 13.6%. Other external costs amounted to 14.0% of revenue in Q4 2019/20, up from 12.2% in the year-earlier period. Costs were primarily affected by higher costs for the operation of matas.dk and higher freight costs due to rising online sales.

Staff costs totalled DKK 190.3 million in Q4 2019/20, a year-on-year increase of DKK 6.7 million. Staff costs as a percentage of revenue were 23.3% in Q4 2019/20 against 22.2% in Q4 2018/19.

Before IFRS 16, Q4 2019/20 EBITDA was DKK 68.8 million against DKK 92.6 million in Q4 2018/19. EBITDA before special items and before the effects of IFRS 16 came to DKK 71.7 million for an EBITDA margin before special items and before IFRS 16 of 8.8% against 11.6% in Q4 2018/19.

Costs, Q4 (DKKm)	**After IFRS 16 2019/20**	**Before IFRS 16 2019/20**	**Before IFRS 16 2018/19**	**Growth**
Other external costs	67.3	114.7	101.0	13.6%
- *of which special items*	(1.0)	-1.0	3.1	
As a percentage of revenue	8.2%	14.0%	12.2%	
Staff costs	190.3	190.3	183.6	3.6%
- *of which special items*	3.9	3.9	0.0	
As a percentage of revenue	23.3%	23.3%	22.2%	

Other external costs and staff costs include Kosmolet for the period 1 January – 31 March 2020.
The Q4 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Financial items and tax

Net financial expenses before IFRS 16 amounted to DKK 28.2 million in 2019/20, compared with DKK 21.4 million in 2018/19.

After IFRS 16, net financial expenses came to DKK 43.0 million, the increase being attributable to interest on lease liabilities in the amount of DKK 14.8 million.

Net financial expenses	After IFRS 16 2019/20	Before IFRS 16 2019/20	Before IFRS 16 2018/19	After IFRS 16 2019/20	Before IFRS 16 2019/20	Before IFRS 16 2018/19
(DKKm)	Q4	Q4	Q4			
Net financial expenses	11.8	8.1	6.1	43.0	28.2	21.4
Fair value adjustment of interest rate swap	0.0	0.0	0.0	0.0	0.0	2.9
Net financial expenses, adjusted for swap	11.8	8.1	6.1	43.0	28.2	24.4

The Q3 2019/20 and 9M 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

Net financial expenses in Q4 2019/20 totalled DKK 8.1 million before IFRS 16, which was an increase of DKK 2.0 million.

The effective tax rate was 23.5% in 2019/20 compared with 23.0% in 2018/19.

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

Profit for the year after tax

Profit for the year after tax was DKK 206 million before IFRS 16, down from DKK 263 million in 2018/19.

Adjusted profit after tax was DKK 297 million before IFRS 16 in 2019/20. This was a decline of 13.4% from 2018/19.

For Q4 2019/20, Adjusted profit after tax was DKK 22 million before IFRS 16 against DKK 53 million in Q4 2018/19.

The profit for the year after tax and after IFRS 16 was DKK 191.2 million.

Adjusted profit after tax and after IFRS 16 was DKK 282.6 million in 2019/20. Adjusted profit after tax may be specified as follows:

(DKKm)	2019/20	2018/19
Profit for the year	191.2	263.1
To which is added amortisation of intangible assets excluding software	94.7	77.2
Special items	21.5	20.1
From which is deducted the tax effect	(24.8)	(21.4)
Adjusted profit after tax	**282.6**	**343.2**

Adjusted profit after tax for Q4 2018/19 was DKK 23 million after IFRS 16.

Statement of financial position

Total assets amounted to DKK 6,588.3 million at 31 March 2020, up from DKK 5,538.8 million at 31 March 2019. The increase was driven mainly by the recognition of lease assets at DKK 774.1 million and lease liabilities at DKK 784.5 million, see note 1 on the effects of implementing IFRS 16, Leases.

The acquisitions of Kosmolet and Din Frisør Shop, which are described in note 27, comprised goodwill of DKK 92.5 million and trademarks of DKK 61.9 million. The carrying amount of these trademarks at 31 March 2020 was DKK 55.6 million after amortisation.

Inventories amounted to DKK 962.6 million at 31 March 2020 compared with DKK 785.5 million the year before, an increase of 22.5%.

Inventories accounted for 26.1% of LTM revenue at 31 March 2020 as compared with 22.2% at 31 March 2019. The increase was driven in part by the addition of stocks in connection with the establishment of the new webshop in Humlebæk and stocks contributed by Kosmolet and Din Frisør Shop. Moreover, towards the end of the financial year, inventories were adversely affected by the sharp decline in physical store sales in the second half of March, driven by the measures implemented to contain the spread of coronavirus, which included the shutdown of large parts of the retail industry. Inventories also increased as a result of a management decision to increase the number of SKUs and reduce the number of product sell-outs.

Developments in inventories in the financial year, broken down by sub-elements, are shown in the table below:

Inventories (DKKm)		**Year-end**
2018/19		**785.5**
Addition		56.6
- *of which from matas.dk (Humlebæk)*	*33.0*	
- *of which from Kosmolet A/S*	*14.7*	
- *of which from Din Frisør Shop ApS*	*8.9*	
Corona pandemic impact		75.0
- Estimated increase due to lower sales in physical stores	*35.0*	
- Estimated stockbuilding of corona articles (webshops and central warehouses)	*40.0*	
General inventory build-up		45.5
- Higher number of SKUs and larger base inventories	*45.5*	
2019/20		**962.6**

Trade receivables increased by DKK 3 million to DKK 15 million, driven mainly by the acquisition of Kosmolet.

Cash and cash equivalents stood at DKK 107 million, down from DKK 161 million the year before.

Trade payables fell by DKK 52 million as compared with the level at 31 March 2019. The decline should be seen in light of the fact that payables were exceptionally high at the end of financial year 2018/19, and it also reflected year-end timing. The decline was not a reflection of deteriorated payment terms.

Net interest-bearing debt before IFRS 16 was DKK 1,715.1 million at 31 March 2020, a year-on-year increase of DKK 211.0 million – equalling 3.3 times LTM EBITDA before special items, after adjustments and before IFRS 16, which is above the long-term target of a level between 2.5 and 3 but within the Group's ambitions, according to which the gearing ratio may temporarily exceed 3.

Gross interest-bearing debt stood at DKK 2,606.2 million at 31 March 2020, including lease liabilities of DKK 784.5 million.

Net interest-bearing debt, comprising debt to credit institutions, including current and non-current lease liabilities and other interest-bearing debt less cash and cash equivalents, amounted to DKK 2,499.6 million at 31 March 2020 after IFRS 16.

Net working capital excluding deposits stood at minus DKK 90.1 million at 31 March 2020, an increase of DKK 230 million over 31 March 2019 reflecting higher inventories and lower trade payables.

Equity was DKK 2,764 million at 31 March 2020, compared with DKK 2,670 million at 31 March 2019. Dividend paid in financial year 2019/20 amounted to DKK 115 million.

At 31 March 2020, the Company's share capital consisted of 38,291,492 shares of DKK 2.50 each, corresponding to a share capital of DKK 95.728.730. After disposing of 140,567 shares in 2019/20 in connection with the acquisition of Kosmolet and 52,217 shares in connection with the exercise of the 2016/17 incentive programme, Matas held 103,977 treasury shares at 31 March 2020. Treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 313 million before IFRS 16 in 2019/20, against an inflow of DKK 566 million in 2018/19, a drop of DKK 253 million. The decline was primarily attributable to a substantial increase in working capital as inventories rose while trade payables fell.

The corona pandemic impacted negatively on the free cash flow, due in part to the DKK 50 million shortfall in sales in March and in part to stockbuilding of corona-related products, part of which was paid for in cash.

Cash flows from operating activities were an inflow of DKK 265 million before IFRS in 2019/20, down from an inflow of DKK 473 million in 2018/19.

Cash flows from operating activities for Q4 2019/20 were an outflow of DKK 15 million before IFRS 16, a year-on-year decline of DKK 64 million.

Cash flows from investing activities were an outflow of DKK 336 million in 2019/20, compared with an outflow of DKK 239 million last year. The increase was attributable in part to the acquisitions of Kosmolet and Din Frisør Shop and in part to increased investments in the retail network and IT, primarily in relation to matas.dk.

For Q4 2019/20, cash flows from investing activities were an outflow of DKK 66 million.

The free cash flow before IFRS 16 was minus DKK 71 million in 2019/20 and minus DKK 81 million in Q4 2019/14.

Cash flows (DKKm)	**After IFRS 16 Q4 2019/20**	**Bef. IFRS 16 Q4 2019/20**	**Bef. IFRS 16 Q4 2018/19**	**After IFRS 16 2019/20**	**Bef. IFRS 16 2019/20**	**Bef. IFRS 16 2018/19**
Cash generated from operations	48.9	1.6	77.0	494.9	312.9	566.1
Free cash flow	(33.6)	(81.0)	10.4	111.2	(70.8)	233.8
Free cash flow net of acquisitions	(33.6)	(81.0)	10.4	248.9	66.9	344.5
Cash flows from financing activities	3.1	50.6	84.2	(165.5)	16.5	(159.3)

The Q4 and 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

The cash flow effect of IFRS 16 implementation was a DKK 182 million increase in cash generated from operations as costs are no longer affected by lease liabilities in the form of rent.

Return on invested capital

The return on LTM invested capital before tax and before IFRS 16 was 9.4%, compared with 11.3% a year earlier.

The return on LTM invested capital after IFRS 16 was 8.5%.

Parent company performance

The parent company generated a loss of DKK 13 million in 2019/20 against a profit of DKK 286 million in 2018/19. The decline relative to 2018/19 was mainly attributable to the fact that no dividend was received from subsidiaries.

Equity was DKK 2,114 million at 31 March 2020 compared with DKK 2,225 million at 31 March 2019.

Events after the date of the statement of financial position

Revenue for the period 1 April – 17 May 2020 was at index 107 relative to revenue for the year-earlier period. Sales growth in April partially compensated for the loss incurred in March. Revenue for the period 1-17 May 2020 was up year on year.

Revenue growth was driven mainly by exceptionally strong online sales. Online sales via matas.dk and Firtal were about three times higher than in the same period the year before. Sales in physical stores were up on March 2020 but below the year-earlier period. The proportion of campaign sales was up year on year, which, combined with the high proportion of online sales and extraordinary costs for matas.dk operations and delivery of online purchases put earnings under moderate pressure.

Cash generated from operations for the period 1 April-17 May 2020 has normalised compared with developments in Q4 2019/20.

In May, Matas recalled all its employees and exited the wage compensation scheme. Matas has decided to pay back in full the wage compensation benefits received from the government.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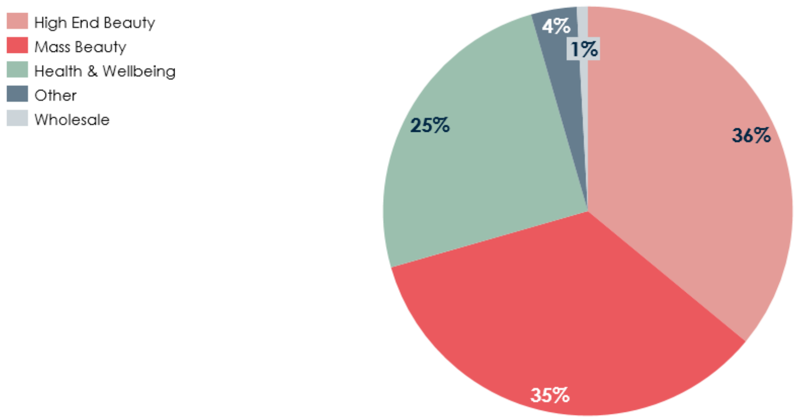
About Matas Group

Matas Group is Denmark's largest beauty, personal care and health products retailer. Over the past 70 years or so, 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 babycare products as low-end alternatives to common branded products. The Stripes family has since evolved into a leading Danish beauty and wellbeing brand.

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.



Ownership changes, new channels and new subsidiaries

- In 2006, the Matas chain consisted of almost 300 stores. In 2007, the store owners decided to sell Matas A/S to CVC, the private equity fund. At the same time, CVC 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.
- 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 May 2018, Matas launched its 2023 strategy entitled 'Renewing Matas'.
- In the second half of 2018, Matas opened its first Matas Natur concept stores, in Copenhagen and Aarhus, and acquired Firtal Group, which owns and operates a number of webshops, including helsebixen.dk, jala-helsekost.dk and made4men.dk.
- March 2019 saw the launch of the first Matas Life concept store designed to offer customers a premier experience, and this concept has since been rolled out to a number of Denmark's largest cities.
- In the first half of 2019, Matas acquired Kosmolet, the owner of the successful organic Danish makeup brand Nilens Jord.
- In early 2020, Firtal Group acquired Din Frisør Shop, the operator of two webshops focused on professional haircare and beauty products.

Matas today

Over the past 70 years or so, 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.

The Matas concept is quite unique in both a national and an international context with Matas distributing up to 22,000 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.

In March 2019, Matas launched a new store concept, Matas Life, setting out to enhance the individual customer experience and test a number of new service elements such as mobile check-out devices and segregation of service and payment functions. Accordingly, stores operated according to the new concept generally offer customers more activities and personal experiences. The process of upgrading physical stores continued throughout the financial year, and by 31 March 2020, 34 stores across the country had been converted into Matas Life stores.

