



# Matas A/S

## Annual Report 2017/18

(1 April 2017 – 31 March 2018)

# Five-year key financials

DKKm	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Statement of comprehensive income</b>					
Revenue	3,344.5	3,433.3	3,426.1	3,463.4	3,419.1
Gross profit	1,541.3	1,595.0	1,604.5	1,611.8	1,549.3
EBITDA	599.8	660.5	652.1	620.1	534.5
EBIT	464.4	526.2	513.6	475.1	368.9
Net financials	(82.5)	(64.5)	(36.5)	(38.7)	(19.7)
Profit before tax	381.9	461.7	477.1	436.4	349.2
Profit for the year	248.9	340.3	364.5	338.7	280.3
EBIT	464.4	526.2	513.6	475.1	368.9
Amortisation, intangible assets	99.3	99.0	101.4	102.3	109.9
Amortisation, software*	(22.8)	(23.1)	(25.4)	(26.3)	(32.7)
Special items	29.9	0.0	0.0	0.0	20.1
Special items, impairment	0.0	0.0	0.0	0.0	5.3
EBITA	570.8	602.1	589.6	551.1	471.5
Special items, change of CEO	-	-	-	-	(12.7)
EBITA before special items (guidance)	-	-	-	-	458.8
Adjusted profit after tax	374.1	397.5	422.5	398.0	356.2
<b>Statement of financial position</b>					
Assets	5,487.6	5,336.8	5,315.3	5,270.6	5,303.6
Equity	2,599.9	2,643.5	2,658.3	2,572.5	2,620.9
Net working capital	(121.1)	(77.4)	(172.0)	(158.0)	(127.3)
Net interest-bearing debt	1,623.3	1,564.4	1,423.6	1,515.0	1,471.9
<b>Statement of cash flows</b>					
Cash flow from operating activities	350.0	422.3	566.9	482.6	383.6
Investments in property, plant and equipment	(39.9)	(27.9)	(45.4)	(43.3)	(51.7)
Free cash flow	173.8	360.2	496.6	348.1	281.5
<b>Ratios</b>					
Revenue growth	4.5%	2.7%	(0.2)%	1.1%	(1.3)%
Underlying (like-for-like) revenue growth	3.4%	1.5%	0.3%	1.3%	(1.4)%
Gross margin	46.1%	46.5%	46.8%	46.5%	45.3%
EBITDA margin	17.9%	19.2%	19.0%	17.9%	15.6%
EBITA margin	17.1%	17.5%	17.2%	15.9%	13.8%
EBIT margin	13.9%	15.3%	15.0%	13.7%	10.8%
Cash conversion	101.6%	85.9%	103.6%	85.0%	75.9%
Earnings per share, DKK	6.12	8.39	9.17	8.79	7.45
Diluted earnings per share, DKK	6.11	8.38	9.11	8.75	7.43
Dividend per share (proposed), DKK	5.50	5.80	6.30	6.30	6.30
Share price, end of year, DKK	152.0	158.5	132.5	99.0	65.4
ROIC before tax	13.5%	14.3%	14.3%	13.6%	11.6%
Net working capital as a percentage of revenue	(3.6)%	(2.3)%	(5.0)%	(4.6)%	(3.7)%
Investments as a percentage of revenue	5.3%	1.8%	2.1%	3.9%	3.0%
Net interest-bearing debt/adjusted EBITDA	2.6	2.4	2.2	2.4	2.7
No. of transactions (millions)	22.8	23.7	22.7	22.3	21.2
Average basket size (DKK)	136.5	137.8	144.1	150.3	159.4
Average number of employees (FTE)	2,216	2,226	2,163	2,197	2,164

For definitions, see "Definitions of key financials" on page 89. \*Software is deducted as per the definition.

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# Letter to our shareholders

The financial year 2017/18 was a year of both reckoning and change for Matas A/S.

While our business remains highly cash-generative with strong profitability compared to other retailers, we are operating in a market with increased competition and an ongoing channel shift.

As a result, topline and earnings declined, and the share price consequently fell by 33.9% in financial year 2017/18. Neither the financial results nor the share price performance is satisfactory, and the need for change is clear. Matas needs to adapt to a new reality.

As a first step in the renewal process, in August 2017 the Board of Directors appointed Gregers Wedell-Wedellsborg to succeed Terje List as CEO. Gregers joined in November 2017 and immediately took a number of short-term actions to free up resources. Stylebox was closed down, staff costs were reduced, and the few loss-making stores were closed. The gains were redeployed to fuel digital growth and lower prices on key mass beauty brands. In the following months, the management line-up was further strengthened with a new e-commerce director, a new head of Club Matas, and a number of specialist hires.

## Long-term challenges and strategy update

We anticipate significant structural change in the years ahead. Therefore, a comprehensive strategic review and strategy update was initiated in November 2017 in order to address long-term challenges and find solutions to serve our customers better while creating more value for our shareholders.

As our environment is shifting fundamentally, we must embark on a journey of renewal, adaptation and transformation based on our purpose: Beauty and wellbeing for life.

We are therefore investing in growth. We have high ambitions for both our digital business and physical stores and will invest to secure future growth and success. We also believe there are new revenue streams to be pursued close to our core business. Our strong cash flow enables us to do this.

We are convinced that investments are both necessary and rewarding. If Matas stays on the present path with only minor adjustments, our future will be riskier and less rewarding for shareholders than if we embark on a journey of renewal and change.

## Matas is ready for change

Having experienced three different kinds of ownership in the last decade, Matas is accustomed to change and reinvention.

We come from a position of strength, both financially and operationally as well as in the perception of our customers. We will build on the core values of our strong brand, our reputation for excellent service, our relationship with suppliers and our operational prowess.

We will leverage our unique assets to drive our transformation: an up-to-date technological platform, a portfolio of own media, our 1.5 million active members in Club Matas and our iconic private brand range 'Striberne'. Our values and assets will aid us on our journey through the retail shake-up. Our ambition is to emerge as a stronger and more sustainable business.

In this year's annual report, we present a roadmap for Matas, and we back our plans with the resources necessary to succeed.

Matas is uniquely positioned to lead the transformation of the Danish health and beauty industry. Our highly skilled and committed employees and professional partners are essential to this position. We would therefore like to conclude by thanking our business partners and our dedicated employees for their strong commitment and good spirits throughout the 2017/18 financial year.

**Lars Vinge Frederiksen** Chairman  
**Gregers Wedell-Wedellsborg** CEO

# Strategy and financial guidance

## A renewed Matas – strategy to 2023

In November 2017, Matas's Board of Directors and Executive Management initiated a strategy update. Based on this work, we now present 'A renewed Matas', our strategy going forward to 2023. The strategy builds on five strategic focus areas and has been developed in close dialogue with customers, employees and business partners. The conclusion is clear: Our customers like the Matas they know, but they are also calling for renewal.

### 1. Live our purpose: Beauty and wellbeing for life

Our strategy is based on Matas's overriding objective: Beauty and wellbeing for life.

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

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

Through specific initiatives within these six areas, Matas will promote beauty and wellbeing for life.

We will, for instance, introduce Danish beauty brands; stimulate forethought for health and the environment; ensure faster delivery from matas.dk; offer fair prices on everyday products; and modernise more stores. In doing so, our focus will be on our customers in order to strengthen our position as the leading player in the Danish market.

### 2. Win online: First online choice

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023. Today's market is fragmented, and Matas is among the three largest players. Leveraging our strengths, including Club Matas and its 1.5 million

active members; our broad product range; and the strong ties between the 277 Danish Matas stores and our webshop, we will significantly step up our digital presence. We will meet our market leadership aspirations through, among other things, an exclusive and comprehensive assortment of, e.g., High-end Beauty brands; relevant communication with customers; recognition across channels; and a strong beauty community, all of which will be supported by a seamless online shopping experience and quick delivery.

### 3. Reignite store growth: New store concept

With a view to reigniting growth in the physical retail network, we will develop a new retail concept that includes a lift in the look of the stores and improved store layouts. At the same time, work will be ongoing to adapt our assortment, adjust our pricing and promotions and find ways to lift the customer experience. We have conducted a comprehensive study of the store network to map out the potential for store optimisation in terms of location, size and role. In this connection, we have identified a potential for store expansion and store mergers and for new store openings during the strategy period. All of our existing stores are currently contributing to Matas's value creation, but our patience with loss-making stores will be short. Overall, by 2023, the retail network is expected to consist of slightly fewer, slightly bigger and recently refurbished stores.

### 4. Open new growth tracks: New concepts and broader assortment

We will work to promote the feeling of beauty and wellbeing for life in new ways, including through new business areas and concepts. The first growth track is a new concept, 'Matas Natur', designed to meet increasing customer demand for green products produced with care and consideration for human health and the environment. Matas Natur was developed as an omnichannel concept, meaning that a broad range of green, natural products will be available to our customers across channels. In addition, Matas Natur will be tested in two new concept stores in Aarhus and Copenhagen, respectively, in the second half of 2018.

### 5. Change how we work

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

**Commercial excellence** will, through initiatives in a number of key areas, help enhance the customer experience, strengthen customer satisfaction and drive earnings. Extensive renewal of the assortment will, for instance, make room for new brands and products, while a stronger approach to pricing and promotions will ensure everyday fair prices and relevant offers. We will also intensify the work with strategic supplier partnerships and further strengthen the focus on house brands.

**Sales excellence** will, through a wide number of initiatives, optimise focus on customers and sales through a strong organisational omnichannel focus; new strategic tools to ensure a local anchoring of the stores and the ambition to find more potential for lean store operations. These three areas will be instrumental in enhancing customer satisfaction and cutting costs.

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

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

## Financial targets

Our 2018/19 financial targets for the Group is as follows:

- Underlying revenue unchanged relative to 2017/18 (like-for-like growth between -1% and 1%).
- EBITDA margin in excess of 14.5%.
- CAPEX in the DKK 110-130 million range.

Our guidance for 2018/19 is based on assumptions of slightly growing consumer spending, a continuous decline in physical store footfall and persistently intensive competition in the health, beauty and personal care market.

Our guidance includes costs for implementing Matas's growth strategy.

The 2018/19 financial year includes one more trading day than FY 2017/18, which is expected to have a slightly positive effect on revenue.

## Financial ambitions

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

- Total revenue in 2022/23 in the DKK 3.7-3.9 billion range, driven by growing online sales, store concept upgrades and ongoing adjustment of the retail network. Underlying like-for-like growth is expected to be positive from financial year 2020/21 at the latest.
- An EBITDA margin in excess of 14% towards the end of the strategy period.
- Average annual CAPEX in the DKK 120-140 million range, with investments skewed towards the first three years of the strategy period.
- A gearing ratio of between 2.5 and 3 (ratio of net interest-bearing debt to EBITDA) during the strategy period.

Our financial targets are based on existing IFRS rules and do not factor in the effects of IFRS 16.

Except for 'Matas Natur', the effects of new growth initiatives have not been factored into the financial targets for the strategy period.

## Allocation of capital and dividend policy

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

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

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

In light of the current financial gearing ratio and the planned investments in the existing business, dividends per share are expected to be lower in the coming years.

## Forward-looking statements

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

# About Matas

The Matas Group is Denmark's largest beauty, personal care and healthcare products retailer.

## Matas's history

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

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

### Changing ownership structure and new channels

In 2006, the Matas chain consisted of almost 300 stores. In 2007, the owners decided to sell Matas A/S to private equity fund CVC, which also took over 208 Matas stores. Matas.dk was launched in 2008, and 2010 saw the launch of the Club Matas loyalty programme designed to strengthen relations between Matas and its customers. The Club Matas App was introduced in June 2011, and by 2012, Club Matas had more than 1 million members. The Club Matas partner programme was launched in 2012.

Matas A/S was listed on OMX Copenhagen in June 2013, and in that same year, Matas introduced a new retail concept, StyleBox, which in addition to selling professional hair and nail care products and makeup brands also offered hairdressing and nail services. In 2015, Matas introduced the My Moments spa products range and formed a partnership with a pharmacy, which opened the first Matas shop-in-shop. In November 2017, Matas closed down StyleBox as an independent chain. Today, StyleBox consists of one shop-in-shop and stylebox.dk.

## Matas today

Over the past 70 years, Matas has built its market position to its current strong level. 99% of Danish women know Matas. This widespread awareness is a

major asset, and in March 2018, Matas was named the fourth strongest Danish women's brand by the YouGov research agency, with customers pointing to Matas's availability, broad product range and highly professional and competent advice as Matas's key strengths.

## Matas's retail concept

Matas's unique retail concept is characterised by its wide product range within beauty, personal care, healthcare and problem-solving household products.

The product range includes international as well as Danish brands covering a broad price spectrum.

To help customers navigate this unique product range, Matas has divided its product offering into four shops-in-shops: Beauty (beauty and personal care), Vital (healthcare), Material (personal care and household problem solvers) and MediCare (healthcare and personal care).

### Private Brands

Matas markets a number of house brands, including "Stripes", "Matas Natur" and "Plaisir". Matas currently offers more than a thousand different private brand products characterised by a sound balance between price and quality and reduced use of substances harmful to human health and the environment. Private brand products accounted for approximately 14% of total 2017/18 revenue, with the Beauty segment as the biggest contributor.

### Competition

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

## Omnichannel marketing strategy

Matas's retail store concept is supported by centrally managed customer-focused marketing across channels. Based on their shopping patterns in Matas stores and on matas.dk, we personalise information and offers to customers across sales channels and communication platforms. In addition, advertising



leaflets are distributed to some 60% of all Danish households every two weeks.

Marketing efforts are supported by Club Matas, which had more than 1.8 million members at 31 March 2018, of whom 1.5 million are active in the club. At the end of the financial year, more than 70% of all Danish women between the ages of 18 and 65 were members of Club Matas.