Private labels

Matas markets a number of house brands, including 'Stripes', 'Matas Natur', 'Nilens Jord' and 'Plaisir'. Matas currently offers almost 1,400 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 17% of total 2019/20 revenue, with the Mass Beauty segment as the biggest contributor.

Competition

Matas' main competitors in the high-end beauty segment are department stores, perfumeries, travel retailers and, to a lesser degree, e-businesses, while its principal competitors in the mass-beauty segment are supermarkets, discount retailers, parallel importers, e-businesses and, to a lesser extent, department stores. In the health and wellbeing segment, Matas primarily faces competition from pharmacies, health food stores and supermarkets and to some extent also from e-businesses 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 stores and on matas.dk, Matas personalises 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 1.65 million members at 31 March 2020, of whom more than 1.4 million were active, shopping members, an increase of almost 3% compared with end-2018/19.

The increased focus on the omnichannel experience is also mirrored in customer behaviour. In financial year 2018/19, 273,000 customers shopped in both physical stores and on matas.dk. Such customers are called omnichannel customers. In financial year 2019/20, 378,000 customers shopped in both channels, an increase of 39%. An omnichannel customer's annual purchase exceeds the average Club Matas customer's purchase by an average of 50%.

At the end of the financial year, some 70% of all Danish women between the ages of 18 and 65 were members of Club Matas and 20% were omnichannel Matas customers.

Matas Media, a platform designed to expand Matas' media collaboration with suppliers to, for example, more digital media, was introduced in the past financial year. Alongside its strong focus on creating content and dialogue on social platforms such as Facebook, Instagram and YouTube and on strengthening local dialogue via the more than 250 Matas stores operating their own Facebook pages, Matas works actively to enhance customer engagement in relation to Matas in general and the beauty and wellbeing category in particular. On a monthly basis, Matas reaches some 1.7 million followers through own and sponsored content.

In addition, 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. This is made possible by closely coordinating Club Matas, the advertising leaflet, the webshop and social media activities, primarily on Facebook and Instagram.

Risk management

Risk management is an integral part of the management process of 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 is responsible for preparing, implementing and maintaining control and risk management systems subject to the approval of the Board of Directors, which has the overall responsibility for the Group's risk management. 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 the Group's key risks and their potential impact on group earnings 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 Group 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 in Denmark, and Danish consumers have for quite some time been somewhat reluctant to spend, while at the same time spending is shifting to online channels. Experience shows that in boom times, demand from Matas' customers tends to shift towards high-end beauty products, whereas demand for mass-beauty products typically increases during periods of economic decline. Management monitors sales trends in Matas Group on a daily basis so that it can respond swiftly to any decline in sales by implementing sales-promoting initiatives.

Pandemic

Matas Group is to a significant degree exposed to changes in footfall in Danish shopping centres, pedestrian zones and high streets. Sales in Matas stores located in shopping centres were adversely affected by the partial lockdown of shopping centres during the last month of financial year 2019/20 and the opening months of the current financial year. If a second wave of coronavirus leads to a full or partial lockdown of the retail industry and other parts of Danish society, Matas' revenue may be severely affected.

International competition

Historically, Matas has competed with a large number of Danish retail market players such as supermarkets, including discount chains, local perfumeries, health food shops, pharmacies, department stores and travel retailers. With consumer behaviour changing and spending increasingly shifting to online channels, Matas Group is currently facing increasing competition from Danish and international webshops. Focused on strengthening Matas Group's competitive power vis-à-vis pure online players within beauty and wellbeing, Danish and international alike, the 'Renewing Matas' strategy addresses this channel shift.

Industry developments

The market for beauty, personal care, health and wellbeing products is subject to intense competition from established and new players alike and from growing online sales, which are supported 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 provided by a stronger market position. It strives to do this by increasing its focus on online trading, launching marketing campaigns, leveraging the Club Matas loyalty programme developing the store network and enhancing the customer experience.

Products and suppliers

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

Product liability

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

Legislation and indirect taxation

Matas 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.

Data security

Matas Group has a modern, upgraded IT infrastructure focused on data security and protection of the Company's and its customers' data. Matas Group continually considers security issues and risks when choosing system solutions and has established comprehensive safeguards to prevent data security breaches.

Significant financial risks

Matas Group 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.

Tax dispute

Matas is a party to a dispute with the Danish tax authorities concerning withholding tax on interest for income years 2006-2009. Details are provided in note 20.

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 at the Company's 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 webcasts and investor meetings after the release of each interim and annual report. In addition, the Executive Management and the Investor Relations Department hold meetings with Danish and international investors and analysts on a regular basis. Investors and analysts can also contact the Investor Relations Department to clear up any questions regarding published reports, current events or trends, etc.

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 not 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.

The Company 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 effectively 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 50% women (2018/19: 54%) and 50% men (2018/19: 46%), which means that the Group meets the defined target.

Duties and responsibilities of the Board of Directors

At Matas A/S, 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 A/S 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 11 ordinary board meetings plus a strategy seminar each year and will further convene as required. In the 2019/20 financial year, 13 board meetings and one strategy seminar were held. In the 2018/19 financial year, 14 board meetings and one strategy seminar were held.

The Board of Directors has set up three committees – an Audit Committee, a Nomination Committee and a Remuneration Committee – 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 Mette Maix 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.

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.

Composition of the Board of Directors

The members of the Board of Directors are a group of experienced business professionals who also represent diversity, international experience and skills that are considered to be relevant to Matas Group. With five out of six shareholder-elected members considered to be independent, the overall Board is considered to be independent. As from 2019, the sixth shareholder-elected member is no longer considered to be independent due to that member's length of service on the Board of Directors.

Once a year, in connection with the board evaluation, the Board of Directors defines 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.

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

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

Specific expertise held by board members	General management	Strategy development	Retailing	Brand/ marketing	Ecom/ 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, the Chairman of which is independent and is skilled in accounting. The Audit Committee is chaired by Birgitte Nielsen and also consists of Lars Frederiksen and Christian Mariager. The duties of the Audit Committee include 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 2019/20 financial year and five meetings in 2018/19.

Nomination Committee
The Board of Directors has set up a Nomination Committee, which is chaired by Lars Vinge Frederiksen and also consists of Mette Maix and Signe Trock Hilstrøm. 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 2019/20 financial year and two meetings in 2018/19.

Remuneration Committee
The Board of Directors has set up a Remuneration Committee, which is chaired by Lars Vinge Frederiksen and also consists of Mette Maix and Signe Trock Hilstrøm. 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 2019/20 financial year and two meetings in 2018/19. The Remuneration Committee's work in financial year 2019/20 included updating the remuneration policy based on the Shareholder Rights Directive. The remuneration policy will be presented for approval by the shareholders at the 2020 annual general meeting. In addition, the Committee defined KPIs for the remuneration of the Executive Management and followed up on these. Lastly, the Committee oversaw the preparation of a separate remuneration report for 2019/20.

Board and committee meetings
The attendance at board and committee meetings in the 2019/20 financial year was 100%:

Meetings attended/held	Board meetings	Strategy seminar	Audit Committee	Nomination Committee	Remuneration Committee	2019/20 in total
Lars Vinge Frederiksen	13/13	1/1		2/2	2/2	18/18
Lars Frederiksen	13/13	1/1	5/5			19/19
Christian Mariager	13/13	1/1	5/5			19/19
Signe Trock Hilstrøm	13/13	1/1		2/2	2/2	18/18
Mette Maix	13/13	1/1		2/2	2/2	18/18
Birgitte Nielsen	13/13	1/1	5/5			19/19

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 Company's remuneration report. Reference is also made to note 31.

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 is free of material misstatement, a number of internal control and risk management procedures have been established for the Group's financial reporting process.

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 oversees 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 the responsibility of the individual departments, and the accounting and controlling functions are segregated.

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 concept. This includes an evaluation of general accounting policies and critical accounting estimates and the related risk and sensitivity assessment. The risk of fraud is also assessed. For additional information on critical accounting estimates, see note 2 to the consolidated financial statements.

Control activities
In order to monitor results, store performance, financing and other risks, standardised monthly reports following up on budgets 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 through the CFO.

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

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.

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

Monitoring
Management conducts its ongoing monitoring based on the monthly financial reporting, liquidity analyses and KPI reports combined 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.

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

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. Matas interacts with customers through its 268 physical stores across the country and via its webshops: matas.dk, helsebixen.dk, jala-helsekost.dk, made4men.dk, etc. Matas also regularly distributes communications and marketing material to the more than 1.4 million active members of Club Matas.

While the Group's CSR strategy naturally builds on Matas' purpose and widespread contact with Danish consumers, it also helps Matas manage responsibly the impact it has on its surroundings and honours the role it has been fortunate to develop over the past more than 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 Matas has defined three main priorities which constitute the core of the Group's 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 employees, safe products and data protection

Matas promotes these three main priorities through business initiatives, own-channel communications, collaboration with customers and strategic partnerships with selected partners, including interest organisations and NGOs.

Matas' promotional activities are focused 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 Matas' 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 Matas' purpose – Beauty and wellbeing for life – through active and engaging dialogue at the Group's stores, on online platforms through which Matas communicates actively with its customers and through other Danish media.

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 2019, Matas collected more than DKK 1 million, and together with its customers, Matas has donated more than DKK 24 million to the Danish Heart Foundation since 2007.

In financial year 2019/20, Matas also organised two fundraisers via Club Matas to enable its customers to support various charity projects. In the first project, which was launched on Mother's Day in a partnership with the Danish Red Cross, 13,500 members donated DKK 475,000 to the Q network for battered women, and in the second, conducted during Christmas 2019 in a partnership with Fodboldfonden (the Football Foundation), Club Matas members raised more than DKK 700,000 for vulnerable children.

In the current financial year, Matas will expand its initiatives to promote diversity based on an active and engaging dialogue strategy that may be accompanied by fundraising activities. It has yet to be determined whether, as previously announced, an award will be set up in relation to this work.

Sustainability

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

Matas believes that the Company's key environmental risks are related to unwanted chemicals in the products carried by Matas, plastic consumption in connection with operations and the use of problematic ingredients (such as non-certified palm oil) in the products carried by Matas.

With a view to reducing its impact on both the local and global environments, Matas aims to continually improve the sustainability of its products and processes, focusing on the cosmetics the Group develops, markets and sells, on collecting packaging used for other products in the Group's ranges and plastic used during transport from Matas' warehouse to its stores and on the volume of packaging used by the webshop, matas.dk.

Sustainable products

In 2019/20, Matas worked diligently to promote Danish products, sustainability and the green market. Matas Natur offers a wide range of brands characterised by being environmentally certified, extra clean, organic, natural, vegan or particularly sustainable. Matas has also made it easier for its customers to pick products developed and manufactured in Denmark by labelling products made in Denmark with a Danish flag, and its marketing materials and articles increasingly revolve around Danish products, sustainability and green products.

Matas offers the largest range of Swan-certified private-label personal care products of all Danish retail groups. At 31 March 2020, 288 of Matas' private labels were Swan-certified, compared with 200 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 in-house use, Matas has joined the Sustainable Procurement Network, which is managed by Ecolabelling Denmark, which is a part of the Danish Standards Foundation.

Matas supports sustainable palm oil production by using RSPO-certified palm oil. Matas' goal is for 15% of its own non-food products to be RSPO-certified by 2020. The proportion of RSPO-certified private-label products rose to 10.7% in financial year 2019/20 from 9.5% in 2018/19. Due to an error in the method of registration, the number for 2018/19 was stated at 18.9% but was de facto 9.5%. Matas will work actively towards achieving the 15% target during the current financial year.

Working to reduce the Group's CO2 footprint

Matas is committed to reducing the Group's energy consumption and CO2 emissions and does 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 the Group's stores. Matas' 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. The work to reduce lighting-related power consumption continued in 2019/20 with active efforts being made to ensure that the new Matas Life stores consume less power per square meter than the stores they replace.

In financial year 2019/20, power consumption at Matas' stores was down by 1.172 mWh to 11,884 mWh, due mainly to a reduced number of Matas stores. Matas will continue its efforts to reduce power consumption at its stores.

Transport

In 2019/20, 195 tonnes of CO_2 were emitted during transport, a year-on-year increase of 19 tonnes that was attributable mainly to growing webshop sales.

Matas works with Citylogistik on distributing shipments to the stores in Roskilde and Lyngby by means of electric trucks.

Minimising plastic consumption

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

In 2019/20, 36 tonnes of transport plastic (2018/19: 37 tonnes) and 435 tonnes of cardboard (2018/19: 474 tonnes) were recycled.

Customers are invited to return all empty packaging from products purchased at Matas stores for recycling through the Matas Return System. Customers returned 19 tonnes of plastic packaging for recycling in 2019/20, and the packaging was returned without reimbursement of a deposit or any other financial compensation.

In the 2019/20 financial year, Matas sent 55 tonnes of plastic for recycling.

For a number of years, Matas has been working with the manufacturer of most of its 'Stripes' products on reducing its 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 private-label products. As a result, Matas developed a range of new packaging types with up to 30% less plastic content in connection with the relaunch of its 'Stripes' products in financial year 2018/19, and the work to develop new packaging types with less plastic content continued in the past financial year.

Starting in 2014, Matas had phased out the use of microplastic in its private labels by 2018, and through the Danish Chamber of Commerce, the Group actively promotes common EU regulation to phase out the use of microplastics in cosmetics altogether.

In an effort to nudge more sustainable consumer behaviour, Matas started charging for all plastic bags in September 2019. The monthly consumption of plastic bags, which prior to this initiative was an estimated 1 million, has subsequently dropped to less than 200,000.

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.

Matas Group has more than 3,000 employees, the majority working at the Group's 268 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 Matas' key risk in relation to employee conditions, while the risk of work-related accidents and attrition is smaller but obviously present, especially at the Group's central warehouse.

The Group remains committed to providing a good working environment at its stores, its main office and its warehouse. Good, well-functioning workplaces provide a strong platform for creating positive experiences for the Group's 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 its employees to establish labour unions, their freedom of association, right to collective bargaining and equal opportunities for women and men. In Matas' opinion, the risks of child labour being used, employees being discriminated or employees' right to establish labour unions being restricted by suppliers or their sub-suppliers constitute Matas' key risks in relation to human rights. Accordingly, through its Code of Conduct, Matas requires that its suppliers develop and produce their products without child labour. This requirement is incorporated into all supplier agreements.

Matas is committed to promoting diversity among the Group's employees, including proper female representation in both middle and 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 its 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, Matas aims 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 2019/2020 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

Each year, Matas trains more than 160 trainees to become materialists and to have the skills to offer customers professional and qualified advice. In addition to its goal of providing customers with professional customer service, Matas aims to allow its employees to continually develop their skills. Matas wants to be known as the

Danish retail group with the highest levels of service and professional know-how among its customer-facing employees.

Most of the Group's 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 Matas' stores on a regular basis.

At the end of the financial year, 63 % of Matas' shop assistants were fully trained or were undergoing training. In terms of FTEs, about 82 % of the chain's employees were trained or undergoing training. This represents a small decline compared with financial year 2018/19 when 86% of the chain's employees were trained or undergoing training. The decline was primarily attributable to an increased number of opening hours, mainly on Sundays. 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 the Group's customers. This ensures diversity among the Group's employees.

The Group makes substantial investments in ongoing training of its 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. In the past financial year, a management training programme was launched at the Group's head office in Allerød.

The workplace

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

In addition, the Group had 34 employees in subsidised jobs, typically physically disabled people unable to work full time, at 31 March 2020.

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 annual surveys of employee satisfaction. The most recent employee satisfaction survey, which was carried out in May 2019, showed an overall score of 4.2 out of 5. The next survey is scheduled for June 2020.

In October and November 2019, all people managers, including store managers, attended a stress prevention course.

Sickness absence in the Matas Group 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% in financial year 2019/20.

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.

Matas' 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.

Matas has set up a whistleblower scheme to allow its employees to anonymously report suspicion of misconduct such as violations of Matas' internal policies or applicable legislation, fraud, etc. The whistleblower scheme was evaluated in the financial year, which resulted in a decision to introduce all new employees to the scheme upon being employed.

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. No reports were submitted in financial year 2019/20.

Making sure that products are safe

Substitution by private labels – Code of Conduct for private labels

In the past financial year, Matas continued its proactive work to improve all the Group'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 Matas' 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 2020, more than 173 Matas products carried the Blue Label.

Code of Conduct for third-party labels

In addition to the Code of Conduct governing the Group's private labels, all other products in Matas' 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, Matas' suppliers have signed declarations that all products supplied to Matas are free from PVC, Lawsone and a number of other substances. No incidents of non-compliance with the Code of Conduct were identified among Matas' suppliers in 2019/20.

Making sure 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.

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 its 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.

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

CSR priority – diversity	2019/20	2018/19
Danish Heart Foundation		
Total donations through fundraising activities	DKK 1,123,000	DKK 2,100,000
Red Cross		
Collected for Christmas assistance	0	DKK 650,000
Q network	DKK 475,000	0
Football Foundation		
Collected for vulnerable children	DKK 715,000	0
Danish Cancer Society		
Total donations and fundraising activities	DKK 1,083,355	DKK 1,075,000
Danish Doctors' Vaccination Service		
Number of people vaccinated	14,994	10,907

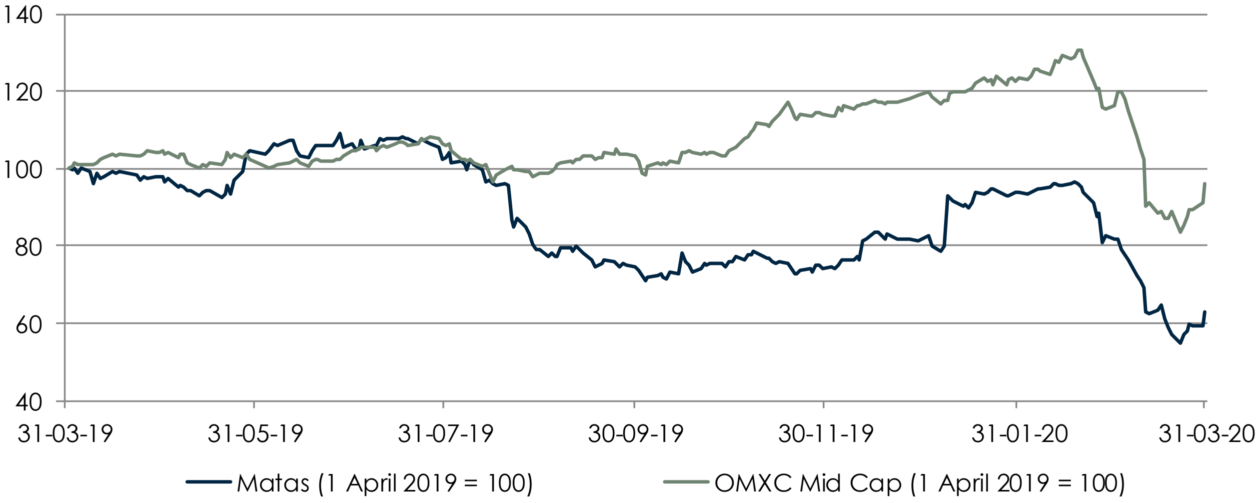
CSR priority – sustainability	2019/20	2018/19
Matas Environmental Fund (closed in 2018/19)		
Total donations	0	DKK 182,000
Matas Return System		
Transport plastic collected (Matas)	36 tonnes	37 tonnes
Empty plastic packaging collected from customers	19 tonnes	20 tonnes
Cardboard collected (Matas)	453 tonnes	474 tonnes
Transport		
CO_2 emissions	195 tonnes	176 tonnes
Products		
Own Swan-certified products (number)	288	200
Own products with RSPO certification (proportion of own products)	10.7%	9.5%

CSR priority – security	2019/20	2018/19
Products		
Own Blue Label-certified products (number)	173	110
Employees		
Project KLAP (number)	33	33
Subsidised jobs (number)	34	28
Employee satisfaction	4.2	4.2
Sickness absence(excluding pregnancies)	2.2%	2.2%
Sickness absence(including pregnancies)	5.3%	4.2%
Leave (number)	101	95
Trained materialists and materialist undergoing training (proportion of FTE)	82%	86%
Materialist trainees trained (number)	160	200

Shareholder information

Matas shares in 2019/20

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 42.7 on 31 March 2020, equivalent to a decline of 36.9% in 2019/20. A dividend of DKK 3 per share was paid out as of 03 July 2019. Including reinvested dividend, the share price fell by 34.2% in 2019/20. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of -3.9% in the same period. At 31 March 2020, Matas A/S' market capitalisation was DKK 1,633 million. The average turnover in Matas' shares was 150,929 shares per day in 2019/20.



Share capital

The nominal value of the Company's share capital at 31 March 2020 was DKK 95,728,730 divided into shares of DKK 2.50, equivalent to 38,291,492 shares and 38,291,492 votes. After disposing of 140,567 shares in financial year 2019/20 in connection with the acquisition of Kosmolet and 52,217 shares in connection with the exercise of the 2016/17 incentive programme, Matas held 103,977 treasury shares at 31 March 2020.

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	DK0060497295

Authorisations relating to the share capital

At the general meeting held on 27 June 2019, the Board of Directors was authorised as described below in relation to the share capital. None of these authorisations had been exercised at 1 April 2020. Treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

- 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 must take place at market price and may be effected by cash payment or as consideration for a full or partial 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 in its subsidiaries. The new shares will be issued at a subscription price to be determined by the Board of Directors that may be below the market price.

- New shares issued in pursuance of the above authorisations, which are not to exceed a nominal amount of DKK 9,750,000, must be issued to named holders and be registered in the name of the holder in the Company’s register of shareholders, must be fully paid up, must be negotiable instruments and must 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 Articles of Association as may be required as a result of the Board of Directors’ exercise of the said authorisations.

- The Board of Directors is further 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 30 June 2020. The Board of Directors proposes that the authorisation be renewed at the annual general meeting to be held on 30 June 2020.

Ownership

At 31 March 2020, Matas A/S had 15,879 registered shareholders, who represented approximately 93% of the share capital. Out of the registered shareholders, shares held by non-Danish shareholders accounted for 51% against 61% the year before.

On 25 February 2020, Templeton Investment Counsel, LLC notified Matas A/S that they had held more than 5% of the share capital and the voting rights in Matas A/S since 26 March 2019.

At 31 March 2020, Templeton Investment Counsel, LLC owned 1,965,778 shares in Matas A/S, corresponding to 5.13% of the share capital and the voting rights.

At 31 March 2020, members of the Board of Directors held 36,003 shares, and members of the Executive Management held 117,767 shares, equivalent to 153,770 shares or 0.4% of the share capital.

Dividend

The Board of Directors proposes that no ordinary dividends be paid for financial year 2019/20.

This proposal is based on the current uncertainty pertaining to the financial results for financial year 2020/21 as a result of the measures implemented to contain the spread of coronavirus and on the Board’s intention to strengthen Matas Group’s liquidity.

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 lead the field 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 course of a financial year. In the 2019/20 financial year, meetings and telephone conferences were held with approximately 50 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 analysts from five investment banks:

- ABG Sundal Collier: André Thormann
- Carnegie: Alexander Borreskov and Mads Quistgaard
- Danske Bank: Poul Ernst Jessen
- Nordea: Claus Almer and Aleksander Edemann
- SEB: Magnus Jensen

Contact

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

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E-mail: as@matas.dk

Annual general meeting

The annual general meeting is expected to be held on Tuesday, 30 June 2020 at 4.00 p.m.

Financial calendar

The financial calendar for the 2020/21 financial year is as follows:

20 August 2020	Interim report – Q1 2020/21
05 November 2020	Interim report – Q2 2020/21
08 January 2021	Trading update for Q3 2020/21
25 February 2021	Interim report – Q3 2020/21
17 May 2021	Deadline for the Company's shareholders to submit in writing requests for specific proposals to be included on the agenda for the annual general meeting
27 May 2021	Annual report 2020/21
29 June 2021	Annual general meeting for 2020/21

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: 2020
- 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 PLC, London. Chairman of the Hedorf Foundation and the Danish Committee on Corporate Governance, a member of the nomination committee of Tate & Lyle PLC 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: 2020
- Member of the Audit Committee
- 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: Digital Commerce Director at Imerco A/S
- First elected to the Board of Directors in 2017
- Up for re-election: 2020
- Member of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the board of directors of Stibo A/S and a member of the eCommerce Awards jury (FDIH)

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

Mette Maix, board member
- Born 1969, Danish nationality
- Position: CEO at Rosendahl Design Group A/S
- First elected to the Board of Directors in 2017
- Up for re-election: 2020
- Member of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the board of directors of Good Food Group A/S
- Special expertise in all aspects of retailing, including combining physical and online sales, and experience in general management and strategic development

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: 2020
- Member of the Audit Committee
- Independent board member
- Chairman of the boards of directors of Comitel A/S, Coffeebrewer Nordic A/S, Colombus E. ApS and Peter Beier Chokolade A/S and member of the boards of directors of Danish Fashion Co 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: 2020
- Chairman of the Audit Committee
- Independent board member
- Member of the boards of directors of Coloplast A/S, Kirk Kapital A/S and De Forenede Ejendomsselskaber A/S 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
- Deputy chairman of the board of directors of Gyldendal A/S, member of the boards of directors of Vallø Stift, the Danish Chamber of Commerce and Gerda og Victor B. Strands Fond (Toms Gruppens Fond)

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


MORE
green

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 2019 to 31 March 2020.

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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 April 2019 to 31 March 2020.

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, 27 May 2020

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 2019 – 31 March 2020, 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 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020 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 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 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 six years up to and including the financial year 2019/20.

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 2019 – 31 March 2020. 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 3,930.6 million at 31 March 2020, corresponding to 60% 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 2020/21, extrapolation through the remaining budget period to 2024/25 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.