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

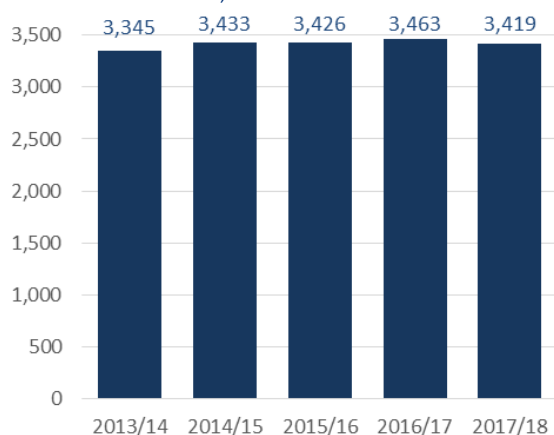
# Group performance in 2017/18

## Revenue

### Revenue in 2017/18

Matas generated total revenue of DKK 3,419 million in financial year 2017/18, a decline of 1.3% compared with 2016/17.

CONSOLIDATED REVENUE, DKKM



Sales in stores operated by the Group in both 2017/18 and 2016/17 were down by 1.4% (underlying growth), which was in line with the latest guidance of an underlying fall in 2017/18 of 1-2% after taking a negative calendar effect into account.

The revenue performance was supported by growing High-End Beauty and Vital sales, while Material and Mass Beauty sales suffered setbacks compared with the year before. Overall footfall was muted, and the number of transactions fell by 5.0%. Adjusted for new, closed and acquired stores, the decline was 6.7%. The average basket size grew by 6.1%, which was satisfactory. Online sales were up by just over 25%

over the year before. The closing of StyleBox had a negative impact on revenue.

Sales in Matas's own retail stores grew by DKK 21 million or 0.6% relative to 2016/17. The difference between the underlying fall of 1.4% and the own store revenue growth rate of 0.6% was attributable to revenue from acquired associated stores and new stores, which is not included in underlying growth.

Wholesale sales to associated Matas stores etc. were down by DKK 65 million, mainly as a result of the lower number of associated stores and declining sales to the remaining associated stores. The last five associated stores left the Matas chain at 31 January 2018.

### Revenue by shops-in-shop

The Beauty segment grew revenue by 1.3% in 2017/18. Sales of High-End Beauty products were up by 6.7%, while Mass Beauty sales fell by 4.0%, reflecting the growing customer preference for High-End over Mass Beauty products.

The Mass Beauty segment continues to be adversely affected by slowing sales of colour cosmetics and other personal care products in the wake of increased competition from supermarkets and other competing outlets. Growth in High-End sales was driven by women's skincare, women's fragrances and make-up.

The Beauty segment's share of total own store revenue was 72.0% in 2017/18 against 71.5% in 2016/17.

### REVENUE BY SHOPS-IN-SHOP AND SALES CHANNELS

(DKKm)	2017/18 FY	2016/17 FY	Growth	2017/18 Q4	2016/17 Q4	Growth
Beauty	2,457.8	2,426.7	1.3%	528.0	522.9	1.0%
Vital	422.1	397.8	6.1%	114.2	110.4	3.4%
Material	321.9	349.2	(7.8)%	68.1	71.6	(4.9)%
MediCare	186.9	187.0	(0.1)%	44.8	44.9	(0.1)%
Other	25.0	32.5	(23.1)%	5.7	15.4	(62.9)%
<b>Total own store revenue</b>	<b>3,413.7</b>	<b>3,393.2</b>	<b>0.6%</b>	<b>760.9</b>	<b>765.2</b>	<b>(0.6)%</b>
Sales to associated stores etc.	5.4	70.2	(92.3)%	(3.5)	14.2	n.a.
<b>Total revenue</b>	<b>3,419.1</b>	<b>3,463.4</b>	<b>(1.3)%</b>	<b>757.4</b>	<b>779.4</b>	<b>(2.8)%</b>

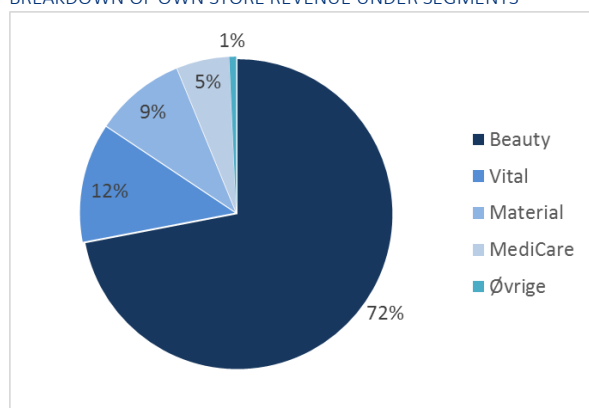
Note: Product sales from StyleBox are included in Beauty, while sales of services are included in Other.

The Vital segment reported year-on-year revenue growth of 6.1% in 2017/18, supported by intense campaign activity and a growing health food market.

Affected by a general slowdown and fierce price competition within the area, the Material segment saw revenue drop by 7.8% in 2017/18.

The MediCare segment reported unchanged revenue relative to 2016/17.

BREAKDOWN OF OWN STORE REVENUE UNDER SEGMENTS



#### Revenue in Q4 2017/18

Revenue for Q4 2017/18 came to DKK 757 million, down 2.8% on Q4 2016/17.

Own store revenue was down by DKK 4 million to DKK 761 million, a decline of 0.6%, while revenue from sales to associated stores etc. was down by DKK 18 million, mainly because the remaining associated stores left the chain at 31 January 2018.

Underlying revenue growth in Q4 2017/18 was negative at 2.6% against positive growth of 2.5% for the same period of 2016/17. Q4 2016/17 growth was supported by an extra three trading days compared with 2015/16, while the 2017/18 performance was adversely affected by two trading days less.

## Business developments

Club Matas continued to grow its net membership in 2017/18, retaining the position as one of Denmark's largest customer clubs. Membership grew by a net 50,000 in 2017/18. At 31 March 2018, Club Matas had more than 1.8 million members, of whom some 1.5 million have consented to being contacted.

The Club Matas App currently has 630,000 users. Customer satisfaction among Club Matas members remained high, at 3.72, in financial year 2017/18 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. Customer satisfaction in 2016/17 was 3.71.

### SHOPS-IN-SHOP

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

### BEAUTY

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

### VITAL

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

### MATERIAL

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

### MEDICARE

OTC medicine, nursing products, etc.

We continued the work to develop and improve the Club Matas partner programme throughout the financial year. At 31 March 2018, the programme had 23 external partners, compared with 21 at 31 March 2017. Thiele, the chain of opticians, joined the partner programme at 1 March 2018, which will help strengthen Matas's retail profile.

The number of Matas stores was reduced by 8 in 2017/18. Five associated stores left the chain at 31 January 2018, and seven small Matas-owned stores were closed. With the two closures in Vejle being replaced by a new and bigger store, the actual number of store closures was five. To further support the business, we opened eight new stores in 2017/18: three to replace associated stores that had left the chain, four relocations of existing stores and a merger of two stores into one. The store in Viborg was moved to a new location to make room for Matas's second shop-in-shop pharmacy, which opened on 1 February 2018.

At 31 March 2018, the Matas chain consisted of 277 physical stores and an associated store in Greenland. In addition, Matas was present online through [matas.dk](http://matas.dk) and [stylebox.dk](http://stylebox.dk). The Group has no activities outside Denmark as the store in the Faroe Islands and the associated store in Greenland are considered Danish stores in this context.

StyleBox was closed down as an independent chain in financial year 2017/18.

## COSTS

(DKKm)	2017/18 FY	2016/17 FY	Growth	2017/18 Q4	2016/17 Q4	Growth
Other external costs	319.6	302.0	5.8%	93.3	71.6	30.3%
As a percentage of revenue	9.3%	8.7%		12.3%	9.2%	
Staff costs	695.2	689.7	0.8%	166.8	167.4	(0.4)%
As a percentage of revenue	20.3%	19.9%		22.0%	21.5%	

### Costs and operating performance in 2017/18

Gross profit for 2017/18 was DKK 1,549 million, a 3.9% decline from DKK 1,612 million in 2016/17.

The gross margin for 2017/18 was 45.3%, down from 46.5% in 2016/17. The gross margin was impacted by the persistent tough competition and a higher proportion of campaign sales during the year.

Other external costs were up by DKK 18 million or 5.8% year on year in 2017/18. The increase was mainly driven by higher marketing expenses, increased activity at matas.dk, higher IT operating expenses and increased rental costs as a result of store openings and associated store acquisitions. Other external costs as a percentage of revenue were 9.3% in 2017/18, compared with 8.7% in 2016/17.

Staff costs rose by DKK 6 million year on year in 2017/18. Staff costs included non-recurring costs of DKK 14 million related primarily to the change of CEO at Matas A/S. Adjusted for these costs, staff costs were down by DKK 8 million.

Attributable mainly to tight cost management, which has reduced the number of employees, the underlying cost reduction was only partially offset by general salary increases as of 1 April 2017 and acquisitions of stores and associated staff costs.

Staff costs for 2017/18 included DKK 5 million related to the Group's long-term share-based compensation programme, a decline of DKK 3.4 million relative to 2016/17.

Settlement of a cancelled share option scheme drove 2016/17 costs up by DKK 6.6 million. This expense was not repeated in 2017/18.

Overall, staff costs were up by 0.8%, whereas adjusted for non-recurring costs (special items) they were down by 1.2%. Adjusted for non-recurring costs, staff costs amounted to 19.9% of 2017/18 revenue, which was on a level with 2016/17.

In the 2017/18 financial year, the Group had 2,164 full-time employees (FTE), down from 2,197 in 2016/17. The decline mainly reflects retail staff adjustments and the closure of StyleBox as a chain.

EBITDA was down by 13.8% year on year to DKK 534.5 million for 2017/18.

The EBITDA margin was 15.6% as compared with 17.9% the year before, impacted by higher costs combined with the lower gross margin.

EBITA was down by 14.5% to DKK 472 million, taking the EBITA margin to 13.8% from 15.9% in 2016/17.

Including non-recurring costs related to the change of CEO at Matas A/S, EBITA came to DKK 459 million, in line with our most recent guidance of EBITA in the DKK 445-460 million range.

EBIT was DKK 369 million in 2017/18.

NON-RECURRING ITEMS (DKKm)	2017/18 Q4	2016/17 Q4
Non-recurring costs associated with change of CEO	12.7	0.0
Non-recurring costs associated with other management changes	1.4	0.0
Non-recurring costs associated with the closure of StyleBox	3.1	0.0
Write down of assets associated with the closure of StyleBox	5.3	0.0
Non-recurring costs associated with the strategy update	3.0	0.0
<b>Non-recurring items in total</b>	<b>25.5</b>	<b>0.0</b>

### Costs and operating performance in Q4 2017/18

Gross profit for Q4 2017/18 was DKK 342 million, a decline of 5.4% relative to Q4 2016/17. This represents a gross margin of 45.1% compared with 46.4% for the same period the year before. The Q4 gross margin was also impacted by the persistent tough competition and a higher proportion of campaign sales.

The Q4 cost base was affected by continued costs related to discontinuing activities as well as marketing and IT costs caused by the acceleration of strategic measures and increased activity at matas.dk. The cost base was also impacted by increased rental costs as a result of store openings and associated store acquisitions. In addition, a small amount was set aside for potential action in damages.

Overall, other external costs were up by DKK 22 million year on year in Q4 2017/18 to DKK 93 million, an increase of 30.3%. Other external costs amounted to 12.3% of revenue in Q4 2017/18, up from 9.2% in the year-earlier period.

For Q4 2017/18, staff costs totalled DKK 167 million, a slight decline of 0.4% relative to Q4 2016/17. Staff costs as a percentage of revenue were 22.0% in Q4 2017/18 against 21.5% in Q4 2016/17.

The weaker gross margin and the high level of costs in Q4 2017/18 translated into EBITA of DKK 55.7 million, bringing the EBITA margin to a mere 7.4% from 13.1% the year before.

### EBITDA, EBIT AND EBITA

(DKKm)	2017/18 FY	2016/17 FY	Growth	2017/18 Q4	2016/17 Q4	Growth
<b>EBITDA</b>	534.5	620.1	(13.8)%	81.7	122.3	(33.2)%
Amortisation, depreciation and impairment	165.6	145.0		47.0	39.2	
<b>EBIT</b>	368.9	475.1	(22.4)%	34.7	83.1	(58.3)%
Special items	20.1	0.0		2.0	0.0	
Amortisation of intangible assets	77.2	76.0		17.7	19.0	
Special items, impairment	5.3	0.0		1.4	0.0	
<b>EBITA</b>	471.5	551.1	(14.4)%	55.7	102.1	(45.4)%
EBITA margin	13.8%	15.9%		7.4%	13.1%	
EBITDA margin	15.6%	17.9%		10.8%	15.7%	

For a definition of EBITA, see page 89.

### Financial items and tax

Net interest payables totalled DKK 20 million in 2017/18, including a fair value adjustment of an interest rate swap representing income of DKK 10 million.

Excluding fair value adjustments, net interest payables were DKK 30 million, a year-on-year decline of DKK 19 million.

Net interest payables for Q4 2017/18 were DKK 4 million, a decline of DKK 9 million. Excluding the DKK 2 million fair value adjustment of the interest rate swap in 2016/17 and the DKK 3 million adjustment in 2017/18, net interest payables were down by DKK 8 million in Q4 2017/18.

## NET INTEREST PAYABLES

(DKKm)	2017/18 FY	2016/17 FY	2017/18 Q4	2016/17 Q4
Net interest payables	19.7	38.7	4.2	12.8
Fair value adjustment of interest rate swap	10.2	9.7	2.8	2.4
Net interest payables, adjusted for swap	29.9	48.4	7.0	15.2

The effective tax rate was 19.7% in 2017/18 compared with 22.4% in 2016/17. The fall was attributable to the recognition of a special entity-specific tax loss carryforward and prior-year adjustments.

For additional information on the Group's tax disputes, see note 28 to the consolidated financial statements.

### Profit for the year after tax

Profit for the year after tax was DKK 280 million, down from DKK 339 million in 2016/17.