Implementation of IFRS 16, Leases

Matas implemented IFRS 16, Leases, effective 1 April 2019, applying the simplified transition method and stating lease liabilities at the present value of the remaining lease payments at 1 April 2019, discounted on the basis of Matas' alternative marginal borrowing rate. IFRS 16 implementation has led to all leases, regardless of type – with a few exceptions – being recognised in the Group's statement of financial position as an asset with a corresponding lease liability. The implementation of IFRS 16 has significantly affected the statement of financial position due to the number of leases. Also, IT systems have been adjusted and new processes and internal controls implemented in order to ensure complete and accurate financial reporting. IFRS 16 implementation is a key audit matter as the determination of lease liabilities and corresponding lease assets at 1 April 2019 was based on management's estimates of expected lease terms, extension options and discount rates.

Additional information about the implementation of IFRS 16, Leases, is disclosed in notes 1 and 30 to the consolidated financial statements.

During our audit, we obtained an understanding of the Group's processes and internal controls. This included verifying management's key assumptions and judgments applied in determining expected lease terms, extension options and discount rates. We checked selected leases on a sample basis to verify that they have been correctly recognised and tested their completeness by comparing the number of stores and office facilities with the number of identified leases. In addition, we assessed the adequacy of the disclosures on implementation of IFRS 16, Leases, provided in notes 1 and 30.

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 separate 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 delivered 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 non-delivered Club Matas points and stripes, we checked the fair value models applied by management for measuring purposes and assessed the fair value of non-delivered 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 ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent'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, 27 May 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath State Authorised Public Accountant mne no. 19718	Kristian Bjerge State Authorised Public Accountant mne no. 40740

Consolidated financial statements 2019/20

Statement of comprehensive income

(DKKm)	Note	2019/20	2018/19
Revenue	3, 4	3,688.5	3,541.3
Cost of goods sold	5	(2,048.1)	(1,952.5)
Gross profit		1,640.4	1,588.8
Other external costs	6	(222.2)	(354.9)
Staff costs	7	(739.8)	(704.2)
Amortisation, depreciation and impairment	8, 30	(385.5)	(166.4)
EBIT		292.9	363.3
Share of profit or loss after tax of associates		0.8	0.2
Financial income	9	0.1	3.0
Financial expenses.	10	(43.9)	(24.6)
Profit before tax		249.9	341.9
Tax on profit for the year	11	58.7	-78.8
Profit for the year		191.2	263.1
Other comprehensive income			
Value adjustment of hedging instrument in the year		0.6	(3.3)
Tax on value adjustment of hedging instrument		(0.1)	0.7
Other comprehensive income after tax		0.5	(2.6)
Total comprehensive income for the year		191.7	260.5
Earnings per share:			
Earnings per share, DKK	12	5.01	6.96
Diluted earnings per share, DKK	12	4.96	6.93

Statement of cash flows

(DKKm)	Note	2019/20	2018/19
Profit before tax		249.9	341.9
Amortisation, depreciation and impairment	8	385.5	166.4
Share of profit or loss after tax of associates		(0.8)	(0.2)
Financial income	9	0.1	(3.0)
Financial expenses	10	43.9	24.6
Other non-cash operating items, net		7.0	6.8
Cash generated from operations before changes in working capital		685.4	536.5
Changes in working capital	26	(190.5)	29.6
Cash generated from operations		494.9	566.1
Interest received	9	0.1	0.1
Corporation tax paid		(48.2)	(93.4)
Cash flow from operating activities		446.8	472.8
Acquisition of intangible assets	14	(68.7)	(64.8)
Acquisition of property, plant and equipment	16	(123.8)	(63.5)
Acquisition of other securities and investments		(5.4)	0.0
Acquisition of subsidiaries and operations	27	(137.7)	(110.7)
Cash flow from investing activities		(335.6)	(239.0)
Free cash flow		111.2	233.8
Loans raised with credit institutions	24	155.0	105.0
Amortisation on lease liabilities	30	(167.3)	0.0
Dividend paid		(114.6)	(237.1)
Interest paid	10	(38.6)	(21.4)
Purchase of hedging instrument		0.0	(5.8)
Cash flow from financing activities		(165.5)	(159.3)
Net cash flow from operating, investing and financing activities		(54.3)	74.5
Cash and cash equivalents, beginning of period		160.9	86.4
Cash and cash equivalents, end of period		106.6	160.9

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

Assets at 31 March

(DKKm)	Note	2019/20	2018/19
NON-CURRENT ASSETS			
Goodwill		3,930.6	3,838.1
Trademarks and trade names		227.2	247.6
Other intangible assets		99.1	82.3
Total intangible assets	14, 15	4,256.9	4,168.0
Lease assets	30	774.1	0.0
Land and buildings	16	91.4	86.4
Other fixtures and fittings, tools and equipment	16	117.3	91.7
Leasehold improvements	16	63.4	16.8
Total property, plant and equipment		1,046.2	194.9
Investments in associates		6.5	0.7
Deposits		46.3	42.6
Other securities and investments		0.6	0.7
Total other non-current assets		53.4	44.0
Total non-current assets		5,356.5	4,406.9
CURRENT ASSETS			
Inventories	18	962.6	785.5
Trade receivables	19	14.7	11.4
Corporation tax receivable		29.6	51.8
Other receivables	20	87.4	90.1
Prepayments		30.9	32.2
Cash and cash equivalents		106.6	160.9
Total current assets		1,231.8	1,131.9
TOTAL ASSETS		6,588.3	5,538.8

Equity and liabilities at 31 March

(DKKm)	Note	2019/20	2018/19
EQUITY AND LIABILITIES			
Share capital	21	95.7	95.7
Hedging reserve		(2.1)	(2.6)
Translation reserve		0.3	0.3
Treasury share reserve		(11.8)	(33.3)
Retained earnings		2,681.9	2,494.9
Proposed dividend for the financial year	13	0.0	114.9
Total equity		2,764.0	2,669.9
Deferred tax	22	210.0	209.4
Lease liabilities	30	598.9	0.0
Provisions		27.3	0.0
Contingent consideration		17.1	15.2
Credit institutions	24	1,821.7	1,665.0
Other payables		38.0	0.0
Total non-current liabilities		2,713.0	1,889.6
Lease liabilities	30	185.6	0.0
Prepayments from customers	23	158.9	156.0
Trade payables		586.7	638.3
Other payables	25	180.1	185.0
Total current liabilities		1,111.3	979.3
Total liabilities		3,824.3	2,868.9
TOTAL EQUITY AND LIABILITIES		6,588.3	5,538.8

Statement of changes in equity

(DKKm)	Share capital	Hedging reserve	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2019	**95.7**	**(2.6)**	**0.3**	**(33.3)**	**114.9**	**2,494.9**	**2,669.9**
Value adjustment of hedging instrument	0.0	0.6	0.0	0.0	0.0	0.0	0.6
Tax on value adjustment	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**
Profit for the year	0.0	0.0	0.0	0.0	0.0	191.2	191.2
Total comprehensive income	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**191.2**	**191.7**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(114.6)	0.0	(114.6)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(0.3)	0.3	0.0
Exercise of incentive programme	0.0	0.0	0.0	5.9	0.0	(5.9)	0.0
Disposal of treasury shares, Kosmolet	0.0	0.0	0.0	15.6	0.0	(5.6)	10.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	7.0	7.0
Total transactions with owners	**0.0**	**0.0**	**0.0**	**21.5**	**(114.9)**	**(4.2)**	**(97.6)**
Equity at 31 March 2020	**95.7**	**(2.1)**	**0.3**	**(11.8)**	**0.0**	**2,681.9**	**2,764.0**

DKK million	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, Firtal	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**

Summary of notes to the financial statements

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 2020 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 2019/20 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 2019/20 on 27 May 2020. The annual report will be presented to the shareholders of Matas A/S for approval at the annual general meeting to be held on 30 June 2020.

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 2019 – 31 March 2020. Except for IFRS 16, Leases, none of these have significantly affected Matas' annual report for 2019/20. The changes resulting from the implementation of IFRS 16 at 1 April 2019 are described below. Note 34 sets out new standards not yet in force.

As a related effect of IFRS 16 implementation, the classification of interest paid in the statement of cash flows has been adjusted effective 2019/20 to the effect that these payments are now presented under cash flows from financing activities, as these cash flows are deemed to be closely linked to developments in credit facilities and repayment of lease liabilities. Previously, interest payments were presented under cash flows from operating activities. As a result of this adjustment, cash flows from operating activities have increased by DKK 23.8 million (2018/19: DKK 21.3 million), while cash flows from financing activities have decreased by a corresponding amount.

Impact of IFRS 16, Leases

The standard is effective for annual reporting periods beginning on or after 1 January 2019 and is thus effective for Matas as of 1 April 2019. Opting to apply the simplified implementation method, Matas has recognised lease assets and lease liabilities as from 1 April 2019 and has not restated comparative figures for earlier periods.

Under IFRS 16, Matas must, with a few exceptions, recognise all leases in the statement of financial position as lease liabilities measured at the present value of expected future lease payments and a corresponding lease asset adjusted for payments made to the lessor prior to commencement of the lease and any incentives received from the lessor. In pursuance of the exemption clauses in IFRS 16, Matas has opted not to recognise leases with a term of less than 12 months or of low value. In addition, Matas has opted not to reassess whether a contract is or contains a lease and not to recognise payments relating to service components as part of the lease liability. Matas has also decided to apply the same discount rate to a portfolio of leases with similar characteristics.

Matas' leases primarily consist of property and store leases, for which the expected lease payments are determined based on expected individual lease terms. For purposes of assessing the expected lease term, Matas identifies the non-cancellable lease term of the agreement plus periods comprised by extension options and termination options which Matas reasonably expects to exercise. In accordance with Danish tenancy legislation, the majority of Matas' leases contain short non-cancellable periods. Accordingly, management has prepared an estimate of the lease term that may reasonably be expected, taking into account factors such as current retail market developments in Denmark and the Group's strategy.

A number of store leases contain options entitling Matas to extend the lease in pursuance of Danish tenancy law. On initial recognition of the lease liability, Matas considers whether it reasonably expects to exercise the extension option, which estimate is reassessed upon the occurrence of a significant event or a significant change in circumstances. Upon expiry of the non-cancellable period, the individual leases are assessed in consideration of Matas' strategy.

Note 1 – Accounting policies, continued

In connection with the recognition of leases in accordance with IFRS 16, Matas recognised a liability of DKK 27 million at 1 April 2019 pertaining to its obligation to reinstate leased premises on vacation. The liability was determined on the basis of an estimate of the Group's leasehold reinstatement liabilities based on the lease term estimated on recognition of store leases, taking into account the Group's strategy and the current Danish retail market.

The total impact of IFRS 16 adoption on the statement of financial position at 1 April 2019 and 31 March 2020 is as follows:

(DKKm)	At 1 April 2019	At 31 March 2020
Lease assets		
Leased stores	816.8	706.1
Administration and warehouse buildings etc.	73.5	62.9
Cars and other leases	6.4	5.1
Lease assets	**896.7**	**774.1**
Leasehold improvements	27.0	18.3
Total property, plant and equipment	**923.7**	**792.4**
Total lease liabilities	**896.7**	**784.4**
Provision for leasehold reinstatement	**27.0**	**27.3**

Lease assets recognised at 1 April 2019 compare with the Group's liabilities under operating leases at 31 March 2019 as follows:

(DKKm)	
Operating lease liabilities at 31 March 2019	160.6
Lease liabilities for periods comprised by extension options which Matas reasonably expects to exercise	786.6
Discounted at alternative borrowing rate at 1 April 2019	(50.5)
Lease assets at 1 April 2019	**896.7**

Lease assets are depreciated on a straight-line basis over the estimated lease term, which is:

(Years)	
Leased stores	2-8
Administration and warehouse buildings etc.	5-8
Cars and other leases	3

In measuring the lease liability, Matas applied an alternative borrowing rate for purposes of discounting future lease payments, which is 1.3 – 1.9% for leased premises and 1.1% for cars and other leases.

Overall cash flows were unaffected by IFRS implementation. However, cash flows from lease payments were classified as cash flows from financing activities with a counter entry under depreciation and impairment under cash generated from operations and financial expenses.

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 the Group's 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 'Definitions of key financials'.

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.

Note 1 – Accounting policies, continued

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 a write-down has not been made.

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.

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.

Note 1 – Accounting policies, continued

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.

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 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.

Note 1 – Accounting policies, continued

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.

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 and shares in co-operative property, 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	75 years
Building parts	10-25 years
Fixtures, fittings, tools and equipment	1-7 years
Leasehold improvements	2-8 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.

Note 1 – Accounting policies, continued

Lease assets and lease liabilities

For accounting purposes, leases were up until 31 March 2019 classified as finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. The Group has no leases classified as finance leases. Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

Effective 1 April 2019, lease assets and lease liabilities are recognised in the statement of financial position when, under a lease concerning a specific identified asset, lease assets are made available to the Group for the lease term and when the Group obtains the right to substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

On initial recognition, lease liabilities are measured at the present value of future lease payments, discounted using an alternative borrowing rate. The following lease payments are recognised as part of the lease liability:

- Fixed payments
- Variable payments changing in accordance with changes in an index or a rate based on the applicable index or rate
- Payments under extension options that the Group is highly likely to exercise

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when there is a change in the underlying contractual cash flows due to changes in an index or a rate or if the Group changes its assessment as to whether it reasonably expects to exercise an extension or termination option.