Adjusted profit after tax was DKK 356 million in 2017/18 (see note 13), a year-on-year decline of 10.5%.

For Q4 2017/18, Adjusted profit after tax was DKK 47 million against DKK 67 million in Q4 2016/17.

## Statement of financial position

Total assets amounted to DKK 5,304 million at 31 March 2018, up from DKK 5,271 million at 31 March 2017. Current assets totalled DKK 984 million, a year-on-year increase of DKK 96 million.

Inventories were up by 8.0% over 31 March 2017. Inventories accounted for 21.9% of LTM revenue at 31 March 2018 as compared with 20.0% at 31 March 2017. The increase mirrors new store openings, the acquisition of four associated stores and an intentional increase of inventories to limit the proportion of sold out items in our stores.

Mainly reflecting the lower number of associated stores, trade receivables declined by DKK 14 million to DKK 7 million.

Cash and cash equivalents stood at DKK 86 million, up from DKK 33 million the year before.

Trade payables were down by DKK 9 million during the financial year.

Net working capital excluding deposits stood at minus DKK 127 million at 31 March 2018, up by DKK 31 million over 31 March 2017. Reflecting the higher inventories, net working capital accounted for minus 3.7% of LTM revenue, as compared with minus 4.6% the year before.

Equity was DKK 2,621 million at 31 March 2018, up from DKK 2,573 million at 31 March 2017. Dividend paid in financial year 2017/18 amounted to DKK 237 million.

Total bank debt amounted to DKK 1,558 million at 31 March 2018, slightly below our previous target of gross debt in the DKK 1,600-1,800 million range. Net interest-bearing debt at 31 March 2018 was DKK 1,472 million, a decline of DKK 43 million relative to 31 March 2017. Net interest-bearing debt represents 2.7 times LTM EBITDA.

## Statement of cash flows

Cash generated from operations was an inflow of DKK 506 million in 2017/18, against an inflow of DKK 619 million the year before.

Cash flows from operating activities were an inflow of DKK 384 million in 2017/18, down from an inflow of DKK 483 million in 2016/17. The fall was caused by higher inventories and lower EBITDA.

Cash flows from operating activities for Q4 2017/18 were an inflow of DKK 6 million, a year-on-year decline of DKK 67 million.

Cash flows from investing activities were an outflow of DKK 102 million in 2017/18, compared with an outflow of DKK 135 million in 2016/17. The fall was driven by lower investments in associated store acquisitions in 2017/18 relative to 2016/17, which was only partially offset by increased investments in the retail network, store openings in Rødovre, Frederiksberg and Albertslund and store relocations in Tåstrup, Viborg, Vanløse, Vejle and Vordingborg.

For Q4 2017/18, cash flows from investing activities were an outflow of DKK 20 million.

The free cash flow was an inflow of DKK 282 million in 2017/18 and an outflow of DKK 14 million in Q4 2017/18.

### Return on invested capital

The return on LTM invested capital before tax was 11.6% (146.7% excluding goodwill), as compared with 13.6% in 2016/17 (156.2% excluding goodwill).

### Parent company performance

The parent company generated a profit of DKK 278 million in 2017/18 against DKK 285 million in 2016/17. The decline reflects costs related to management changes.

Equity was DKK 2,150 million at 31 March 2018 compared with DKK 2,104 million at 31 March 2017.

### Events after the date of the statement of financial position

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

# Risk management

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

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

## Material operational risks

### Changes in economic conditions

Matas is significantly exposed to changes in the prevailing economic climate in Denmark, the market from which the Group derives virtually all of its revenue. Matas is significantly exposed to developments in total retail sales, and Danish consumers still appear to be reluctant to spend. The Group monitors sales trends on a daily basis so that it can respond swiftly to any decline in sales by implementing sales-promoting initiatives.

### Industry developments

The market for beauty, personal care and healthcare products is subject to intense competition from established and new players alike. Matas continually seeks to reinforce its market position by developing its retail network, product range, marketing, online sales and the Club Matas loyalty programme in an effort to bring the Group closer to its customers.

### Products and suppliers

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

### Product liability

The Group's operations involve risks which could potentially result in product liability, including

personal injury claims. The Group has laid down a risk management policy and procedures to mitigate such risks and has also taken out standard insurance cover.

### Legislation and indirect taxation

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

## Significant financial risks

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

## Tax dispute

Matas is involved in a dispute with the Danish tax authorities concerning withholding tax on interest for income years 2006-2009.

Matas is also involved in a dispute with the Danish tax authorities concerning VAT on self-supply.

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](http://www.corporategovernance.dk). Matas complies with all these recommendations. The Group's corporate governance statements are available on our website at [investor.matas.dk/governance.cfm](http://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 Board of Directors has approved a set of internal rules 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](http://investor.matas.dk). All announcements are published in Danish and English.

Matas publishes interim and annual financial statements and hosts investor presentations and conference calls after the release of each interim and annual report. In addition, Matas holds meetings with

Danish and international investors. Investors and analysts can also contact the Investor Relations Department to clear up any further questions regarding published reports.

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

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

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

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

## Diversity in management

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

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 52%

men (2016/17: 52%) and 48% women (2016/17: 48%), which means that the Group meets the defined target.

## Duties and responsibilities of the Board of Directors

At Matas, management duties and responsibilities are divided between the company's Board of Directors and Executive Management. No one person is a member of both of these bodies, and no member of the Board of Directors has previously been a member of the Executive Management. Matas has laid down rules of procedure for the Board of Directors, which are reviewed and approved annually by the Board of Directors. The Board of Directors holds ten ordinary board meetings plus a strategy seminar each year and will further convene as required. In the 2017/18 financial year, 13 board meetings and one strategy seminar were held. In 2016/17, 12 meetings were held.

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.

## Composition of the Board of Directors

The Board of Directors consists of six members elected by the general meeting and elects a Chairman and a Deputy Chairman from amongst its own members. The members of the Board of Directors is a group of experienced business professionals who also represent diversity, international experience and skills that are considered to be relevant to Matas. All members of the Board of Directors elected by the shareholders are regarded as independent.

Each member of the Board of Directors elected by the general meeting is elected for a term of one year. Board members are eligible for re-election. Only persons younger than 70 years at the time of election may be elected to the Board of Directors.

The Board of Directors determines once a year the qualifications, experience and skills the Board of Directors must possess in order for the Board of Directors to best perform its tasks, taking into account the Group's current needs. The Board of Directors evaluates its work on an annual basis.

### Audit Committee

The Board of Directors has set up an Audit Committee comprising three members of the Board of Directors. The Chairman of the Audit Committee is independent and is skilled in accounting. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the collaboration with the independent auditors. The Audit Committee held five meetings in the 2017/18 financial year (four meetings in 2016/17).

### Nomination Committee

The Board of Directors has set up a Nomination Committee comprising three members of the Board of Directors. The overall purpose of the Nomination Committee is to help the Board of Directors ensure that appropriate plans and processes are in place for the nomination of candidates to the Board of Directors and the Executive Management. The Nomination Committee held two meetings in the 2017/18 financial year (two meetings in 2016/17).

### Remuneration Committee

The Board of Directors has set up a Remuneration Committee comprising three members. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management as well as general guidelines for incentive pay to the Executive Management. The Remuneration Committee held two meetings in the 2017/18 financial year (two meetings in 2016/17).

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

The Board of Directors has adopted a remuneration policy and general guidelines for incentive pay, which have been approved by the general meeting. Both policies are available at [investor.matas.dk/governance.cfm](http://investor.matas.dk/governance.cfm).

The remuneration policy supports the goal of attracting, motivating and retaining qualified members of the Board of Directors and the Executive Management. The remuneration is designed so as to align the interests of the Board of Directors, the Executive Management and the company's

shareholders, to support the achievement of Matas's short-term and long-term strategic goals and targets and to stimulate value creation.

Reference is made to note 31 to the consolidated financial statements for a specification of the remuneration paid to each member of the Executive Management and the Board of Directors.

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

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

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

### Control environment

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

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

Each year, the Audit Committee assesses the need for an internal audit department. Based on the relatively low complexity of the Group and a composition of the Executive Management that is deemed to possess sufficient qualifications for exercising effective control and risk management, it has as yet not been deemed necessary to establish an internal audit department.

### Risk assessment

The Board of Directors and the Executive Management regularly assess the key risks involved in the financial reporting based on a materiality criterion. This includes an evaluation of the principal accounting policies and the most significant accounting estimates and the related risk and sensitivity assessment. The risk of fraud is also evaluated. For additional information on significant accounting estimates, see note 2 to the consolidated financial statements.

### Control activities

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

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

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

### Information and communication

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

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

### Monitoring

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

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

Executive Management and report any material weaknesses in their long-form audit report.

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

# Corporate social responsibility

The Matas Group carries out some 22 million transactions and is in contact with millions of Danish consumers every year. As a natural consequence, we are keenly aware of our responsibilities in relation to our surrounding community. In conducting our business, we affect the surrounding world through the working conditions we offer our employees, through our direct and indirect impact on the environment and through the products we provide to consumers. We are committed to limiting the impact of our activities on the planet, to providing a sound working environment for our employees and to offering our customers the best products.

Our work with corporate social responsibility is deeply rooted in the Group's core values of being a *credible*, *dynamic* and *responsible* organisation.

As a natural consequence of Matas's CSR policy and mission of "*helping all customers feel well, look good and be happy*", the Group works proactively in the health and environmental fields in close dialogue with potent consumer organisations and patient associations.

The UN has defined 17 sustainable development goals. Matas has identified two areas in which our CSR behaviour in particular affects our surrounding communities. These two focus areas are a natural extension of our CSR policy and mission. We have decided to prioritise the areas Good health and well-being (UN goal no. 3) and Responsible consumption and production (UN goal no. 12).

We have defined the goal related to Good health and well-being as The good health and well-being of consumers and employees, which, together with Responsible consumption and production are high priorities for us. Our CSR efforts may be divided into five areas: Environmental and climate impact, Sickness prevention and health, Human rights, Working conditions (social conditions and employee conditions) and Anti-corruption.

Our efforts are governed by a Code of Conduct, which also applies to the trade agreements we conclude with suppliers and the partnership agreements we sign with NGOs. Good health and environmental protection are also important subjects in the basic training of our materialists, the purpose being to equip them to provide professional advice to

customers about, for instance, product ingredients and environmental effects.

As a consequence of the strategy update initiated by the Board of Directors and the Executive Management in November 2017, the work to further develop Matas's CSR policy was put on hold. In the current financial year, we will work to further develop our CSR policy to support Matas's objective of promoting health, beauty and wellness.

## Environmental and climate impact

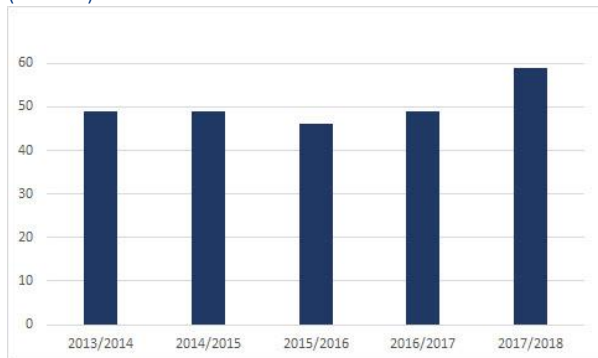
We consider unintentionally high indirect CO<sup>2</sup> emissions as a result of inefficient control of the consumption of lighting and heating in the Group's stores to be our key environmental and climate risk. In addition, packaging from the products we sell may cause local environmental problems, and problematic ingredients may have adverse effects on both the environment and consumers' health.

### Environmental impact

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

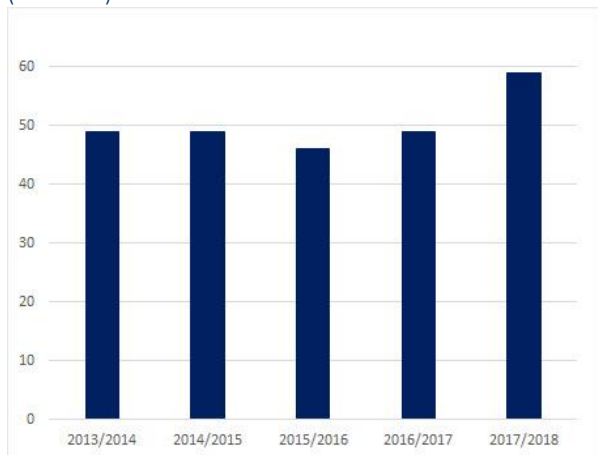
In 2017/18, 40 tonnes of transport plastic (2016/17: 31 tonnes) and 514 tonnes of cardboard (2016/17: 529 tonnes) were recycled. The increase in the consumption of transport plastic was attributable to all products being repacked at Matas's central storage facilities before they are delivered to the stores. This has also resulted in lower cardboard volumes collected from the stores. Through the recycling scheme, we invite customers to return empty packaging from all products sold in Matas retail stores. Customers returned 19 tonnes of plastic packaging for recycling in 2017/18.

PLASTIC PACKAGING RETURNED BY CUSTOMERS FOR RECYCLING (TONNES)



The packaging was returned without reimbursement of a deposit or any other compensation to customers for doing so. In the 2017/18 financial year, we sent 59 tonnes of plastic for recycling, which is ten tonnes more than last year.

PLASTIC PACKAGING SENT FOR RECYCLING BY MATAS (TONNES)



Throughout the 2017/18 financial year, we continued our collaboration with the Danish Society for Nature Conservation to identify areas in which we can promote responsible consumption, including the Matas Return System and the Group's development and sales of Swan-labelled products.

The Danish Society for Nature Conservation recommends that consumers buy Matas's own durable and recyclable ecobags with a view to reducing the use of disposable carrier bags. All profits from the sale of these ecobags go to the Matas Environmental Fund, which donates plants and sun shade tents for playgrounds at child care institutions. Up to and including March 2018, the Fund had provided financial support for 2,274 child care institutions, 83 of them in the past financial year. So far, half of all applicants have received financial support.