On initial recognition, the lease asset is measured at cost, corresponding to the value of the lease liability adjusted for prepaid lease payments plus any initial direct costs and estimated costs of reinstatement or similar and less any discounts granted or other types of incentives received from the lessor.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The lease asset is depreciated over the shorter of the lease term and the useful life of the lease asset. The lease asset is recognised in the statement of comprehensive income on a straight-line basis.

The lease asset is adjusted for changes in the lease liability resulting from changes in the lease terms or changes in the contractual cash flows according to changes in an index or a rate.

Lease assets are depreciated on a straight-line basis over the estimated lease term, which is:

Leased stores etc.	2-8 years
Administration and warehouse buildings etc.	5-8 years
Cars and other leases	3 years

Lease assets are presented separately from lease liabilities in the statement of financial position.

The Group has opted not to recognise leases of low-value assets and short-term leases in the statement of financial position. Lease payments concerning such leases are instead recognised in the statement of comprehensive income on a straight-line basis.

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' 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).

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.

Note 1 – Accounting policies, continued

Incentive programmes

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

The fair value of the PSUS granted is estimated using basic assumptions. The calculation takes into account the terms and conditions of the PSUs granted.

Provisions

Provisions are recognised when, as a result of an event occurring before or at the date of the statement of financial position, the Group has a legal or a constructive obligation, and it is probable that there may be an outflow of economic benefits to meet the obligation.

Provisions are measured as management's best estimate of the amount which is expected to be required to settle the liability.

On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability.

Provisions for the reinstatement of leased premises etc. on vacation are measured at the present value of the expected future liability at the date of the statement of financial position. The provision is determined based on current legislation and estimated future costs, discounted to their present value. Any specific risks that are believed to apply to the provision are recognised in estimated costs. The discount factor used reflects the general level of interest rates. Liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements, price levels, etc. The present value of the costs is recognised in the cost of the items of property, plant and equipment in question and depreciated with these assets. The increase of the present value over time is recognised under financial expenses in the statement of comprehensive income.

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.

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.

Note 1 – Accounting policies, continued

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.

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 and dividends received 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 interest and 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 – Significant accounting estimates, assumptions 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 9.9 million at 31 March 2020 (31 March 2019: DKK 10.8 million).

Full stock counts are performed in all stores once a year, predominantly in the last quarter of the financial year. A provision for shrinkage corresponding to 1.6% of sales in the period was made at the date of the stock count. The shrinkage percentage reflects the shrinkage reported by the majority of the stores performing their stock count in the last quarter of the financial year. The actual shrinkage percentage was 1.6% in 2018/19 as well.

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 2 – Significant accounting estimates, assumptions and judgments, continued

Determining the term of a lease

The lease term covers the non-cancellable period of the lease plus periods comprised by an extension option which Matas reasonably expects to exercise and plus periods comprised by a termination option which Matas reasonably expects not to exercise. Matas' store leases often contain options entitling Matas to extend the lease in pursuance of Danish tenancy law. On initial recognition of the lease liability, Matas considers whether it reasonably expects to exercise the extension option and estimates the expected lease term, which estimates are reassessed upon the occurrence of a significant event or a significant change in circumstances that is within the Group's control. Upon expiry of the non-cancellable period, the individual leases are assessed in consideration of Matas' strategy.

Determining the discount factor in a lease

Matas applies an alternative borrowing rate for purposes of measuring the present value of future lease payments. In determining this alternative borrowing rate, Matas divides its portfolio of lease assets into categories with similar characteristics and risk profiles. The alternative borrowing rate is determined on initial recognition and in connection with subsequent changes resulting from Matas revising its assessment as to whether it reasonably expects to exercise a purchase, extension or termination option or from the lease being modified.

Note 3 – Segment information

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 2020 (31 March 2019: 100.0%).

Note 4 – Revenue

(DKKm)	2019/20	2018/19
Retail sales	3,656.4	3,508.2
Wholesale sales etc.	32.1	33.1
Total revenue	**3,688.5**	**3,541.3**

In financial year 2019/20, 14.7% of Matas Group's revenue was generated by its webshops, compared with 7.1% in 2018/19.

Revenue breaks down by product groups as follows (new categorisation):

(DKKm)	2019/20	2018/19
High-End Beauty	1,327.4	1,318.3
Mass Beauty	1,275.1	1,231.3
Health & Wellbeing	920.7	826.8
Other	133.2	131.8
Wholesale sales etc.	32.1	33.1
Total revenue	**3,688.5**	**3,541.3**

Revenue breaks down by product groups as follows (previous categorisation):

(DKKm)	2019/20	2018/19
Beauty	2,551.5	2,500.3
Vital	566.1	475.4
Material	320.0	325.6
MediCare	204.3	185.6
Other	14.5	21.3
Wholesale sales etc.	32.1	33.1
Total revenue	**3,688.5**	**3,541.3**

Note 4 – Revenue, continued

The product groups may be specified as follows:

- **High-End Beauty:** Luxury beauty products, including cosmetics, skincare and haircare products and fragrances.
- **Mass Beauty:** Everyday beauty products and personal care, including cosmetics and skincare and haircare products.
- **Health & Wellbeing:** Medicare (OTC medicine and nursing products). Vitamins, minerals, supplements, specialty foods and herbal medicinal products. Sports, nutrition and exercise. Mother and child. Personal care products (oral, foot and intimate care and hair removal). Special skincare.
- **Other:** Clothing and accessories (footwear, hair ornaments, jewellery, toilet bags, etc.). House and garden (cleaning and maintenance, electrical products, interior decoration and textiles). Other revenue.

(DKKm)	2019/20	2018/19
Sale of goods	3,688.5	3,541.3
Sale of services	0.0	0.0
Total revenue	**3,688.5**	**3,541.3**

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.

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 72.4 million at 31 March 2020 (31 March 2019: DKK 71.7 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, webshops and wholesale sales via Kosmolet accounted for 100.0% (2018/19: 100.0%).

Note 5 – Cost of goods sold etc.

(DKKm)	2019/20	2018/19
Cost of goods sold for the year	2,044.4	1,948.9
Write-down of inventories to net realisable value for the year	3.7	3.6
Total cost of goods sold etc.	**2,048.1**	**1,952.5**

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)	2019/20	2018/19
Total fee	1.4	2.4
Total fees to auditors appointed by the shareholders in general meeting	**1.4**	**2.4**

Specified as follows:

(DKKm)	2019/20	2018/19
Audit	1.2	1.2
Other assurance engagements	0.1	0.1
Tax and VAT assistance	0.0	0.0
Other services	0.1	1.1
Total fees to auditors appointed by the shareholders in general meeting	**1.4**	**2.4**

Note 6 – Fees to auditors appointed at the annual general meeting, continued

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.

Note 7 – Staff costs

(DKKm)	2019/20	2018/19
Wages and salaries	698.9	649.6
Defined contribution plans	47.6	45.7
Share-based payment	7.0	5.7
Other staff costs	17.3	16.4
Total staff costs	**770.8**	**717.4**

Total staff costs are recognised as follows:

(DKKm)	2019/20	2018/19
Staff costs in statement of comprehensive income	739.8	704.2
Intangible assets	31.0	13.2
Total staff costs	**770.8**	**717.4**
Average number of FTEs	2,197	2,149

In financial year 2019/20, Matas made investments in the implementation of the Company's strategy, including in the Group's concepts and in digitalisation of the Group's activities using own staff.

Note 8 – Depreciation, amortisation and impairment

(DKKm)	2019/20	2018/19
Amortisation, intangible assets	133.6	117.4
Depreciation, property, plant and equipment	65.5	44.6
Depreciation of lease assets	177.9	0.0
Loss on disposal of intangible assets (2018/19 goodwill)	0.6	3.6
Loss on disposal of property, plant and equipment	8.9	0.8
Gain on disposal of property, plant and equipment	(1.0)	0.0
Total depreciation, amortisation and impairment	**385.5**	**166.4**

Note 9 – Financial income

(DKKm)	2019/20	2018/19
Changes in the fair value of derivative financial instruments	0.0	2.9
Other	0.1	0.1
Total financial income	**0.1**	**3.0**
Interest from financial assets measured at amortised cost amounts to	0.0	0.0

Note 10 – Financial expenses

(DKKm)	2019/20	2018/19
Interest, credit institutions	23.8	21.1
Interest, lease liabilities	14.7	0.0
Interest, contingent consideration	1.9	0.7
Amortisation of financing costs	1.7	1.7
Amortisation, CAP	1.7	0.8
Other	0.1	0.3
Total financial expenses	**43.9**	**24.6**
Interest on financial liabilities measured at amortised cost amounts to	40.2	17.9

Note 11 – Tax

(DKKm)	2019/20	2018/19
Tax on the profit for the year breaks down as follows:		
Tax on the profit for the year	58.7	78.8
Total tax	**58.7**	**78.8**
Tax on the profit for the year has been calculated as follows:		
Current tax	71.6	67.1
Deferred tax	(13.1)	11.3
Current tax regarding previous years	0.2	0.4
Total tax	**58.7**	**78.8**
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	55.0	75.2
Limitation of right to deduct interest	0.8	0.0
Other	1.9	1.2
Non-deductible transaction costs	0.8	2.0
Prior-year adjustments	0.2	0.4
Total tax	**58.7**	**78.8**
Effective tax rate	23.5%	23.0%

Note 12 – Earnings per share

(DKKm)	2019/20	2018/19
Profit for the year	**191.2**	**263.1**
Average number of shares	38,291,492	38,291,492
Average number of treasury shares	(141,907)	(519,928)
Average number of outstanding shares	**38,149,585**	**37,771,564**
Average dilutive effect of outstanding share options	377,358	211,612
Diluted average number of outstanding shares	**38,528,943**	**37,983,176**
Earnings per share of DKK 2.50	5.01	6.96
Diluted earnings per share of DKK 2.50	4.96	6.93

Note 13 –- Dividend per share

Based on the current uncertainty pertaining to the financial results for financial year 2020/21 as a result of the measures implemented to contain the spread of coronavirus and on the Board's decision to strengthen Matas Group's liquidity and reduce gearing, the Board of Directors proposes that no dividend be paid for financial year 2019/20 (2018/19: DKK 3.00).

Note 14 – Intangible assets

(DKKm)	Goodwill	Trademarks and trade names	Other intangible assets	Total
Cost at 1 April 2019	**3,838.1**	**1,142.0**	**333.4**	**5,313.5**
Additions on acquisitions	92.5	61.9	0.0	154.4
Additions	0.0	0.0	68.7	68.7
Disposals	0.0	0.0	(25.8)	(25.8)
Cost at 31 March 2020	**3,930.6**	**1,203.9**	**376.3**	**5,510.8**
Amortisation and impairment at 1 April 2019	**0.0**	**894.4**	**251.1**	**1,145.5**
Amortisation	0.0	82.3	51.3	133.6
Disposals	0.0	0.0	(25.2)	(25.2)
Amortisation and impairment at 31 March 2020	**0.0**	**976.7**	**277.2**	**1,253.9**
Carrying amount at 31 March 2020	**3,930.6**	**227.2**	**99.1**	**4,256.9**
Cost at 1 April 2018	**3,736.4**	**1,107.1**	**266.9**	**5,110.4**
Reclassification	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
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**
Amortised over	-	15 years	3-10 years	

Other intangible assets comprise software. 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 92.5 million in 2019/20 as a result of the acquisitions of Kosmolet A/S and Din Frisør Shop ApS, see note 27 on acquisition of subsidiaries and operations. As at 31 March 2020, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill between the Matas chain, Firtal Group, Kosmolet and Din Frisør Shop. Goodwill has been allocated as follows:

(DKKm)	2019/20	2018/19
Matas chain	3,731.7	3,731.7
Firtal Group	106.4	106.4
Kosmolet	79.4	0.0
Din Frisør Shop	13.1	0.0
Goodwil at 31 March	**3,930.6**	**3,838.1**

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

Recoverable amounts are in each individual case calculated as the higher of the value in use and the fair value less costs to sell. The descriptions below set out the value on which the recoverable amount is based.

Matas chain

As regards the Matas chain, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2020/21 budget approved by the Board of Directors and a projection for the remaining forecast period (the years 2021/22-2024/25). For the terminal period, an expected EBITDA growth rate of 1.5% p.a. (31 March 2019: 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' underlying growth is expected to be positive. In the shorter term, growth will depend partly on general economic trends in the wake of the COVID-19 pandemic, including changes in consumer behaviour and society at large. Most of Matas' stores were allowed to stay open during the COVID-19 pandemic, and management expects a similar situation in the event of a second wave of the virus. The overall impact of the COVID-19 pandemic on the 2019/20 performance was slightly less severe than feared in connection with the Group's March 2020 announcement. Based on the sales performance during the period 1 April-17 May 2020, after the date of the statement of financial position, management is confident that the short-term impact of the COVID-19 pandemic on the Group's activities will be moderate. Matas anticipates long-term market growth within its product areas of an average 1.5% p.a., assuming stable economic growth.

Growth will also depend on inflationary trends 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., the upgrade of parts of the retail network to the Matas Life store concept, an increased proportion of private labels and brands with exclusive rights, a strengthening of the green product range and ongoing adjustment of the store network.

In performing the impairment test, management used a discount factor consisting of the estimated return requirement for equity and the return requirement defined for loan capital. As a result of the greater uncertainty, the estimated return requirement for equity significantly exceeds the return requirement for loan capital. The estimated return requirement for equity is 9.8% after tax (31 March 2019: 9.3%). The return requirement for loan capital is based partly on the effective rate of interest on Matas' non-current debt and the risk-free interest rate.

The weighted average growth rate used for extrapolation of future net cash flows for the years after 2024/25 is estimated at 1.5% (31 March 2019: 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 2020, 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.

Note 15 – Impairment testing, continued

Firtal Group

As regards Firtal Group, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2019/20 budget approved by the Board of Directors 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. (31 March 2019: 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, has grown faster than was anticipated at the time of the acquisition and is expected to continue to report strong growth in the years ahead.

In performing the impairment test, management used a discount factor consisting of the estimated return requirement for equity and the return requirement defined for loan capital. The estimated return requirement for equity is 12.9% after tax (31 March 2019: 12.9%). The weighted average growth rate used to extrapolate future net cash flows for the years after 2024/25 is estimated at 1.5%.

Based on the impairment test performed for Firtal Group at 31 March 2020, 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.

Kosmolet

As regards Kosmolet, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2020/21 budget approved by the Board of Directors and a projection for the remaining forecast period (the years 2021/22-2024/25). For the terminal period, an expected EBITDA growth rate of 1.5% p.a. has been used.

Kosmolet, the owner of the Danish makeup brand Nilens Jord, was acquired in June 2019. Nilens Jord was the most popular Danish makeup brand in financial year 2019/20 and is expected to retain this position in the years ahead. Kosmolet performed as expected in the period from the date of acquisition to the date of the statement of financial position.

In performing the impairment test, management used a discount factor consisting of the estimated return requirement for equity and the return requirement defined for loan capital. The estimated return requirement for equity is 14.2% after tax (31 March 2019: 14.2%). The weighted average growth rate used to extrapolate future net cash flows for the years after 2024/25 is estimated at 1.5%.

Based on the impairment test performed for Kosmolet at 31 March 2020, 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.

Din Frisør Shop

Din Frisør Shop was acquired in October 2019. Din Frisør Shop performed as expected in the period from the date of acquisition to the date of the statement of financial position. The activities of Din Frisør Shop are expected to be fully integrated into Firtal Group in 2020/21, following which overall goodwill will be tested for impairment in the context of Firtal Group. Based on the impairment test performed for Din Frisør Shop at 31 March 2020, 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.

Note 16 – Property, plant and equipment

(DKKm)	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 April 2019	**121.0**	**297.0**	**177.6**	**595.6**
Additions at beginning of year concerning leasehold reinstatement	0.0	0.0	27.0	27.0
Additions on acquisitions	0.0	0.5	0.3	0.8
Additions	9.3	74.1	40.4	123.8
Disposals	0.0	(51.6)	(28.1)	(79.7)
Cost at 31 March 2020	**130.3**	**320.0**	**217.2**	**667.5**
Depreciation and impairment at 1 April 2019	**34.6**	**205.3**	**160.8**	**400.7**
Depreciation	4.3	42.9	18.3	65.5
Disposals	0.0	(45.5)	(25.3)	(70.8)
Depreciation and impairment at 31 March 2020	**38.9**	**202.7**	**153.8**	**395.4**
Carrying amount at 31 March 2020	**91.4**	**117.3**	**63.4**	**272.1**
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**
Depreciated over:	10-75 years	1-7 years	2-8 years	

Note 17 – Treasury shares

(DKKm)	2019/20	2018/19	2019/20	2018/19
1 April	296,761	657,186	0.78%	1.72%
Assigned in connection with the acquisition of Firtal Group	0	(360,425)	0.00%	(0.94)%
Disposed of in connection with exercise of LTIP 2016/17	(52,217)	0	(0.14)%	0.00%
Assigned in connection with the acquisition of Kosmolet A/S	(140,567)	0	(0.37)%	0.0%
Treasury shares at 31 March	**103,977**	**296,761**	**0.27%**	**0.78%**

A total of 52,217 treasury shares were assigned in connection with the exercise of LTIP 2016/17

Matas assigned 140,567 treasury shares as part of the purchase price for Kosmolet A/S. Reference is made to note 27 on acquisition of subsidiaries and operations.

2018/19
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.

For an overview of outstanding incentive programmes, see note 31.

Note 18 – Inventories

(DKKm)	2019/20	2018/19
Goods for resale	952.7	774.7
Carrying amount of inventories recognised at net selling price	0.9	10.8
Inventories at 31 March	**962.6**	**785.5**

Note 19 – Trade receivables

Trade receivables primarily relate to wholesale sales. Provisions for expected losses on trade receivables, included in the carrying amount of trade receivables, have developed as follows:

(DKKm)	2019/20	2018/19
1 April	0.3	0.7
Loss allowance for the year	0.2	0.0
Realised during the year	0.0	(0.4)
Impairment at 31 March	**0.5**	**0.3**

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

(DKKm)	2019/20	2018/19
Maturity:		
Up until 30 days	0.5	0.5
Between 30 and 90 days	0.0	0.0
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 (2018/19: 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 found it likely that the decision of the National Tax Tribunal would 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 also agreed to suspend all periods of limitation in relation to the tax case. In March 2018, M Holding S.à.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.à.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 2013 is maintained.

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 special 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 substantial free cash flows once more. The free cash flows 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 42.0% at 31 March 2020 (31 March 2019: 48.2%).

Note 22 – Deferred tax

(DKKm)	2019/20	2018/19
Deferred tax at 1 April	209.4	191.5
Additions on acquisitions	13.7	6.6
Deferred tax for the year, recognised in profit for the year	(13.8)	11.3
Deferred tax at 31 March	**210.0**	**209.4**
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	0.0	0.0
Deferred tax (liability)	210.0	209.4
Deferred tax at 31 March, net	**210.0**	**209.4**
Deferred tax relates to:		
Intangible assets	205.4	192.5
Property, plant and equipment	9.8	12.6
Inventories	0.4	3.5
Other assets	(5.6)	0.8
Deferred tax at 31 March, net	**210.0**	**209.4**

Unrecognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 10.1 million (2018/19: DKK 10.7 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
2019/20				
Intangible assets	192.5	13.7	(0.9)	205.3
Property, plant and equipment	12.6	0.0	(2.8)	9.8
Inventories	3.5	0.0	(3.1)	0.4
Other assets	0.8	0.0	(6.3)	(5.5)
Total	**209.4**	**13.7**	**(13.1)**	**210.0**
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**

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)	2019/20	2018/19
Amounts owed to credit institutions are recognised in the statement of financial position as follows:		
Non-current liabilities	1,821.7	1,665.0
Current liabilities	0.0	0.0
Total	**1,821.7**	**1,665.0**
Nominal value	**1,825.0**	**1,670.0**
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
Fair value	**1,825.0**	**1,670.0**

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 2020, the effective interest rate on the net debt was 0.2-1.7% p.a. (31 March 2019: 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.

An agreement has been made with the Group's banks concerning a relaxation of the gearing requirement (NIBD/EBITDA before special items) up to and including 30 June 2021.

Note 25 – Other payables

(DKKm)	2019/20	2018/19
Included in current liabilities:		
VAT payable	30.0	35.4
Holiday pay obligation etc.	69.8	104.5
Pay-related liabilities	42.4	26.8
Contingent consideration	25.0	0.0
Other creditors	12.9	18.3
Total other payables, current liabilities	**180.1**	**185.0**

Note 26 – Changes in working capital

(DKKm)	2019/20	2018/19
Change in inventories	(153.5)	(4.4)
Change in deposits and receivables	19.2	(14.3)
Change in trade and other payables	(56.1)	48.3
Total changes in working capital	**(190.4)**	**29.6**

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

(DKKm)	1/4 2019	Cash flows	Non-cash	31/3 2020
Credit institutions	1,670.0	155.0	0.0	1,825.0
Lease liabilities	896.7	(167.3)	55.0	784.4
Liabilities from financing activities	**2,566.7**	**(12.3)**	**55.0**	**2,609.4**

(DKKm)	1/4 2018	Cash flows	31/3 2019
Credit institutions	1,565.0	105.0	1,670.0
Liabilities from financing activities	**1,565.0**	**105.0**	**1,670.0**

Note 27 – Acquisition of subsidiaries and operations

On 11 June 2019, Matas acquired all shares and all voting rights in the Danish company Kosmolet A/S. Kosmolet A/S owns the trademark Nilens Jord. Matas did not hold shares in the company prior to the acquisition.

Transaction costs in the amount of DKK 3.5 million were incurred in connection with the acquisition, which have been recognised in the statement of comprehensive income under other external costs.

The pre-acquisition balance sheet contains assets of DKK 119.9 million, including trademarks of DKK 58.9 million, property, plant and equipment and lease assets of DKK 25.0 million, inventories of DKK 14.7 million, trade receivables of DKK 19.5 million and cash and cash equivalents of DKK 0.2 million. Liabilities amount to DKK 47.4 million. The fair value of acquired net assets is DKK 72.5 million.

The total purchase price includes contingent consideration of up to DKK 20.0 million, which was recognised at a fair value of DKK 20.0 million at the date of acquisition. The fair value was calculated based on assumptions which are not observable in the market (level 3 in the fair value hierarchy). The conditions are deemed to have been met, and the contingent consideration will become payable in June 2020.

The total consideration amounted to DKK 151.9 million, and goodwill arising on the acquisition of Kosmolet A/S was thus DKK 79.4 million.

The cash flow from the acquisition of Kosmolet A/S was DKK 122.7 million, excluding the fair value of contingent consideration (DKK 20.0 million), treasury shares (DKK 10.0 million), purchase price adjustment (DKK 1.0 million) and cash and cash equivalents (DKK 0.2 million).

Description of the acquired activities

Kosmolet A/S is the owner of Nilens Jord, a successful Danish makeup brand. Known for its allergy-friendly and natural profile, Nilens Jord is the best-selling makeup brand carried by Matas. The brand has a dedicated and loyal customer group spanning all age groups. Nilens Jord and Matas have had a close and fruitful collaboration through three decades. Nilens Jord was a first-mover in making completely perfume-free makeup products and has evolved into one of the most popular Danish makeup brands. Especially through the past ten years, Danish consumers have shown a growing preference for truly allergy-friendly products. Kosmolet A/S is remarkable for its continuous growth and product innovation and won this year's Danish Beauty Award for the world's first allergy-certified lipstick.

With the acquisition of Nilens Jord, Matas has added the best-selling makeup brand carried by Matas to its private label portfolio. Together, we will be able to accelerate product innovation, expand our product range and provide improved accessibility in the years ahead. With the acquisition, Matas has welcomed a prosperous and financially sound business with strong development potential and a competent organisation to its family.

The acquisition of Kosmolet A/S and Nilens Jord was a natural step in the Group's strategy, "Renewing Matas".

Note 27 – Acquisition of subsidiaries and operations, continued

Din Frisør Shop ApS

On 9 October 2019, Matas acquired all shares and all voting rights in the Danish company Din Frisør Shop. Din Frisør Shop's main activity is online sales through its two webshops.

Transaction costs in the amount of DKK 0.1 million were incurred in connection with the acquisition, which have been recognised in the statement of comprehensive income under other external costs.

The pre-acquisition balance sheet contains assets of DKK 13.9 million, including trademarks of DKK 3.0 million and inventories of DKK 8.9 million. Liabilities amount to DKK 7.0 million. The fair value of acquired net assets is DKK 6.9 million.

The cash flow from the acquisition of Din Frisør Shop is DKK 15.0 million, excluding contingent consideration of DKK 5.0 million calculated on the basis of assumptions which are not observable in the market. Management expects the conditions to be met, in which case the contingent consideration becomes payable in October 2020.

The total consideration amounts to DKK 20.0 million, and goodwill arising on the acquisition of Din Frisør Shop is thus DKK 13.1 million.

Goodwill

Goodwill has been 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 sales, marketing and procurement. The amount of goodwill recognised is not tax deductible.

Goodwill has developed as follows:

(DKKm)	**2019/20**
Goodwill at 31 March 2019	3,838.1
Addition on acquisition of Kosmolet A/S	79.4
Addition on acquisition of Din Frisør Shop ApS	13.1
Goodwill at 31 March 2020	**3,930.6**

2018/19

In 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. 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.

The pre-acquisition balance sheet showed 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 amounted 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 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.

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

Transaction costs in the amount of DKK 9.2 million were incurred in connection with the acquisition. All costs were recognised in the statement of comprehensive income under other external costs in 2018/19.

Note 28 – Contingent liabilities and security

Matas is 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. Reference is made to note 20 for a description of the dispute concerning withholding tax.

In addition, Matas has, as part of its normal operations, provided security in the form of bank guarantees to store lessors for a total amount of DKK 21.0 million (2018/19: DKK 21.5 million).

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 risks

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, Matas 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.

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 (2018/19: DKK 11 million) and on year-end equity of DKK 11 million (31 March 2019: DKK 11 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.

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 245 million at 31 March 2020 (31 March 2019: DKK 400 million). The Group aims to maintain sufficient cash resources for, among other things, strategic investments.