The Kids Helpline

In financial year 2017/18, Matas formed a partnership with the Kids Helpline, run by the Danish Society for the Promotion of Conditions for Children (Børns Vilkår). The Kids Helpline is an independent, anonymous counselling service helping children and young people with problems difficult to tackle. With Matas's values being firmly rooted in the desire for everyone to feel good about themselves, it is only natural for Matas to work to promote the well-being of children and young people. In April 2017, Matas donated DKK 25,000 to the Kids Helpline, and in autumn 2017 we assisted with the "Bake for a Cause" project, in which children, young people and adults across the country baked and sold cakes in aid of the Kids Helpline. Matas distributed baking kits to local Matas stores for pick-up by volunteers. The Bake for a Cause project raised a total of DKK 2.2 million for the Kids Helpline.

Substitution by private brands

In the past financial year, we continued our proactive work to improve all the chain's private brand products to align them with the latest knowledge about environmental and consumer health impacts. The following legal substances have been completely phased out of our private brands: 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 brands comprised by cosmetics legislation are subjected to bacteriological control by Eurofins Steins Laboratorium.

During the financial year, we analysed the palm oil derivatives content in all our own non-food products and identified the share certified according to the RSPO (Round Table on Sustainable Palm Oil) system. By using RSPO-certified palm oil, we support sustainable palm oil production. At 31 March 2018, about 5% of the total palm oil derivatives content of our own non-food products was RSPO-certified. We expect to increase this share to 15% in the course of the next two years (min. Mass Balance certification).

In spring 2018, 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. A total of 92 Matas products carry the Blue Label.

In addition to the Code of Conduct governing our private brands, all other products in our product range are subject to contractual health and environmental requirements stricter than the Danish statutory requirements. As an example, our suppliers have signed declarations that all products supplied to Matas are PVC and Lawsone-free.

Matas offers the largest range of Swan-certified private personal care labels of all Danish retail chains. At 31 March 2018, 165 of our private labels were Swan-labelled, compared with 152 the year before. The Swan label may only be used by the most environmentally friendly products within a specific product category. We expect to increase the number of Swan-labelled private brands to at least 185 by the end of the current financial year.

For the purpose of increasing the share of Swan-label products and services when procuring goods and services for our in-house use, we have joined the Sustainable Procurement Network, which is managed by Ecolabelling Denmark, which is a part of the Danish Standards Foundation.

In the financial year, Matas helped increase the awareness of the *Chemistry Loupe* app, developed by the chemistry division of the Danish Consumer Council. This app enables consumers to scan the bar code on cosmetics and personal care products to get the Danish Consumer Council's impartial assessment of the product with respect to health and the environment.

#### Climate impact

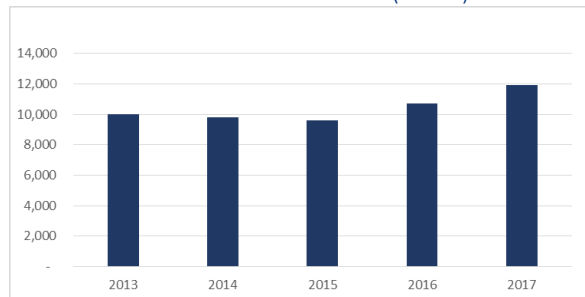
Matas is committed to reducing the Group's energy consumption and CO<sub>2</sub> emissions. We do this by focusing on two primary areas: Lighting and cooling and Transport.

#### Lighting and cooling

Lighting and cooling account for the largest share of the power consumption in our stores. Our employees are subject to rules for energy-efficient daily use of lighting and airconditioning systems. In addition, traditional lighting sources are gradually replaced by more energy-efficient LED lighting.

In 2017, power consumption in our stores was up by 1,220,000 kWh relative to 2016, due mainly to the fact that lighting has been significantly upgraded in connection with the renovation of stores in accordance with the new concept design. Ongoing efforts are being made to limit power consumption by using energy-efficient LED lighting sources.

ENERGY CONSUMPTION IN MATAS STORES (MWH)



#### Transport

During the financial year, Matas was in ongoing dialogue with transport providers concerning the measurement of the amount of energy consumed when goods are transported from central storage facilities to Matas stores. In 2017/18, 189 tonnes of CO<sub>2</sub> were emitted during transport. Together with our transport providers, we will work to reduce the environmental impact per transport activity.

In the 2017/18 financial year, we formed a partnership with Citylogistik on distributing shipments to the stores in Roskilde by means of electric trucks. The results are positive and may set the scene for expansion to other areas.

In the efforts to further develop Matas's CSR policy, we intend to define targets for reducing transport-related energy consumption without compromising the timeliness of shipments delivered to the stores.

#### Focus on complaints processing

Matas is committed to providing good service when handling customer complaints, performing specific follow-up on customer inquiries in connection with the processing of complaints and general follow-up through regular customer satisfaction surveys in our stores.

#### Sickness prevention and health

In consistency with the Group's commitment to promoting consumers' good health and well-being, Matas in 2017/18 continued its close collaboration with the Danish Heart Foundation and the Danish Cancer Society on sickness prevention for the benefit of customers and society in general.

#### Preventing heart disorders in women

One in four women in Denmark dies from a heart disease, and given that most of our employees and customers are women, the Group is working with the Danish Heart Foundation to help reduce the number of women suffering from heart disorders and bring down the mortality rate among people

suffering from heart disease. Up to and including the 2017/2018 financial year, Matas has donated DKK 21.6 million to the Danish Heart Foundation. In the past financial year, we donated DKK 2.5 million. This amount came from fund-raising, including from sales of Matas's own luxury skincare line, PLAISIR, awareness bracelets and Christmas package ornaments. In addition, Matas offers Club Matas members to use points earned to pay for membership of the Danish Heart Foundation.

The funds collected through the sale of package ornaments are earmarked for the mounting of life-saving defibrillators on selected Matas store fronts. The work to select defibrillator providers and identify suitable locations began in the final quarter of the financial year and will continue in financial year 2018/19.

According to the Danish Heart Foundation, 285,000 people in Denmark unknowingly suffer from hypertension that, if untreated, can lead to heart diseases. In collaboration with the Heart Foundation, Matas regularly offers free blood pressure testing in our stores. In the 2017/18 financial year, 175 Matas stores participated, and almost 3,700 customers and employees had their blood pressure measured.

#### Preventing skin cancer

Skin cancer is the most common type of cancer in Denmark. Matas is working with the Danish Cancer Society to help prevent skin cancer by providing advice and guidance to customers and selling sunblock.

Skin cancer can be prevented by following important sun advice from the Danish Cancer Society. Matas and the Danish Cancer Society work together to propagate this sun advice, focusing on increasing awareness of UV indexes and sun protection factors and how sunburn and thus skin cancer can be prevented by staying in the shade, wearing appropriate clothing and using sunscreen correctly. These messages are disseminated through Matas's various media, on Matas sun products and through the advice provided to consumers in our stores. The skills of our staff in this area are maintained and updated annually by way of a supplementary training course developed by the Danish Cancer Society.

In the summer of 2016, the EU banned the use of Bisphenol A in till receipts. The ban will take effect in 2019. According to the Danish Environmental Protection Agency, Bisphenol A

may cause reproductive disorders and is suspected of having a hormone-disrupting effect. Fully in line with our commitment to promote the good health of our customers and employees, all Matas receipts have been free from Bisphenol A and other bisphenols since 2014.

Additional information on the Group's collaborative activities in the health and environmental area is available at [www.matas.dk/responsibility](http://www.matas.dk/responsibility).

## Human rights

Matas is committed to complying with all applicable laws and to respecting applicable collective agreements.

Matas supports and respects internationally declared human rights as laid down in the UNGP, including by avoiding to restrict the rights of our employees to establish labour unions, their freedom of association, right to collective bargaining and equal opportunities for women and men. Moreover, Matas requires that our suppliers develop and produce their products without child labour. This requirement is incorporated into all supplier agreements.

Matas is committed to promoting diversity among our employees. The results of this work are presented elsewhere in this annual report. No human rights violations were identified in the past financial year.

In connection with the work to further develop Matas's CSR policy, we will continue our work in the human rights area in the current financial year.

## Working conditions (social and employee conditions)

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

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



### Employee skills

The Group's knowledge resources, including our employees' professional skills and ability to provide personalised customer service, are considered instrumental in creating positive customer experiences and building lasting customer relations. By providing professional advice in the stores, we aim to enable customers to make a qualified choice based on needs and environmental profile.

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

### Training and knowledge resources

Matas is the only retail chain that trains materialists. The Group trains more than 220 materialists on an annual basis to be able to offer our customers professional and qualified advice.

Most of our training programmes are carried out 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's 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 completion of the programme, materialists have the option to specialise.

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. They also learn about the health-promoting initiatives offered in our stores on a regular basis.

At the end of the financial year, 71% of our shop assistants were trained or undergoing training. In terms of FTEs, about 90% of the chain's employees were trained or undergoing training.

In order to stay visible to young training seekers, Matas's 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 upskilled professionals from other industries to the product and service level requested by our customers. This ensures diversity among our employees.

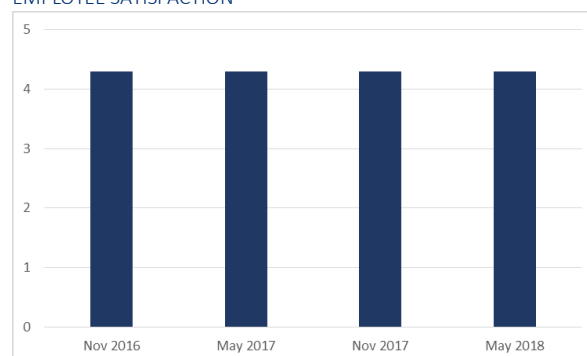
The Group makes substantial investments in ongoing training of our own managers. The structured management training offered to new store managers and deputies ensures they have the tools and skills to attract, develop and retain talented employees and manage day-to-day store operations.

### The workplace

The Group continually seeks to encourage and promote an inclusive and diverse working environment and to maintain a safe and healthy working environment for our employees. Matas contributes to diversity and an inclusive labour market through special employment plans such as part-time work schemes and a project called 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 34 employees under the KLAP Project.

In addition, the Group has 35 employees in subsidised jobs, typically physically disabled people unable to work full time.

### EMPLOYEE SATISFACTION



### Welfare and responsibility in the workplace

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

annual anonymous surveys of employee satisfaction at all levels of the Group.

The most recent employee satisfaction survey, which was carried out in May 2018, shows a very good score of 4.3 out of 5 for the Group as a whole.

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

Sickness absence in the Matas chain is significantly below the level in comparable industries. Excluding employees who resigned during the year and absence due to sickness in connection with pregnancy, the sickness absence rate was 2.0%. Measured on a monthly basis over the year as a whole and including all staff employed in the financial year and sickness in connection with pregnancy, the rate of absenteeism among employees in the Matas chain was 5.15%.

The average number of employees on leave in connection with pregnancy and child birth at any given time is about 100.

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

Our rules in this area clearly state that no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the company. Violation of these rules will have serious disciplinary consequences for the employees involved.

Through the group intranet and posters in the stores, we regularly remind the employees of our policy and their roles and relevant responsibilities. We have set up a whistleblower scheme to allow our employees to anonymously report suspicion of misconduct such as violation of Matas's internal policies or applicable legislation, fraud, etc. No such reports were submitted in 2017/18.

# Shareholder information

## Matas shares in 2017/18

Matas A/S has been listed on Nasdaq Copenhagen since 28 June 2013 and is a component of the OMX Copenhagen Mid Cap index. The share price closed at DKK 65.4 on 31 March 2018, equivalent to a decline of 33.9% in 2017/18. A dividend of DKK 6.3 per share was paid out as of 4 July 2017. Including this dividend, the rate of decline in the share price was 29.9% in 2017/18. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of 1.6% in the same period. At 31 March 2018, Matas A/S's market capitalisation was DKK 2,504 million. The average turnover in Matas's shares was 156,583 shares per day in 2017/18.

### INDEXED SHARE PRICE PERFORMANCE



## Share capital

The nominal value of the company's share capital at 31 March 2018 was DKK 95,728,730 divided into shares of DKK 2.50, equivalent to 38,291,492 shares and 38,291,492 votes. In the course of the financial year, the share capital was reduced by DKK 2,500,000, equivalent to a total of 1,000,000 shares and votes. The reduction was made in pursuance of a resolution adopted by the shareholders at the Annual General Meeting held on 28 June 2017. At 31 March 2018, Matas held 657,186 treasury shares.

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

### MASTER DATA

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

## Authorisations relating to the share capital

The company's authorisations relating to the share capital under the articles of association, none of which were exercised, expired on 1 April 2018.

The Board of Directors is authorised to purchase treasury shares to the extent the company's holding of treasury shares at no time exceeds 10% of the share capital. The purchase price must not deviate by more than 10% from the listing price on Nasdaq Copenhagen at the time of the purchase. The current authority is valid until 28 June 2018. The Board of Directors proposes that the authority be renewed at the Annual General Meeting to be held on 28 June 2018.

The Board of Directors also proposes that the shareholders authorise the Board of Directors as follows:

- Until 1 April 2023, the Board of Directors is authorised to increase the share capital of the company in one or more issues without pre-emption rights for the existing shareholders of the company by up to a nominal amount of DKK 5,000,000. The capital increase will take place at market price and may be effected by cash payment or as consideration for an acquisition of business activities or other assets.

### MOVEMENTS IN SHARE CAPITAL IN 2017/18

Date	Transaction	Share capital		Share capital after change (DKK)	Number of shares after change
		before change (DKK)	Change in share capital		
2 August 2017	Capital reduction	98,228,730	-2,500,000	95,728,730	38,291,492

- Until 1 April 2023, the Board of Directors is authorised to increase the share capital of the company in one or more issues without pre-emption rights for the existing shareholders of the company 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, which may be below the market price.
- Shares issued in pursuance of the above authorisations must be issued to named holders and be registered in the name of the holder in the company's register of shareholders; they must be negotiable instruments; and they 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.