The Group'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
2019/20						
Non-derivative financial instruments						
Credit institutions	1,825.0	1,870.8	22.9	1,847.9	0.0	0.0
Lease liabilities	784.5	835.8	187.6	315.3	193.3	139.6
Trade payables	586.7	586.7	586.7	0.0	0.0	0.0
Contingent consideration	42.1	45.0	25.0	20.0	0.0	0.0
31 March 2020	**3,238.3**	**3,338.3**	**822.2**	**2,183.2**	**193.3**	**139.6**

Note 29 – Financial risks and financial instruments, continued

2018/19						
Non-derivative financial instruments						
Credit institutions	1,670.0	1,720.4	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
31 March 2019	**2,321.3**	**2,376.5**	**652.9**	**1,723.6**	**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.

(DKKm)	**Carrying amount 2019/20**	**Fair value 2019/20**	**Carrying amount 2018/19**	**Fair value 2018/19**
Deposits	46.3	46.3	42.6	42.6
Trade receivables	14.7	14.7	11.4	11.4
Other receivables	87.4	87.4	90.1	90.1
Cash and cash equivalents	106.6	106.6	160.9	160.9
Loans and receivables	**255.0**	**255.0**	**305.0**	**305.0**
Derivative financial instruments included in the trading portfolio	0.6	0.6	1.6	1.6
Financial liabilities at fair value through profit or loss	**0.6**	**0.6**	**1.6**	**1.6**
Non-current financial liabilities				
Credit institutions	1,821.7	1,825.0	1,665.0	1,670.0
Lease liabilities	598.9	598.9	0.0	0.0
Current financial liabilities				
Lease liabilities	185.6	185.6	0.0	0.0
Suppliers	586.3	586.3	638.3	638.3
Financial liabilities at amortised cost	**3,192.5**	**3,195.8**	**2,303.3**	**2,308.3**

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 2018/19.

Note 29 – Financial risks and financial instruments, continued

(DKKm)	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
2019/20				
Financial liabilities				
Derivative financial instruments included in the trading portfolio	0.0	0.6	0.0	0.6
Total financial liabilities	**0.0**	**0.6**	**0.0**	**0.6**
2018/19				
Financial liabilities				
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**

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.

(DKKm)	Notional amount	Fair value adjustment recognised through profit or loss	Fair value	Term to maturity (mths)
2019/20				
Interest rate risks				
CAP, trading portfolio	550.0	0.0	0.6	24.0
2018/19				
Interest rate risks				
CAP, trading portfolio	550.0	0.0	1.6	36.0
Interest rate swap, trading portfolio	0.0	2.9	0.0	0.0

Note 30 - Leases

IFRS 16, Leases, was implemented effective 1 April 2019. Reference is made to note 1 for more information.

At 31 March 2020, Matas' lease assets were:

DKKm	**2019/20**
Lease assets	
Store leases:	706.1
Administration and warehouse buildings	62.9
Cars and other leases	5.1
Total lease assets	774.1

There was an addition of lease assets in the amount of DKK 96.6 million in the financial year, of which DKK 19.8 million related to the acquisition of Kosmolet.

Note 30 – Leases, continued

The Group's lease liabilities may be specified as follows:

DKKm	**2019/20**
Lease liabilities	
Non-current liabilities	598.9
Current liabilities	185.6
Total lease assets	784.5

The Group's retail leases are subject to a notice of termination of between 3 and 12 months as they are mostly evergreen contracts as defined in the Danish Business Rent Act.

The following amounts have been recognised in the statement of comprehensive income:

DKKm	**2019/20**
Leased stores etc.	163.3
Administration and warehouse buildings	10.6
Cars and other leases	4.0
Total depreciation of lease assets	177.9

In 2019/20, Matas paid lease payments concerning assets recognised in accordance with IFRS 16 of DKK 182.0 million.

Matas Group is the lessee of a limited number of premises. For some of these leases, the full rent is based on revenue, while for others, rent is partially based on revenue.

Revenue-based rent is not comprised by IFRS 16 and is therefore not included in the above tables. Revenue-based rent is, as before, recognised under other external costs and amounted to DKK 2.9 million.

A total amount of DKK 5.2 million was recognised in the statement of comprehensive income regarding short-term leases and leases of low-value assets. Lease liabilities relating to non-recognised short-term leases and leases of low-value assets amounted to DKK 2.2 million at 31 March 2020.

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 fixed salary of the members of the Executive Management consists of a salary, pension contributions and other employee 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.

Due to the extraordinary situation caused by the COVID-19 outbreak, the Board of Directors and the Executive Management have agreed to suspend the Executive Management's STIP accrual for as long as the Company is affected by the lockdown of Danish society and receives compensation under government rescue packages. This will affect the Executive Management's ability to accrue maximum STIP for financial years 2019/20 and 2020/21.

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:

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

(DKKm)	Fixed salary incl. benefits	Pension contributions	Short-term bonus [1]	Total	PSUs [2]	Total, including PSUs
2019/20						
Gregers Wedell-Wedellsborg	4.9	0.5	3.0	8.3	2.4	10.7
Anders Skole-Sørensen	2.7	0.2	1.3	4.2	1.3	5.5
Executive Management, total	7.6	0.7	4.3	12.6	3.6	16.2
Other executives, total	13.3	1.0	2.5	16.8	3.4	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	**23.4**	**1.7**	**6.8**	**31.8**	**7.1**	**38.9**

[1] Paid in 2019/20 concerning 2018/19. [2] Granted in the year.

Two executives stepped down and one new executive was appointed in financial year 2019/20, as a result of which there was a net reduction of one person from the team of other executives.

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.

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

(DKKm)	Fixed 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	**25.3**	**1.7**	**2.3**	**29.3**	**6.8**	**36.1**

[1] Paid in 2018/19 concerning 2017/18. [2] Granted in the year. [3] Due to rounding, totals do not reflect absolute numbers.

Two executives stepped down and one new executive was appointed in financial year 2019/20, as a result of which there was a net reduction of one person from the team of other executives.

In accordance with Matas A/S' overall guidelines on incentive pay, Matas in 2019/20 granted a total of 182,583 PSUs to purchase shares in Matas A/S, consisting of 93,659 PSUs to members of the Executive Management and 88,924 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 2021/22. 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 2021/22.

Assuming minimum and maximum achievement, respectively, of the KPIs by the end of financial year 2021/22, the PSUs represent a value of DKK 7.1 million and DKK 14.2 million, respectively.

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

Programme	Number of employees	Number of PSUs granted	Market value at grant (DKKm)
2017/18	10	101,916	6.1-12.3
Adjustment relating to retired employees	(5)	(25,740)	(1.7) - (3.4)
2017/18, adjusted	**5**	**76,176**	**4.5 - 8.9**
2018/19	11	148,365	6.8 - 13.6
Adjustment relating to retired employee	(2)	(12,587)	(0.6) - (1.1)
2018/19, adjusted	**9**	**135,778**	**6.2 - 12.5**
2019/20	12	182,583	7.1 - 14.2
Adjustment relating to retired employees	(2)	24,003	(0.9) - (1.9)
2019/20, adjusted	**10**	**158,580**	**6.1 -12.3**

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 2019	99,696	63,997	163,693	90,412	254,105	14.0 - 28.1
PSUs vested in 2019/20		(10,469)	(10,469)	(10,223)	(20,692)	(1.9) - (3.9)
Non-vested PSUs		(3,490)	(3,490)	(3,408)	(6,897)	(0.6) – (1.3)
PSUs granted in 2019/20	61,365	32,294	93,659	88,924	182,583	7.1 - 14.2
Retired employees	-	-	-	(38,565)	38,565	(1.7) - (3.4)
Outstanding at 31 March 2020	**161,061**	**82,332**	**243,393**	**127,141**	**370,534**	**16.8 - 33.7**

The number of outstanding PSUs under all ongoing programmes totals 432,864 when resigned employees are taken into account.

In 2019/20, the cost recognised relating to PSUs was DKK 7.0 million, including DKK 1.2 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 2019/20:

	Shareholding at 1 April 2019 No.	Purchase/sale in the period No.	Shareholding at 31 March 2020 No.	Market value at 31 March 2020 (DKKm)
Board of Directors				
Lars Vinge Frederiksen, Chairman	19,095	0	19,095	0.8
Lars Frederiksen	8,269	0	8,269	0.4
Birgitte Nielsen	3,439	0	3,439	0.1
Christian Mariager	3,500	0	3,500	0.1
Signe Trock Hilstrøm	0	0	0	0.0
Mette Maix	0	1,700	1,700	0.1
Executive Management				
Gregers Wedell-Wedellsborg	16,641	0	16,641	0.7
Anders Skole-Sørensen	94,657	6,469	94,657	4.3

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 0.7 million (2018/19: DKK 0.8 million).

Management's remuneration is disclosed in note 31.

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

Revenue for the period 1 April–17 May 2020 was at index 107 relative to revenue for the year-earlier period. Sales growth in April partially compensated for the loss incurred in March. Revenue for the period 1-17 May 2020 was up year on year.

Revenue growth was driven mainly by exceptionally strong online sales. Online sales via matas.dk and Firtal were about three times higher than in the same period the year before. Sales in physical stores were up on March 2020 but below the year-earlier period. The proportion of campaign sales was up year on year, which, combined with the high proportion of online sales and extraordinary costs for matas.dk operations and delivery of online purchases put pressure on earnings.

The free cash flow normalised during the period 1 April-17 May 2020.

In May, Matas recalled all its employees and exited the wage compensation scheme. Matas has decided to pay back in full the wage compensation benefits received from the government.

Note 34 – New financial reporting regulation

Matas will implement standards and interpretations that have been issued but not yet entered into force when they come into force. As of the date of release of this annual report for 2019/20, the ISAB has issued the following new and amended financial reporting standards and interpretations which are not mandatory for Matas A/S in the preparation of the annual report for 2019/20:

- IFRS 3 Business Combinations – Amendments for IFRS 3
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 1 and IAS 8: definition of Material
- Conceptual Framework – Amendments to Reference to the Conceptual framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark reform.

The above amendments have been adopted by the EU.

On 24 April 2020, IASB issued an exposure draft concerning amendments to IFRS 16, Leases, proposing to temporarily exempt lessees from performing a detailed analysis as to whether corona-related rent reductions should be accounted for as a modification. Instead, lessees may under certain circumstances, without further analysing the lease, opt to account for such rent reductions as a negative variable lease payment to be recognised directly in the income statement. The amendments are awaiting consultation and subsequent approval by the EU and will therefore not take effect before financial year 2020/21. Matas has made no significant rent reduction agreements, and the proposed amendments are therefore not expected to have any material impact on the financial statements for 2020/21.

Group overview

	Domicile	Ownership
Parent company		
Matas A/S	Denmark	
Denmark		
Subsidiaries		
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%
Kosmolet A/S	Denmark	100%
Associates		
Geniads ApS	Denmark	50%
Miild	Denmark	20%
Other countries		
Matas Torshavn P/F	Faroe Islands	100%
Matas Sverige AB (dormant)	Sweden	100%


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Financial statements of the parent company Matas A/S 2019/20

Statement of comprehensive income

(DKKm)	Note	2019/20	2018/19
Other operating income	3	10.3	7.9
Other external costs		(2.9)	(4.6)
Staff costs	4	(21.4)	(17.2)
EBIT		(14.0)	(13.9)
Financial income	5	0.0	300.0
Financial expenses	6	(1.4)	(1.5)
Profit before tax		(15.4)	284.6
Tax on the profit for the year	7	2.0	1.4
Profit for the year		(13.4)	286.0
Other comprehensive income			
Other comprehensive income after tax		0.0	0.0
Total comprehensive income for the year		(13.4)	286.0
Proposed appropriation of profit			
Proposed dividend: DKK 0.00 per share (2018/19: DKK 3.00 per share)		0.0	114.9
Retained earnings		(13.4)	171.1
Total		(13.4)	286.0

Statement of cash flows

(DKKm)	Note	**2019/20**	**2018/19**
Profit before tax		(15.4)	284.6
Financial income	5	0.0	(300.0)
Financial expenses	6	1.4	1.5
Non-cash operating items etc.		7.0	5.7
Cash generated from operations before changes in working capital		(7.0)	(8.2)
Changes in working capital	11	(0.3)	(1.0)
Cash generated from operations		(7.3)	(9.2)
Corporation tax paid		(48.2)	(92.7)
Cash flow from operating activities		(55.5)	(101.9)
Change in receivables from associates		129.8	129.5
Dividend received	5	0.0	300.0
Cash flow from investing activities		129.8	429.5
Free cash flow		(74.3)	327.6
Debt raised/settled with group entities		41.7	89.0
Interest paid	6	(1.4)	(1.5)
Dividend paid		(114.6)	(237.1)
Cash flow from financing activities		74.3	(327.6)
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	**2019/20**	**2018/19**
NON-CURRENT ASSETS			
Investments in subsidiaries	8	2,036.3	2,036.3
Deferred tax assets		2.3	2.6
Total non-current assets		2,038.6	2,038.9
CURRENT ASSETS			
Receivables from group entities	13	0.0	51.6
Corporation tax receivable	7	37.9	55.6
Other receivables	9	79.6	79.6
Prepayments		0.4	0.2
Total current assets		117.9	187.0
TOTAL ASSETS		2,156.5	2,225.9

(DKKm)	Note	**2019/20**	**2018/19**
EQUITY AND LIABILITIES			
Share capital	10	95.7	95.7
Treasury share reserve		(11.8)	(33.3)
Retained earnings		2,030.0	2,047.6
Proposed dividend for the financial year		0.0	114.9
Total equity		2,113.9	2,224.9
Payables to group entities	13	41.7	0.0
Trade payables	13	0.9	1.0
Total current liabilities		42.6	1.0
Total liabilities		42.6	1.0
TOTAL EQUITY AND LIABILITIES		2,156.5	2,225.9

Statement of changes in equity

(DKKm)	Share capital	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2019	**95.7**	**(33.3)**	**114.9**	**2,047.6**	**2,224.9**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	(13.4)	(13.4)
Total comprehensive income	**0.0**	**0.0**	**0.0**	**(13.4)**	**(13.4)**
Transactions with owners					
Dividend paid	0.0	0.0	(114.6)	0.0	(114.6)
Dividend on treasury shares	0.0	0.0	(0.3)	0.3	0.0
Exercise of incentive programme	0.0	5.9	0.0	(5.9)	0.0
Disposal of treasury shares (Kosmolet)	0.0	15.6	0.0	(5.6)	10.0
Share-based payment	0.0	0.0	0.0	7.0	7.0
Total transactions with owners	**0.0**	**21.5**	**(114.9)**	**(4.2)**	**(97.6)**
Equity at 31 March 2020	**95.7**	**(11.8)**	**0.0**	**2,030.0**	**2,113.9**

(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 (Firtal)	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**	**2,049.6**	**2,224.9**

Summary of notes to the financial statements

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. 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.