## Ownership

At 31 March 2018, Matas A/S had approximately 15,200 registered shareholders, who represented approximately 86% of the share capital. Out of the registered shareholders, shares held by non-Danish shareholders accounted for 44%. KIRKBI Invest A/S, Denmark, has disclosed that it holds 12.72% of the share capital at the reporting date.

At 31 March 2018, members of the Board of Directors held 32,603 shares, and members of the Executive Management held 94,657 shares, equivalent to 127,260 shares, or 0.3% of the share capital.

## Treasury shares

At the annual general meeting held on 29 June 2017, the Board of Directors was authorised to acquire treasury shares for up to 10% of the share capital in the period until the annual general meeting to be held in 2018. No treasury shares were acquired in the 2017/18 financial year.

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

## Dividend

The Board of Directors proposes an ordinary dividend of DKK 6.30 per share for the 2017/18 financial year. The proposed dividend per share corresponds to a total

dividend distribution of DKK 241.2 million, equivalent to 67.7% of Adjusted profit after tax.

## Investor relations policy

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

The Group wishes to be perceived as credible and open and to have a top position among its peers with respect to investor relations. In order to expand the awareness of Matas A/S among domestic and international investors and ensure that analysts from the most relevant banks continue to cover Matas's shares, the Group hosts a number of investor relations activities and road shows. In the 2017/18 financial year, meetings and conference calls were held with approximately 120 institutional investors.

The company's investor relations website, [investor.matas.dk](http://investor.matas.dk), contains all official financial reports, investor presentations, the financial calendar, corporate governance documents and other material.

## Analyst coverage

Matas A/S is currently covered by four analysts.

### ANALYST COVERAGE

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

## Contact

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

Head of Investor Relations & Corporate Affairs  
 Elisabeth Toftmann Klintholm  
 Tel: +45 48 16 55 55  
 E-mail: [etk@matas.dk](mailto:etk@matas.dk)

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

## Annual general meeting

The annual general meeting will be held on Thursday, 28 June 2018 at 4:00 p.m. at IDA Mødecenter, Kalvebod Brygge 31-33, DK-1780 Copenhagen V, Denmark.

## Financial calendar

The financial calendar for the 2018/19 financial year is as follows.

### FINANCIAL CALENDAR

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22 August 2018	Interim report – Q1 2018/19
8 November 2018	Interim report – Q2 2018/19
8 January 2019	Trading update for Q3 2018/19
7 February 2019	Interim report – Q3 2018/19
28 May 2019	Annual report 2018/19
27 June 2019	Annual general meeting for 2018/19

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# 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: 2018
- Chairman of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the boards of directors of Falck A/S, Widex A/S, Augustinus Industri A/S and Tate & Lyle, London. Chairman of the Hedorf Foundation and the Danish Committee on Corporate Governance and a member of the supervisory board of PAI Partners SA, France
- Special skills: Management experience from listed companies, Chr. Hansen Holding A/S (CEO) and general experience in strategic development.

### 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: 2018
- Member of the Remuneration Committee, the Nomination Committee and the Audit Committee
- Independent board member
- Chairman of the boards of directors of Clea Capital Ltd., Burner International A/S, Burner Holding A/S and Jægersborg Ejendomme A/S
- Special skills: General management experience and retailing expertise.

### Signe Trock Hilstrøm, board member

- Born 1974, Danish nationality
- Position: CMO & Ecommerce Director at Imerco A/S
- First elected to the Board of Directors in 2017
- Up for re-election: 2018
- Member of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the eCommerce Awards jury (FDIH)
- Special skills: Experience in ecommerce, omnichannel and membership clubs and general expertise in digital marketing in the retail sector.

### Mette Maix, board member

- Born 1969, Danish nationality
- Position: CEO at Flying Tiger Copenhagen
- First elected to the Board of Directors in 2017
- Up for re-election: 2018
- Independent board member
- Member of the Danish Ministry of Industry, Business and Financial Affairs' Growth Team for trade and transport
- Special skills: Experience within all aspects of retailing, experience in combining physical and online sales and retailing management experience.

## Board of Directors (continued)

### Christian Mariager, board member

- Born 1961, Danish nationality
- Position: Professional board member since 2015
- First elected to the Board of Directors in 2014
- Up for re-election: 2018
- Member of the Audit Committee
- Independent board member
- Operating Partner at L Catterton and chairman of Comitel A/S and Coffeebrewer Nordic A/S. Deputy chairman of Brunata A/S. Member of the boards of directors of Imerco A/S, Michael Goldschmidt Holding A/S, Ganni A/S and Innis&Gunn Ltd. Member of the Advisory Board of Columbia Business School
- Special skills: General strategy and management experience in consumer goods and retailing.

### 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: 2018
- Chairman of the Audit Committee
- Independent board member
- Deputy chairman of Arkil Holding A/S, member of the boards of directors of Kirk Kapital A/S, Coloplast A/S and the Danish Rheumatism Association and chairman of the audit committee of Arkil Holding A/S. Also a member of the board of directors of De Forenede Ejendomsselskaber A/S, including Valby Maskinfabrik 7 ApS, Valby Maskinfabrik 8 ApS, Valby Maskinfabrik 10 ApS, Valby Maskinfabrik 11 ApS, Valby Maskinfabrik 12 ApS and Nimbusparken I ApS
- Special skills: General management experience and extensive financial and accounting skills. Board experience from listed companies.

## Executive Management

### Gregers Wedell-Wedellsborg

#### CEO

- Born 1972, Danish nationality
- Member of the boards of directors of Gyldendal A/S, Vallø Stift and the Danish Chamber of Commerce
- Member of the Danish government's Disruption Agency and its group of experts on data ethics

### Anders Skole-Sørensen

#### Chief Financial Officer

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

# 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 2017 to 31 March 2018.

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 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 April 2017 to 31 March 2018.

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, 30 May 2018

## Executive Management

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Gregers Wedell-Wedellsborg  
CEO

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Anders Skole-Sørensen  
CFO

## Board of Directors

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Lars Vinge Frederiksen  
Chairman

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Lars Frederiksen  
Deputy Chairman

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Christian Mariager

---

Mette Maix

---

Signe Trock Hilstrøm

---

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 2017 – 31 March 2018, 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 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 April 2017 – 31 March 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (in the following referred to as the "financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

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

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

## Appointment of auditors

Subsequent to Matas A/S being listed on Nasdaq OMX Copenhagen, we were first appointed auditors of Matas A/S on 30 June 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of four years up to and including the financial year 2017/18.

## 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 2017 – 31 March 2018. 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 3,736.4 million at 31 March 2018, corresponding to 70% 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 2018/19, extrapolation through the remaining budget period to 2022/23 and a terminal value. We examined budget preparation procedures and compared budgets with the Group's strategy work in the individual areas. In addition, we assessed the adequacy of the goodwill disclosures provided in notes 2 and 15.

### *Revenue recognition and measurement of performance obligations (loyalty programme)*

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

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

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

### *Statement on the Management's review*

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Copenhagen, 30 May 2018  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Peter Gath  
State Authorised  
Public Accountant  
MNE no.: mne19718

Kristian Bjerger  
State Authorised  
Public Accountant  
MNE no.: mne40740

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# Statement of comprehensive income

(DKKm)	Note	2017/18	2016/17
Revenue	3, 4	3,419.1	3,463.4
Cost of goods sold	5	(1,869.8)	(1,851.6)
<b>Gross profit</b>		1,549.3	1,611.8
Other external costs	6	(319.6)	(302.0)
Staff costs	7	(695.2)	(689.7)
Amortisation, depreciation and impairment	8	(165.6)	(145.0)
<b>EBIT</b>		368.9	475.1
Financial income	9	10.9	9.7
Financial expenses	10	(30.6)	(48.4)
<b>Profit before tax</b>		349.2	436.4
Tax on the profit for the year	11	(68.9)	(97.7)
<b>Profit for the year</b>		280.3	338.7
<b>Other comprehensive income</b>			
Other comprehensive income after tax		0.0	0.0
<b>Total comprehensive income for the year</b>		280.3	338.7
<b>Earnings per share:</b>			
Earnings per share, DKK	12	7.45	8.79
Diluted earnings per share, DKK	12	7.43	8.75

# Statement of cash flows

(DKKm)	Note	2017/18	2016/17
Profit before tax		349.2	436.4
Amortisation, depreciation and impairment	8	165.6	145.0
Financial income	9	(10.9)	(9.7)
Financial expenses	10	30.6	48.4
Other non-cash operating items, net		12.7	8.4
<b>Cash generated from operations before changes in working capital</b>		<b>547.2</b>	<b>628.5</b>
Changes in working capital	26	(41.0)	(9.6)
<b>Cash generated from operations</b>		<b>506.2</b>	<b>618.9</b>
Interest paid	10	(28.9)	(41.9)
Corporation tax paid		(93.7)	(94.4)
<b>Cash flow from operating activities</b>		<b>383.6</b>	<b>482.6</b>
Acquisition of intangible assets	14	(40.9)	(40.4)
Acquisition of property, plant and equipment	16	(51.7)	(43.3)
Disposal of securities		0.0	0.2
Acquisition of subsidiaries and operations	27	(9.5)	(51.0)
<b>Cash flow from investing activities</b>		<b>(102.1)</b>	<b>(134.5)</b>
<b>Free cash flow</b>		<b>281.5</b>	<b>348.1</b>
Loans raised with credit institutions	24	8.7	1,492.0
Debt settled with credit institutions		0.0	(1,443.7)
Dividend paid		(237.1)	(245.8)
Buyback of share option programme		0.0	(6.6)
Purchase and sale of treasury shares	17	0.0	(180.6)
<b>Cash flow from financing activities</b>		<b>(228.4)</b>	<b>(384.7)</b>
<b>Net cash flow from operating, investing and financing activities</b>		<b>53.1</b>	<b>(36.6)</b>
Cash and cash equivalents, beginning of period		33.3	69.9
<b>Cash and cash equivalents, end of period</b>		<b>86.4</b>	<b>33.3</b>

# Assets at 31 March

(DKKm)	Note	2017/18	2016/17
<b>NON-CURRENT ASSETS</b>			
Goodwill		3,736.4	3,734.5
Trademarks and trade names		287.9	361.8
Shares in co-operative property		3.9	3.9
Other intangible assets		54.1	49.2
<b>Total intangible assets</b>	14, 15	4,082.3	4,149.4
Land and buildings		88.3	92.7
Other fixtures and fittings, tools and equipment		76.1	69.9
Leasehold improvements		11.6	12.1
<b>Total property, plant and equipment</b>	16	176.0	174.7
Deferred tax assets	22	19.8	17.7
Deposits		40.7	39.7
Other securities and investments		0.7	0.7
<b>Total other non-current assets</b>		61.2	58.1
<b>Total non-current assets</b>		4,319.5	4,382.2
<b>CURRENT ASSETS</b>			
Inventories	18	749.0	693.2
Trade receivables	19	7.1	20.7
Corporation tax receivable	20	112.0	112.9
Other receivables		6.7	11.4
Prepayments		22.9	16.9
Cash and cash equivalents		86.4	33.3
<b>Total current assets</b>		984.1	888.4
<b>TOTAL ASSETS</b>		5,303.6	5,270.6



## Equity and liabilities at 31 March

(DKKm)	Note	2017/18	2016/17
<b>EQUITY AND LIABILITIES</b>			
Share capital	21	95.7	98.2
Translation reserve		0.3	0.3
Treasury share reserve		(73.7)	(185.3)
Retained earnings		2,357.4	2,411.8
Proposed dividend for the financial year	13	241.2	247.5
<b>Total equity</b>		<b>2,620.9</b>	<b>2,572.5</b>
Deferred tax	22	211.4	236.5
Credit institutions	24	1,558.3	1,492.0
Other payables	25	0.0	13.1
<b>Total non-current liabilities</b>		<b>1,769.7</b>	<b>1,741.6</b>
Credit institutions	24	0.0	56.3
Prepayments from customers	23	160.2	156.5
Trade payables		579.4	587.9
Other payables	25	173.4	155.8
<b>Total current liabilities</b>		<b>913.0</b>	<b>956.5</b>
<b>Total liabilities</b>		<b>2,682.7</b>	<b>2,698.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,303.6</b>	<b>5,270.6</b>

# Statement of changes in equity

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

(DKKm)	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
<b>Equity at 1 April 2016</b>	<b>100.7</b>	<b>1,787.3</b>	<b>0.3</b>	<b>(137.4)</b>	<b>253.8</b>	<b>653.6</b>	<b>2,658.3</b>
Transfers *	0.0	(1,787.3)	0.0	0.0	0.0	1,787.3	0.0
	<b>100.7</b>	<b>0.0</b>	<b>0.3</b>	<b>(137.4)</b>	<b>253.8</b>	<b>2,440.9</b>	<b>2,658.3</b>
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	0.0	247.5	91.2	338.7
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>247.5</b>	<b>91.2</b>	<b>338.7</b>
<b>Transactions with owners</b>							
Dividend paid	0.0	0.0	0.0	0.0	(245.8)	0.0	(245.8)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(8.0)	8.0	0.0
Capital reduction	(2.5)	0.0	0.0	130.9	0.0	(128.4)	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(180.6)	0.0	0.0	(180.6)
Exercise of share options	0.0	0.0	0.0	1.8	0.0	(1.7)	0.1
Buyback of share programme	0.0	0.0	0.0	0.0	0.0	(6.6)	(6.6)
Share-based payment	0.0	0.0	0.0	0.0	0.0	8.4	8.4
<b>Total transactions with owners</b>	<b>(2.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(47.9)</b>	<b>(253.8)</b>	<b>(120.3)</b>	<b>(424.5)</b>
<b>Equity at 31 March 2017</b>	<b>98.2</b>	<b>0.0</b>	<b>0.3</b>	<b>(185.3)</b>	<b>247.5</b>	<b>2,411.8</b>	<b>2,572.5</b>

\* Under Danish law, a share premium is a distributable reserve and has therefore been transferred to retained earnings.

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# Notes to the financial statements

## Note 1 – Accounting policies

Matas A/S is a public limited company domiciled in Denmark. The annual report for the year ended 31 March 2018 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 2017/18 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 2017/18 on 30 May 2018. The annual report will be presented to the shareholders of Matas A/S for approval at the annual general meeting to be held on 28 June 2018.

### 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 (DKK<sup>m</sup>) 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 2017 – 31 March 2018. None of these have significantly affected Matas's annual report for 2017/18. Note 34 sets out new standards not yet in force.

### Alternative performance measures

The annual report includes non-IFRS financial ratios. We believe that non-GAAP ratios provide investors and Matas's management with valuable information for purposes of evaluating our financial performance. As other companies may calculate these ratios in a different way than Matas does, they may not be comparable with the ratios applied by other companies. Accordingly, these financial ratios should not be considered a substitute for performance measures defined under IFRS. For a definition of the performance measures applied by Matas, see page 89.

### Description of accounting policies

#### *Consolidated financial statements*

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

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

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

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

## Note 1 - Accounting policies - continued

### ***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.

In connection with acquisitions of new entities over which Matas A/S obtains control, the purchase method is used. 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 when Matas A/S effectively obtains control over the acquired entity.

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. Costs attributable to business combinations are recognised directly in profit or loss when 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.

## Note 1 - Accounting policies - continued

### ***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.

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.

### **Income statement**

#### ***Revenue***

Income from the sale of goods for resale is recognised in revenue once delivery has taken place and the risk has been transferred to the purchaser, provided the income can be reliably measured and is expected to be received. 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.

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.

#### ***Cost of goods sold***

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

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

#### ***Other external costs***

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

#### ***Staff costs***

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

#### ***Financial income and expenses***

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

#### ***Tax on the profit for the year***

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

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

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

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

## Note 1 - Accounting policies - continued

### 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.

##### *Shares in co-operative property*

Shares in co-operative property are initially recognised in the statement of financial position at cost. Subsequently, shares in co-operative property are measured at cost less accumulated impairment losses. Shares in co-operative property are not amortised as management deems their useful lives to be indefinite.

##### *Other intangible assets*

Other intangible assets, which primarily comprise software and payment regarding tenancy takeovers, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over 5-10 years.

#### *Property, plant and equipment*

Land and buildings, fixtures, fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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

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

Buildings and building parts	25-75 years
Fixtures, fittings, tools and equipment	1-7 years
Leasehold improvements	5-10 years

Land is not depreciated.

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

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

## 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. Write-down is made for bad debt losses when there is objective evidence that an individual receivable is impaired.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any received collateral. The effective interest rate used at the time of initial recognition is used as the discount rate for the receivable.

### **Prepayments**

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



## Note 1 - Accounting policies - continued

### **Equity**

#### *Dividends*

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

#### *Translation reserve*

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

#### *Treasury share reserve*

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

### **Employee benefits**

#### *Pension obligations and similar non-current liabilities*

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

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

The Group has not established any defined benefit pension plans.

#### *Share option programme*

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

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

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

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

## Note 1 - Accounting policies - continued

### ***Current and deferred tax***

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

Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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

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

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

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.

## Note 1 - Accounting policies - continued

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

### Statement of cash flows

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

The cash flow effect of acquisitions and disposals of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition, and cash flows from disposed businesses are recognised up until the date of disposal.

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

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

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

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

### Segment information

Segment information is provided in accordance with the Group's accounting policies and follows the internal management reporting.

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

## Note 2 – Accounting estimates and judgments

### **Estimation uncertainty**

In preparing the consolidated financial statements, management makes a number of accounting estimates and assumptions that form the basis for the presentation, recognition and measurement of Matas's 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 3.2 million at 31 March 2018 (31 March 2017: DKK 0.0).

Rolling stock counts in the stores are made evenly distributed over the year. Moreover, full stock counts were made for 18% of the stores at the end of the financial year (2016/17: 21%). Inventories subjected to rolling stock counts consequently have to be measured taking into account shrinkage. Shrinkage is estimated at 1.4% of sales in 2017/18 (2016/17: 1.3%).

### **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**

The outcome of the dispute with the Danish tax authorities concerning withholding tax on interest, currently pending before the National Tax Tribunal, is inherently uncertain. Matas is also involved in a dispute with the Danish tax authorities concerning VAT on self-supply.

For details, see the description in note 28.

## Note 3 – Segment information

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

Revenue may be specified as follows:

(DKKm)	2017/18	2016/17
Beauty	2,457.8	2,426.7
Vital	422.1	397.8
Material	321.9	349.2
MediCare	186.9	187.0
Other	25.0	32.5
<b>Total own store revenue</b>	<b>3,413.7</b>	<b>3,393.2</b>
Sales to associated stores etc.	5.4	70.2
<b>Total revenue</b>	<b>3,419.1</b>	<b>3,463.4</b>

Note: Product sales from StyleBox are included in Beauty, while sales of services are included in Other.

In the first quarter of 2017/18, the individual segments were reclassified and the historical comparatives restated.

### Geographical information

The Matas Group operates in Denmark.

Revenue from sales through Danish retail stores and to associated stores accounted for 100.0% (2016/17: 100.0%).

All the Group's non-current assets are physically located in Denmark as at 31 March 2018 (31 March 2017: 100.0%).

## Note 4 – Revenue

(DKKm)	2017/18	2016/17
Sale of goods from retail stores	3,413.7	3,393.2
Sale of goods to associated stores etc.	5.4	70.2
<b>Total revenue</b>	<b>3,419.1</b>	<b>3,463.4</b>

## Note 5 - Cost of goods sold etc.

(DKKm)	2017/18	2016/17
Cost of goods sold for the year	1,866.6	1,851.6
Write-down of inventories for the year	3.2	0.0
<b>Total cost of goods sold etc.</b>	<b>1,869.8</b>	<b>1,851.6</b>

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)	2017/18	2016/17
Fee to EY	1.2	0.9
<b>Total fees to auditors appointed by the shareholders in general meeting</b>	<b>1.2</b>	<b>0.9</b>

Specified as follows:

(DKKm)	2017/18	2016/17
Audit	0.8	0.8
Other assurance engagements	0.1	0.0
Tax and VAT assistance	0.0	0.0
Other services	0.3	0.1
<b>Total fees to auditors appointed by the shareholders in general meeting</b>	<b>1.2</b>	<b>0.9</b>

## Note 7 - Staff costs

(DKKm)	2017/18	2016/17
Wages and salaries	638.2	627.4
Defined contribution plans	44.1	44.2
Share-based payment	5.1	8.4
Other staff costs	14.4	15.1
<b>Total staff costs</b>	<b>701.8</b>	<b>695.1</b>

Total staff costs are recognised as follows:

(DKKm)	2017/18	2016/17
Staff costs in statement of comprehensive income	695.2	689.7
Intangible assets	6.6	5.4
<b>Total staff costs</b>	<b>701.8</b>	<b>695.1</b>
Average number of employees	2,164	2,197

Total staff costs for 2017/18 include non-recurring costs incurred in connection with the change of CEO. For information on remuneration to the Board of Directors, the Executive Management and other executives, including bonus programmes and share option programmes, see note 31.

## Note 8 - Depreciation, amortisation and impairment

(DKKm)	2017/18	2016/17
Amortisation, intangible assets	109.9	102.3
Depreciation, property, plant and equipment	49.8	41.7
Loss on disposal of intangible assets (goodwill)	5.4	0.0
Loss on disposal of property, plant and equipment	0.5	1.0
<b>Total depreciation, amortisation and impairment</b>	<b>165.6</b>	<b>145.0</b>

## Note 9 - Financial income

(DKKm)	2017/18	2016/17
Changes in the fair value of derivative financial instruments	10.2	9.7
Interest allowance	0.7	0.0
<b>Total financial income</b>	<b>10.9</b>	<b>9.7</b>
Interest from financial assets measured at amortised cost amounts to	0.0	0.0

## Note 10 - Financial expenses

(DKKm)	2017/18	2016/17
Interest, credit institutions	28.7	41.6
Amortisation of financing costs	1.7	6.5
Other	0.2	0.3
<b>Total financial expenses</b>	<b>30.6</b>	<b>48.4</b>
Interest on financial liabilities measured at amortised cost amounts to	16.0	27.3

## Note 11 – Tax

(DKKm)	2017/18	2016/17
Tax on the profit for the year is specified as follows:		
Tax on the profit for the year	68.9	97.7
<b>Total tax</b>	<b>68.9</b>	<b>97.7</b>
Tax on the profit for the year has been calculated as follows:		
Current tax	100.0	111.7
Deferred tax	(27.3)	(13.4)
Current tax regarding previous years	(3.8)	(0.4)
<b>Total tax</b>	<b>68.9</b>	<b>97.7</b>
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax (22.0% in 2016/17)	76.8	96.0
Limitation of right to deduct interest	0.0	0.8
Other	1.6	1.3
Capitalisation of tax loss carryforward	(5.7)	0.0
Tax regarding previous years	(3.8)	(0.4)
<b>Total tax</b>	<b>68.9</b>	<b>97.7</b>
Effective tax rate	19.7%	22.4%

## Note 12 - Earnings per share

(DKKm)	2017/18	2016/17
<b>Profit for the year</b>	<b>280.3</b>	<b>338.7</b>
Average number of shares	38,631,218	39,620,994
Average number of treasury shares	(996,912)	(1,071,546)
<b>Average number of outstanding shares</b>	<b>37,634,306</b>	<b>38,549,448</b>
Average dilutive effect of outstanding share options	97,304	152,261
<b>Diluted average number of outstanding shares</b>	<b>37,731,610</b>	<b>38,701,709</b>
Earnings per share of DKK 2.50	7.45	8.79
Diluted earnings per share of DKK 2.50	7.43	8.75

## Note 13 - Dividend per share

The Board of Directors recommends to the annual general meeting that a dividend of DKK 6.30 (2016/17: DKK 6.30) be declared and paid.

The dividend is determined as approximately 68% (2016/17: approx. 62%) of Adjusted profit after tax for the 2017/18 financial year.

For a definition of Adjusted profit after tax, see "Definitions of key financials" on page 89.

Adjusted profit after tax is computed as follows:

(DKKm)	2017/18	2016/17
Profit for the year	280.3	338.7
Plus amortisation of intangible assets excluding software	77.2	76.0
Special items	20.1	0.0
Less tax effect	(21.4)	(16.7)
<b>Adjusted profit after tax</b>	<b>356.2</b>	<b>398.0</b>



## Note 14 - Intangible assets

(DKKm)	Goodwill	Trade- marks and trade names	Shares in co- operative property	Other intangible assets	Total
<b>Cost at 1 April 2017</b>	<b>3,734.5</b>	<b>1,107.1</b>	<b>3.9</b>	<b>222.1</b>	<b>5,067.6</b>
Additions	7.3	0.0	0.0	40.9	48.2
Disposals	(5.4)*	0.0	0.0	0.0	(5.4)
<b>Cost at 31 March 2018</b>	<b>3,736.4</b>	<b>1,107.1</b>	<b>3.9</b>	<b>263.0</b>	<b>5,110.4</b>
<b>Amortisation and impairment at 1 April 2017</b>	<b>0.0</b>	<b>745.3</b>	<b>0.0</b>	<b>172.9</b>	<b>918.2</b>
Amortisation	0.0	73.9	0.0	36.0	109.9
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Amortisation and impairment at 31 March 2018</b>	<b>0.0</b>	<b>819.2</b>	<b>0.0</b>	<b>208.9</b>	<b>1,028.1</b>
<b>Carrying amount at 31 March 2018</b>	<b>3,736.4</b>	<b>287.9</b>	<b>3.9</b>	<b>54.1</b>	<b>4,082.3</b>
<b>Cost at 1 April 2016</b>	<b>3,691.0</b>	<b>1,107.1</b>	<b>3.9</b>	<b>181.7</b>	<b>4,983.7</b>
Additions on acquisitions	43.5	0.0	0.0	0.0	43.5
Additions	0.0	0.0	0.0	40.4	40.4
<b>Cost at 31 March 2017</b>	<b>3,734.5</b>	<b>1,107.1</b>	<b>3.9</b>	<b>222.1</b>	<b>5,067.6</b>
<b>Amortisation and impairment at 1 April 2016</b>	<b>0.0</b>	<b>671.4</b>	<b>0.0</b>	<b>144.5</b>	<b>815.9</b>
Amortisation	0.0	73.9	0.0	28.4	102.3
<b>Amortisation and impairment at 31 March 2017</b>	<b>0.0</b>	<b>745.3</b>	<b>0.0</b>	<b>172.9</b>	<b>918.2</b>
<b>Carrying amount at 31 March 2017</b>	<b>3,734.5</b>	<b>361.8</b>	<b>3.9</b>	<b>49.2</b>	<b>4,149.4</b>
Amortised over	-	15 years	-	5-10 years	

Other intangible assets comprise payments regarding software, tenancies taken over, etc. Except for goodwill and shares in co-operative properties, all intangible assets are considered to have a limited useful life.

\*Relates to Matas stores closed in the financial year.

## Note 15 – Impairment testing

### Goodwill

The carrying amount of consolidated goodwill at 31 March 2018 was DKK 3,736.4 million (31 March 2017: DKK 3,734.5 million). Management performs annual impairment tests of the carrying amounts of goodwill in connection with the presentation of the financial statements, most recently as at 31 March 2018.

Management monitors goodwill on the basis of the overall group of CGUs.

The recoverable value is based on the value in use, which is determined using expected net cash flows on the basis of an approved budget for 2018/19 and a projection for the remaining forecast period (the years 2019/20-2022/23) based on expected EBITDA growth of 1.5% per year.

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 estimates that long-term market growth in Matas's product areas will average around 2% per year, assuming that the Danish economy remains stable. In the shorter term, growth will depend partly on general economic trends, including inflation and whether this leads to increased consumer spending.