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)	**2019/20**	**2018/19**
Management fee to group entities	10.3	7.9
Total	**10.3**	**7.9**

Note 4 – Staff costs

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

Fees to the Board of Directors are recognised in the amount of DKK 2.5 million (2018/19: DKK 2.5 million).

Remuneration of the Executive Management is recognised in profit or loss in the amount of DKK 11.9 million (2018/19: DKK 9.0 million).

Share-based payment is recognised in the amount of DKK 6.9 million (2018/19: DKK 5.7 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)	**2019/20**	**2018/19**
Dividend from the subsidiary Matas Operations A/S	0.0	300.0
Total financial income	**0.0**	**300.0**

Note 6 – Financial expenses

(DKKm)	**2019/20**	**2018/19**
Interest, subsidiaries	1.4	1.5
Total financial expenses	**1.4**	**1.5**

Note 7 – Tax

(DKKm)	2019/20	2018/19
Tax on the profit for the year breaks down as follows:		
Tax on the profit for the year	(2.0)	(1.4)
Total	**(2.0)**	**(1.4)**
Tax on the profit for the year has been calculated as follows:		
Joint taxation contributions	(2.5)	(0.4)
Deferred tax	0.3	(1.3)
Prior-year tax adjustment	0.2	0.3
Total	**(2.0)**	**(1.4)**
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	(3.4)	62.6
Non-taxable income	0.0	(66.0)
Recognition of deferred tax asset	0.0	(1.3)
Other	1.4	3.3
Total	**(2.0)**	**(1.4)**
Effective tax rate	(13.0)%	(0.5)%

Note 8 – Investments in subsidiaries

(DKKm)	2019/20	2018/19
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 2020 (31 March 2019: 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 2020 (31 March 2019: 100%).

Treasury shares

See note 17 to the consolidated financial statements.

Note 11 - Changes in working capital

(DKKm)	2019/20	2018/19
Change in receivables	(0.2)	0.7
Change in trade payables, other payables	(0.1)	(1.7)
Total	**(0.3)**	**(1.0)**

(DKKm)	1/4 2019	Cash flows	31/3 2020
Credit institutions	0.0	41.7	41.7
Liabilities from financing activities	**0.0**	**41.7**	**41.7**

(DKKm)	1/4 2018	Cash flows	31/3 2019
Credit institutions	89.0	(89.0)	0.0
Liabilities from financing activities	**89.0**	**(89.0)**	**0.0**

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 2020 (31 March 2019: 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 1,825 million at 31 March 2020 (31 March 2019: DKK 1,670 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
2019/20						
Non-derivative financial instruments						
Payables to group entities	41.7	41.7	41.7	0.0	0.0	0.0
Trade payables	0.9	0.9	0.9	0.0	0.0	0.0
31 March 2020	**42.46**	**42.46**	**42.46**	**0.0**	**0.0**	**0.0**
2018/19						
Non-derivative financial instruments						
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**

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 2019/20	Fair value 2019/20	Carrying amount 2018/19	Fair value 2018/19
Receivables from group entities	0.0	0.0	51.6	51.6
Loans and receivables	**0.0**	**0.0**	**51.6**	**51.6**
Payables to group entities	41.7	41.7	0.0	0.0
Suppliers	0.9	0.9	1.0	1.0
Financial liabilities at amortised cost	**42.46**	**42.46**	**1.0**	**1.0**

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 2.5 million in 2019/20 (2018/19: DKK 0.4 million).

Matas A/S has set up a management fee scheme with its subsidiaries, see note 3, and a cash pool scheme including interest thereon, see note 6.

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 special items	EBIT plus amortisation, depreciation and impairment losses plus specific external costs which management does not consider part of normal operations
EBITDA margin before special items	EBITDA margin before special 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 special items plus change in net working capital less capital expenditure divided by EBITDA before special 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. The receivable concerning the pending withholding tax dispute is not included.
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 special items (gearing)	Ratio of net interest-bearing debt at year-end to LTM EBITDA before special 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

Revenue performance by new category structure

(Unaudited)

(DKKm)	Q4	Q3	Q2	Q1	2019/20
2019/20					
High-End Beauty	255.4	501.7	267.9	302.4	1,327.4
Mass Beauty	281.9	384.3	290.0	318.9	1,275.1
Health & Wellbeing	237.4	239.1	226.5	217.7	920.7
Other	30.7	42.4	30.1	30.0	133.2
Total, own stores and webshops	**805.5**	**1,167.4**	**814.5**	**869.0**	**3,656.4**

(DKKm)	Q4	Q3	Q2	Q1	2018/19
2018/19					
High-End Beauty	279.3	479.7	263.4	295.8	1,318.3
Mass Beauty	287.4	349.8	277.7	316.4	1,231.3
Health & Wellbeing	221.5	215.9	197.5	191.8	826.8
Other	31.3	41.1	29.1	30.3	131.8
Total, own stores and webshops	**819.6**	**1,086.5**	**767.7**	**834.3**	**3,508.2**

(DKKm)	Q4	Q3	Q2	Q1	2017/18
2017/18					
HigEnd Beauty	264.9	474.2	260.7	284.1	1,283.9
Mass Beauty	273.6	347.1	282.4	316.0	1,219.2
Health & Wellbeing	195.4	198.1	199.5	184.4	777.4
Other	26.9	44.3	31.4	30.6	133.2
Total, own stores and webshops	**760.9**	**1,063.7**	**774.0**	**815.1**	**3,413.7**

Interim financial highlights before IFRS 16

(Unaudited and before IFRS 16)

	2019/20				2018/19			
(DKKm)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Statement of comprehensive income								
Revenue	817.0	1,173.4	822.5	875.6	827.7	1,092.6	777.2	843.8
Gross profit	373.8	515.1	357.5	394.0	377.2	480.9	349.0	381.7
EBITDA	68.8	217.7	92.8	117.1	92.6	204.7	99.1	133.3
EBIT	10.4	167.5	46.5	73.0	49.4	162.9	55.9	95.1
Net financials	(8.1)	(7.8)	(6.4)	(6.0)	(6.1)	(6.1)	(5.0)	(4.3)
Profit before tax	2.3	159.7	40.1	67.0	43.3	156.8	50.9	90.8
Profit for the period	0.2	123.1	30.6	51.9	33.3	122.3	36.6	70.8
Statement of financial position								
Assets	5,795.9	5,840.4	5,665.1	5,694.0	5,538.8	5,520.0	5,256.2	5,410.7
Equity	2,778.6	2,775.8	2,650.6	2,618.0	2,669.9	2,636.1	2,494.2	2,456.3
Net working capital	90.1	(24.4)	(26.0)	(56.5)	(139.7)	(157.4)	(29.7)	(89.1)
Net interest-bearing debt	1,715.1	1,605.0	1,736.5	1,634.3	1,504.1	1,509.6	1,636.5	1,399.4
Statement of cash flows								
Cash flow from operating activities	(14.9)	177.5	62.8	39.3	49.2	271.6	46.6	105.3
Cash flow from investing activities	(66.2)	(61.1)	(44.5)	(163.8)	(38.8)	(138.8)	(36.2)	(25.2)
Free cash flow	(81.1)	116.4	18.3	(124.5)	10.4	132.8	10.4	80.1
Net cash flow from operating, investing and financing activities	(30.4)	90.6	(115.6)	1.1	94.7	11.4	(139.5)	107.9
Key performance indicators								
Number of transactions (in millions)	4.4	6.1	4.8	5.0	4.8	5.9	5.0	5.3
Average basket size (in DKK)	165.6	183.2	159.9	165.1	159.9	179.7	154.0	157.6
Total retail floor space (in thousands of square metres)	53.5	53.7	53.5	53.4	53.7	53.9	53.5	53.3
Avg. revenue per square metre (in DKK thousands) - LTM	68.3	68.4	66.8	66.0	65.5	64.5	64.2	64.5
Like-for-like growth	(2.2)%	4.7%	0.3%	(1.2)%	2.1%	0.5%	(1.9)%	1.1%
Adjusted figures								
EBITDA	68.8	217.7	92.8	117.1	92.6	204.7	99.1	133.3
Special items	2.9	1.2	14.6	2.7	3.1	1.3	9.5	5.0
EBITDA before special items	71.7	218.9	107.4	119.8	95.7	206.0	108.6	138.3
Depreciation of property, plant and equipment	(33.8)	(26.1)	(22.7)	(21.7)	(21.5)	(21.0)	(23.6)	(19.0)
Special items, amortisation and depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	37.9	192.8	84.7	98.1	74.2	185.0	85.0	119.3
Adjusted profit after tax	21.7	142.9	60.7	72.0	52.7	139.8	61.0	89.7
Gross margin	45.8%	43.9%	43.5%	45.0%	45.6%	44.0%	44.9%	45.2%
EBITDA margin	8.4%	18.6%	11.3%	13.4%	11.2%	18.7%	12.8%	15.8%
EBITDA margin before special items	8.8%	18.7%	13.1%	13.7%	11.6%	18.8%	14.0%	16.4%
EBITA margin	4.6%	16.4%	10.3%	11.2%	9.0%	16.9%	10.9%	14.1%
EBIT margin	1.3%	14.3%	5.7%	8.3%	6.0%	14.9%	7.2%	11.3%

Interim financial highlights after IFRS 16

(Unaudited and after IFRS 16)

	2019/20			
(DKKm)	**Q4**	**Q3**	**Q2**	**Q1**
Statement of comprehensive income				
Revenue	817.0	1,173.4	822.5	875.6
Gross profit	373.8	515.1	357.5	394.0
EBITDA	116.2	262.7	139.0	160.5
EBIT	10.8	165.6	45.7	70.8
Net financials	(11.8)	(11.3)	(10.2)	(9.8)
Profit before tax	(1.0)	154.3	35.5	61.0
Profit for the period	1.5	117.7	26.0	45.9
Statement of financial position				
Assets	6,588.3	6,684.7	6,537.3	6,612.6
Equity	2,764.0	2,759.8	2,640.1	2,612.0
Net working capital	90.3	(24.4)	(26.0)	(56.5)
Net interest-bearing debt	2,499.6	2,437.8	2,591.9	2,531.6
Statement of cash flows				
Cash flow from operating activities	32.6	222.4	109.0	82.7
Cash flow from investing activities	(66.2)	(61.1)	(44.5)	(163.8)
Free cash flow	(33.6)	161.3	64.5	(81.1)
Net cash flow from operating, investing and financing activities	(30.5)	90.5	(115.6)	1.1
Key performance indicators				
Number of transactions (in millions)	4.4	6.1	4.8	5.0
Average basket size (in DKK)	165.6	183.2	159.9	165.1
Total retail floor space (in thousands of square metres)	53.5	53.7	53.5	53.4
Avg. revenue per square metre (in DKK thousands) - LTM	68.3	68.4	66.8	66.0
Like-for-like growth	(2.2)%	4.7%	0.3%	(1.2)%
Adjusted figures				
EBITDA	116.2	262.7	139.0	160.5
Special items	2.9	1.1	14.6	2.7
EBITDA before special items	119.1	263.9	153.6	163.2
Depreciation of property, plant and equipment	(80.8)	(73.0)	(69.7)	(67.3)
Special items, amortisation and depreciation	0.0	0.0	0.0	0.0
EBITA	38.3	190.9	83.9	95.9
Adjusted profit after tax	23.0	137.5	56.1	66.0
Gross margin	45.8%	43.9%	43.5%	45.0%
EBITDA margin	14.2%	22.4%	16.9%	18.3%
EBITDA margin before special items	14.6%	22.5%	18.7%	18.6%
EBITA margin	4.7%	16.3%	10.2%	11.0%
EBIT margin	1.3%	14.1%	5.6%	8.1%


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THE ART OF STUDIO FIX

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KASSE
HUDPLEJE
MAKEUP
DUFTE
RIMMEL
LONDON
GOSH
COPENHAGEN
DANSK
MAKEUP
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