The contribution ratio for the forecast period is based on the historical average contribution ratio and the developments projected in the updated strategy.

The discount factor before tax is 8.9% (31 March 2017: 8.5%).

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2021 is estimated at 1.5% (31 March 2017: 1.5%). The growth rate is not assessed to exceed the long-term average growth rate within the Group's markets.

Based on the impairment test performed at 31 March 2018, 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	Fixtures, fittings, tools and equip- ment	Leasehold improve- ments	Total
<b>Cost at 1 April 2017</b>	<b>119.4</b>	<b>235.8</b>	<b>167.9</b>	<b>523.1</b>
Additions	0.0	47.4	4.3	51.7
Disposals	0.0	(23.9)	(3.4)	(27.3)
<b>Cost at 31 March 2018</b>	<b>119.4</b>	<b>259.3</b>	<b>168.8</b>	<b>547.5</b>
<b>Depreciation and impairment at 1 April 2017</b>	<b>26.7</b>	<b>165.9</b>	<b>155.8</b>	<b>348.4</b>
Depreciation	4.4	41.2	4.2	49.8
Disposals	0.0	(23.9)	(2.8)	(26.7)
<b>Depreciation and impairment at 31 March 2018</b>	<b>31.1</b>	<b>183.2</b>	<b>157.2</b>	<b>371.5</b>
<b>Carrying amount at 31 March 2018</b>	<b>88.3</b>	<b>76.1</b>	<b>11.6</b>	<b>176.0</b>
<b>Cost at 1 April 2016</b>	<b>119.4</b>	<b>205.5</b>	<b>161.5</b>	<b>486.4</b>
Additions	0.0	36.1	7.2	43.3
Disposals	0.0	(5.8)	(0.8)	(6.6)
<b>Cost at 31 March 2017</b>	<b>119.4</b>	<b>235.8</b>	<b>167.9</b>	<b>523.1</b>
<b>Depreciation and impairment at 1 April 2016</b>	<b>22.9</b>	<b>138.2</b>	<b>151.5</b>	<b>312.6</b>
Depreciation	3.8	32.8	5.1	41.7
Disposals	0.0	(5.1)	(0.8)	(5.9)
<b>Depreciation and impairment at 31 March 2017</b>	<b>26.7</b>	<b>165.9</b>	<b>155.8</b>	<b>348.4</b>
<b>Carrying amount at 31 March 2017</b>	<b>92.7</b>	<b>69.9</b>	<b>12.1</b>	<b>174.7</b>
Depreciated over:	25-75 years	1-7 years	5-10 years	

## Note 17 - Treasury shares

(DKKm)	Number of shares of DKK 2.5		% of share capital	
	2017/18	2016/17	2017/18	2016/17
1 April	1,657,186	1,045,693	4.22%	2.60%
Transferred in connection with exercise of options	0	(13,845)	0.00%	(0.03)%
Capital reduction resolved at annual general meeting	(1,000,000)	(1,000,000)	(2.55)%	(2.49)%
Acquisition of treasury shares	657,186	31,848	1.72%	0.08%
	0	1,625,338	0.00%	4.14%
<b>Treasury shares at 31 March</b>	<b>657,186</b>	<b>1,657,186</b>	<b>1.72%</b>	<b>4.22%</b>

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

### 2016/17

On 1 September 2016, the Group began a DKK 150 million share buyback programme. Under this programme, which was completed on 23 February 2017, 1,395,238 treasury shares were acquired in financial year 2016/17 for a total amount of DKK 150.0 million, excluding transaction costs.

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

## Note 18 – Inventories

(DKKm)	2017/18	2016/17
Goods for resale	745.8	693.2
Carrying amount of inventories recognised at net selling price	3.2	0.0
<b>Inventories at 31 March</b>	<b>749.0</b>	<b>693.2</b>

## Note 19 - Trade receivables

Trade receivables primarily relate to wholesale sales to associated stores which are not owned by the Group. Write-downs included in the carrying amount of trade receivables have developed as follows:

(DKKm)	2017/18	2016/17
1 April	0.2	0.3
Write-down during the year	0.5	0.0
Realised during the year	0.0	(0.1)
<b>Write-down at 31 March</b>	<b>0.7</b>	<b>0.2</b>

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

(DKKm)	2017/18	2016/17
Maturity:		
Up until 30 days	0.4	0.4
Between 30 and 90 days	0.1	0.0
<b>Overdue at 31 March</b>	<b>0.5</b>	<b>0.4</b>

## Note 20 - Corporation tax receivable

Corporation tax receivable includes DKK 79.6 million (2016/16: DKK 79.6 million) including interest on tax paid relating to the decision of the Danish tax authorities concerning withholding tax on interest, see notes 2 and 28. The decision has been appealed to the Danish National Tax Tribunal, and its decision is expected within the next few years.

## 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 ratio of equity to total equity and liabilities was 49.4% at 31 March 2018 (31 March 2017: 48.8%).

## Note 22 - Deferred tax

(DKKm)	2017/18	2016/17
Deferred tax at 1 April	218.8	232.2
Deferred tax for the year, recognised in the profit for the year	(27.3)	(13.4)
<b>Deferred tax at 31 March</b>	<b>191.5</b>	<b>218.8</b>
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	(19.8)	(17.7)
Deferred tax (liability)	211.3	236.5
<b>Deferred tax at 31 March, net</b>	<b>191.5</b>	<b>218.8</b>
Deferred tax relates to:		
Intangible assets	194.5	218.8
Property, plant and equipment	14.1	15.2
Inventories	(19.8)	(17.7)
Other assets	2.7	2.5
<b>Deferred tax at 31 March, net</b>	<b>191.5</b>	<b>218.8</b>

Unrecognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 10.8 million (2016/17: DKK 17.3 million).

Changes in temporary differences during the year:

(DKKm)	Balance at 1 April	Recognised in the profit for the year, net	Balance at 31 March
<b>2017/18</b>			
Intangible assets	218.8	(24.3)	194.5
Property, plant and equipment	15.2	(1.1)	14.1
Inventories	(17.7)	(2.1)	(19.8)
Other assets	2.5	0.2	2.7
<b>Total</b>	<b>218.8</b>	<b>(27.3)</b>	<b>191.5</b>
<b>2016/17</b>			
Intangible assets	231.5	(12.7)	218.8
Property, plant and equipment	16.2	(1.0)	15.2
Inventories	(16.0)	(1.7)	(17.7)
Other assets	0.5	2.0	2.5
<b>Total</b>	<b>232.2</b>	<b>(13.4)</b>	<b>218.8</b>

## 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)	2017/18	2016/17
Amounts owed to credit institutions are recognised in the statement of financial position as follows:		
Non-current liabilities	1,558.3	1,492.0
Current liabilities	0.0	56.3
<b>Total</b>	<b>1,558.3</b>	<b>1,548.3</b>
<b>Nominal value</b>	<b>1,565.0</b>	<b>1,556.3</b>
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
<b>Fair value</b>	<b>1,565.0</b>	<b>1,556.3</b>

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.

The Group's long-term loans with credit institutions were refinanced at 31 March 2017. 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 2018, the effective interest rate on the net debt was 0.3-1.4% p.a. (31 March 2017: 0.3-1.4% p.a.).

An interest rate swap has been entered into to hedge the interest rate risk, see note 29.

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

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

## Note 25 - Other payables

(DKKm)	2017/18	2016/17
Included in non-current liabilities:		
Fair value of hedging instrument	0.0	13.1
<b>Total other payables, non-current liabilities</b>	<b>0.0</b>	<b>13.1</b>
Included in current liabilities:		
Fair value of hedging instrument	2.9	0.0
VAT payable	38.1	40.2
Holiday pay obligation etc.	102.0	96.7
Pay-related liabilities	16.3	15.2
Other creditors	14.1	3.7
<b>Total other payables, current liabilities</b>	<b>173.4</b>	<b>155.8</b>

## Note 26 - Changes in working capital

(DKKm)	2017/18	2016/17
Change in inventories	(62.3)	(10.0)
Change in deposits and receivables	11.3	6.5
Change in trade and other payables	10.0	(6.1)
<b>Total changes in working capital</b>	<b>(41.0)</b>	<b>(9.6)</b>

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

## Note 27 - Acquisition of subsidiaries and operations

### 2017/18

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

The total acquisition cost was DKK 10.4 million, of which DKK 7.3 million related to goodwill after recognition of identifiable assets and liabilities at fair value.

(DKKm)	2017/18	2016/17
Inventories	6.5	20.4
Other receivables	0.0	0.6
Cash and cash equivalents	0.2	0.1
Liabilities	(3.6)	(10.3)
<b>Acquired net assets</b>	<b>3.1</b>	<b>10.8</b>
Goodwill	7.3	43.5
<b>Acquisition cost</b>	<b>10.4</b>	<b>54.3</b>
Of which cash and cash equivalents	(0.2)	(0.1)
Unpaid acquisition cost	(0.7)	(3.2)
<b>Cash acquisition cost</b>	<b>9.5</b>	<b>51.0</b>

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



## Note 27 - Acquisition of subsidiaries and operations - continued

The acquired stores are recognised in revenue from the date of acquisition to 31 March 2018 at DKK 19.0 million and in EBITDA from the date of acquisition to 31 March 2018 at DKK 1.0 million.

Consolidated revenue and profit for the year, determined on a pro forma basis as if the acquired stores had been acquired at 1 April 2017, amounted to DKK 3,444.3 million and DKK 281.9 million, respectively.

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

### **2016/17**

The Group acquired eight associated Matas stores in 2016/17, one at 1 May 2016, three at 15 June 2016, one at 1 November 2016, one at 2 January 2017, one at 1 February 2017 and one at 1 March 2017.

The total acquisition cost was DKK 54.3 million, of which DKK 43.5 million related to goodwill after recognition of identifiable assets and liabilities at fair value. The acquired stores are recognised in revenue from the date of acquisition to 31 March 2017 at DKK 31.7 million and in EBITDA from the date of acquisition to 31 March 2017 at DKK 2.3 million.

Consolidated revenue and profit for the year, determined on a pro forma basis as if the acquired stores had been acquired at 1 April 2016, amounted to DKK 3,472.8 million and DKK 340.1 million, respectively.

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

No transaction costs were incurred in connection with the acquisition of stores in 2016/17.

## Note 28 - Contingent liabilities and security

In September 2013, Matas A/S was notified of the Danish tax authorities' decision to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to M Holding 1 AB. The total amount is DKK 79.6 million including interest (2016/17: DKK 79.6 million), see note 20.

As the Danish tax authorities would continue to charge interest on the alleged outstanding withholding tax, the full amount was paid in October 2013. If, as expected, Matas is successful in its appeal, this amount will be paid back with accrued interest.

Matas A/S disagrees in the decision and has appealed it to the Danish National Tax Tribunal. No liabilities have been recognised in respect of this tax dispute as management believes it to be more likely than not that the ultimate finding will be in the Group's favour.

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

Liabilities under operating leases are stated in note 30.

## Note 29 - Financial risks and financial instruments

### The Group's risk management policy

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

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

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

### Interest rate risk

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

In 2013/14, the Group entered into an interest rate swap with a principal amount of DKK 750 million. The Group has decided that the interest rate swap, which partially hedges the Group's interest rate risks on loans, will not be accounted for as a hedging instrument. The fair value was negative at DKK 2.9 million at 31 March 2018 (31 March 2017: negative at DKK 13.1 million). The interest rate for the term of the agreement has been fixed at 1.15%.

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 13 million (2016/16: DKK 7 million) and on year-end equity of DKK 13 million (31 March 2017: DKK 7 million).

### Assumptions for sensitivity analysis

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.

## Note 29 - Financial risks and financial instruments, continued

### Liquidity risk

The Group's liquidity reserve consists of cash and cash equivalents and unutilised credit facilities and amounted to DKK 535 million at 31 March 2018 (31 March 2017: DKK 544 million). The Group aims to maintain sufficient cash resources to, among other things, continue to acquire Matas stores.

The Group's financial liabilities fall due as follows:

(DKKm)	Carrying amount	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
<b>2017/18</b>						
<i>Derivative financial instruments</i>						
Interest rate swap	2.9	2.9	2.9	0.0	0.0	0.0
<i>Non-derivative financial instruments</i>						
Credit institutions	1,565.0	1,629.7	17.0	1,612.7	0.0	0.0
Trade payables	579.4	579.4	579.4	0.0	0.0	0.0
<b>Financial liabilities at 31 March 2018</b>	<b>2,147.3</b>	<b>2,212.0</b>	<b>599.3</b>	<b>1,612.7</b>	<b>0.0</b>	<b>0.0</b>
<b>2016/17</b>						
<i>Derivative financial instruments</i>						
Interest rate swap	13.	13.1	10.5	2.6	0.0	0.0
<i>Non-derivative financial instruments</i>						
Credit institutions	1,556.0	1,609.9	68.0	431.4	1,110.5	0.0
Trade payables	587.9	587.9	587.9	0.0	0.0	0.0
<b>Financial liabilities at 31 March 2017</b>	<b>2,157.0</b>	<b>2,210.9</b>	<b>666.4</b>	<b>434.0</b>	<b>1,110.5</b>	<b>0.0</b>

### Assumptions for maturity analysis

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 made minor provisions for bad debts, see note 19.

## Note 29 - Financial risks and financial instruments, continued

(DKKm)	Carrying amount 2017/18	Fair value 2017/18	Carrying amount 2016/17	Fair value 2016/17
Deposits	40.7	40.7	39.7	39.7
Trade receivables	7.1	7.1	20.7	20.7
Other receivables	6.7	6.7	11.4	11.4
Cash and cash equivalents	86.4	86.4	33.3	33.3
<b>Loans and receivables</b>	<b>140.9</b>	<b>140.9</b>	<b>105.1</b>	<b>105.1</b>
Derivative financial instruments included in the trading portfolio	2.9	2.9	13.1	13.1
<b>Financial liabilities at fair value through profit or loss</b>	<b>2.9</b>	<b>2.9</b>	<b>13.1</b>	<b>13.1</b>
<i>Non-current financial liabilities</i>				
Credit institutions	1,558.3	1,565.0	1,492.0	1,500.0
<i>Current financial liabilities</i>				
Credit institutions	0.0	0.0	56.3	56.3
Suppliers	579.4	579.4	587.9	587.9
<b>Financial liabilities at amortised cost</b>	<b>2,137.7</b>	<b>2,144.4</b>	<b>2,136.2</b>	<b>2,144.2</b>

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

The methods applied are unchanged from 2016/17.

(DKKm)	Quoted prices (Level 1)	Obser- vable input (Level 2)	Non- obser- vable input (Level 3)	Total
<b>2017/18</b>				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	2.9	0.0	2.9
<b>Total financial liabilities</b>	<b>0.0</b>	<b>2.9</b>	<b>0.0</b>	<b>2.9</b>
<b>2016/17</b>				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	13.1	0.0	13.1
<b>Total financial liabilities</b>	<b>0.0</b>	<b>13.1</b>	<b>0.0</b>	<b>13.1</b>

## Note 29 - Financial risks and financial instruments, continued

### 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.

The Group has entered into an interest rate swap with a principal amount of DKK 750 million to partially hedge the interest rate risk on its loans. The interest rate swap expires on 30 June 2018. It has been decided not to account for the interest rate swap as a hedging instrument, and changes in the fair value are therefore recognised in financials in the statement of comprehensive income.

(DKKm)	Notional amount	Fair value adjustment recognised through profit or loss	Fair value	Time to maturity (mths)
<b>2017/18</b>				
<i>Interest rate risks</i>				
Interest rate swap, trading portfolio	750.0	10.2	(2.9)	3.0
<b>2016/17</b>				
<i>Interest rate risks</i>				
Interest rate swap, trading portfolio	750.0	9.7	(13.1)	15.0

## Note 30 - Liabilities under operating leases

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

Payments under interminable operating leases are specified as follows:

(DKKm)	2017/18	2016/17
0-1 years	98.6	98.6
1-5 years	38.7	22.0
> 5 years	0.0	1.8
<b>Total</b>	<b>137.3</b>	<b>122.4</b>

In 2017/18, DKK 184.3 million (2016/17: DKK 174.6 million) was recognised in profit/loss regarding operating leases. This amount comprises rent, car leases and leases of certain other assets.

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

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

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

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

(1) Paid during the year

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

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

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)	Base salary incl. benefits	Pension contributions	Short-term bonus (1)	Total	PSUs	Total, including PSUs
<b>2016/17</b>						
Terje List	5.4	0.1	2.7	8.2	2.7	10.9
Anders Skole-Sørensen	2.6	0.3	1.1	4.0	1.3	5.3
<b>Executive Management, total</b>	<b>8.0</b>	<b>0.4</b>	<b>3.8</b>	<b>12.2</b>	<b>4.0</b>	<b>16.2</b>
<b>Other executives, total</b>	<b>9.3</b>	<b>0.6</b>	<b>2.5</b>	<b>12.4</b>	<b>2.3</b>	<b>14.7</b>
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.4	-	-	0.4	-	0.4
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Ingrid Jonasson Blank	0.3	-	-	0.3	-	0.3
Christian Mariager	0.3	-	-	0.3	-	0.3
<b>Board of Directors, total</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>2.2</b>	<b>0.0</b>	<b>2.2</b>
<b>Total</b>	<b>19.5</b>	<b>1.0</b>	<b>6.3</b>	<b>26.8</b>	<b>6.3</b>	<b>33.1</b>

(1) Paid during the year

In accordance with Matas A/S's overall guidelines on incentive pay, Matas in 2017/18 granted a total of 101,916 PSUs to purchase shares in Matas A/S, consisting of 61,881 PSUs to members of the Executive Management and 40,035 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 2019/20. 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 2019/20.

Assuming minimum and maximum achievement, respectively, of the KPIs by the end of financial year 2019/20, the PSUs represent a value of DKK 5.9 million and DKK 11.8 million, respectively.

Programme	Number of employees	Number of PSUs granted	Market value at grant (DKKm)
2016/17	9	66,968	6.3-12.5
Adjustment relating to retired employees	(2)	(31,181)	(2.9-5.8)
<b>2016/17, adjusted</b>	<b>7</b>	<b>35,787</b>	<b>3.4-6.7</b>
2017/18	10	101,916	6.1-12.3
Adjustment relating to retired employee	(1)	(3,824)	(0.2-0.5)
<b>2017/18, adjusted</b>	<b>9</b>	<b>98,092</b>	<b>5.9-11.8</b>

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



Movements in outstanding PSUs:

(No.)	Gregers Wedell-Wedellsborg	Terje List	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Market value (DKKm)
Outstanding at 1 April 2017	-	28,542	13,959	42,501	24,467	66,968	6.3-12.5
PSUs granted in 2017/18	42,135	-	19,746	61,881	40,035	101,916	6.1-12.3
Retired employees	-	(28,542)	-	(28,542)	(6,463)	(35,005)	(3.1-6.2)

In 2017/18, the cost recognised relating to PSUs was DKK 5.1 million, including DKK 1.9 million relating to retired employees.

(No.)	Terje List	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Market value (DKKm)
Outstanding at 1 April 2016	0	0	0	0	0	0.0
PSUs granted in 2016/17	28,542	13,959	42,501	24,467	66,968	6.3-12.5
<b>Outstanding at 31 March 2017</b>	<b>28,542</b>	<b>13,959</b>	<b>42,501</b>	<b>24,467</b>	<b>66,968</b>	<b>6.3-12.5</b>

In 2016/17, the cost recognised relating to share options/PSUs was DKK 8.4 million.

### Shareholdings

Shareholdings of the Board of Directors and the Executive Management in Matas A/S and changes in shareholdings in 2017/18:

	Shares held at 1 April 2017 No.	Purchased/ sold during period No.	Shares held at 31 March 2018 No.	Market value at 31 March 2018 (DKKm)
<b>Board of Directors</b>				
Lars Vinge Frederiksen, Formand	19,095	0	19,095	1.2
Lars Frederiksen	8,269	0	8,269	0.5
Birgitte Nielsen	1,739	0	1,739	0.1
Christian Mariager	3,500	0	3,500	0.2
Signe Trock Hilstrøm	0	0	0	0.0
<b>Executive Management</b>				
Gregers Wedell-Wedellsborg	0	0	0	0.0
Anders Skole-Sørensen	94,657	0	94,657	6.2

## Note 32 - Related parties

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

Following the acquisition of the Group in 2007, leases were entered into with former store owners as landlords for approximately 57 of the Group's current leased stores, including board member Lars Frederiksen, who indirectly owns two leased stores. Rent for the two retail leases was DKK 0.9 million (2016/17: DKK 0.9 million).

Management's remuneration is disclosed in note 31.

### Note 33 - Events after the date of the statement of financial position

No subsequent events have occurred that materially affect the Group's financial position.

### Note 34 - New financial reporting regulation

The most significant standards and interpretations that have been issued but not yet entered into force are described below. Matas intends to implement these standards when they come into force.

#### **IFRS 9: FINANCIAL INSTRUMENTS**

Effective 1 January 2018, IFRS 9, Financial Instruments, changed the rules applying to classification, measurement and impairment of financial assets and introduced new hedge accounting rules.

Matas will implement the new standard at its stipulated effective date, which in Matas's case is 1 April 2018 (Matas's financial year 1 April 2018 – 31 March 2019). Comparatives will not be restated in connection with the implementation.

The impact of implementing IFRS 9 was analysed in financial year 2017/18. Based on the existing portfolio of financial assets and liabilities, the classification and measurement of financial assets is not expected to change to any significant extent. The current portfolio consists of trade receivables held with the objective of collecting contractual cash flows and is expected to give rise to cash flows solely representing principal payments. As these assets qualify for measurement at amortised cost under IFRS 9, reclassification is not required.

Under IFRS 9, Matas must recognise expected credit losses on all debt securities, loans and trade receivables, based either on 12-month expected losses or on the lifetime expected losses. Matas will apply the simplified model and recognise the lifetime expected losses at the time when the receivable arises. Based on Matas's limited portfolio of debtors and activities, the new method will not have any significant effect on the consolidated financial statements.

The new hedge accounting rules are expected to improve Matas's ability to apply hedge accounting. Matas will look into the possibility of applying hedge accounting in connection with the conclusion of a new interest rate swap after 30 June 2018.

## Note 34 – New financial reporting regulation, continued

### **IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS**

Effective 1 January 2018, IFRS 15, Revenue from Contracts with Customers, introduced a five-step model for the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

Matas will implement the new standard at its stipulated effective date, which in Matas's case is 1 April 2018 (Matas's financial year 1 April 2018 – 31 March 2019).

Matas performed a preliminary assessment of the effects of implementing IFRS 15 in 2016/17 and a more detailed analysis in 2017/18. The analysis shows that the new standard will have a minor effect on the accounting classification of particularly the Club Matas customer loyalty programme. The reclassification will increase revenue by about DKK 46 million and increase cost of sales by a corresponding amount. Matas already today grants its customers a right of return. Under IFRS 15, Matas must present a provision for returns ('Contractual obligation on returns') and an asset representing the right to recover products from the customer ('Right to recover goods on returns') separately in the statement of financial position. Matas has not previously presented return obligations separately as they have been in the DKK 0 – 1 million range. In connection with the transition to IFRS 15, Matas will, in light of the level, present the right to recover inventories from customers on return of goods (DKK 1.0 million) under 'Inventories' and return obligations (DKK 1.9 million) under 'Prepayments from customers'. Matas will implement the standard without restatement of comparatives, but with the above reclassifications.

The reclassification will not affect equity at 1 April 2018.

Other than the reclassifications mentioned above, Matas does not expect the new standard to significantly affect the recognition and measurement of revenue.

## Note 34 – New financial reporting regulation, continued

### IFRS 16: LEASES

IFRS 16, Leases, was issued in January 2016 to take effect for financial years beginning on or after 1 January 2019 (for Matas: financial year 2019/20). The standard implies that almost all leases must be recognised in the statement of financial position as a distinction between operating and finance leases is no longer made. Under the new standard, the leased asset (the right to use the leased asset) and the financial liability (obligation to make lease payments) must be recognised in the statement of financial position. The only exemptions are for short-term leases and leases of low-value assets.

As a lessee, Matas will be required to recognise interest expenses on the financial liability and depreciation on the right-of-use asset. Matas will also be required to explain changes to the lease agreement, including changes in future lease payments as a result of changes in an index or an interest rate on which these payments are based. The amount of the subsequent measurement will be recognised as an adjustment to the lease liability and the right to use the asset.

EBITDA will be affected by the reclassification of lease expenses to depreciation and interest expenses. The free cash flow will be positively affected by the reclassification of lease payments as financing rather than operating activities. A minor portion of Matas's current leases have variable lease payments that will continue to be classified as rental expenses affecting EBITDA. IFRS 16 will also affect the statement of financial position and related ratios such as ROIC and net interest-bearing debt due to the recognition of the leased asset and the financial liability.

Based on a preliminary analysis, Matas expects most of its current leases to qualify for recognition as leased assets in the statement of financial position under IFRS 16, and that only insignificant liabilities may be comprised by the exceptions. At 31 March 2018, Matas's non-cancellable operating lease liabilities totalled DKK 137 million, see note 30. Matas's lease agreements primarily comprise ongoing leases with extension options. Accordingly, the amount recognised is expected to increase.

Matas will perform a more detailed analysis during financial year 2018/19 to determine the impact of IFRS 16 on the consolidated financial statements, including the effects of the changed definition of lease term and extension and termination options.

Matas expects to implement the standard on 1 April effective for Matas's financial year 1 April 2019 – 31 March 2020. Matas expects to apply the simplified model without restatement of comparatives for the year preceding initial application.

No other new or amended standards or interpretations that have yet to take effect are expected to significantly affect Matas's annual report.

# Group overview

	Domicile	Ownership
<b>Parent company</b>		
Matas A/S	Denmark	
<b>Subsidiaries</b>		
<b>Denmark</b>		
MHolding 3 A/S	Denmark	100%
Matas Operations A/S	Denmark	100%
Matas Property A/S	Denmark	100%
Stylebox A/S	Denmark	100%
<b>Other countries</b>		
Matas Torshavn P/F	Faroe Islands	100%
Matas Sverige AB (dormant)	Sweden	100%

## Companies that have merged with the subsidiary MHolding 3 A/S in the 2017/18 financial year (as of 1 April 2017)

MHolding 4 ApS  
MHolding 5 ApS  
MHolding 6 ApS  
Materialisten på Frederiksberg ApS  
Skagen Materialhandel ApS

# Financial statements of the parent company

## Matas A/S 2017/18

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# Statement of comprehensive income

(DKKm)	Note	2017/18	2016/17
Other operating income	3	8.8	10.3
Other external costs		(7.2)	(3.0)
Staff costs	4	(27.5)	(22.3)
<b>EBIT</b>		(25.9)	(15.0)
Financial income	5	300.0	300.0
Financial expenses	6	(2.4)	(5.0)
<b>Profit before tax</b>		271.7	280.0
Tax on the profit for the year	7	6.7	4.7
<b>Profit for the year</b>		278.4	284.7
<b>Other comprehensive income</b>			
Other comprehensive income after tax		0.0	0.0
<b>Total comprehensive income for the year</b>		278.4	284.7
<b>Proposed appropriation of profit</b>			
Proposed dividend: DKK 6.30 per share (2016/17: DKK 6.30 per share)		241.2	247.5
Retained earnings		37.2	37.2
<b>Total</b>		278.4	284.7

# Statement of cash flows

(DKKm)	Note	2017/18	2016/17
Profit before tax		271.7	280.0
Financial income	5	(300.0)	(300.0)
Financial expenses	6	2.4	5.0
Non-cash operating items etc.		5.1	8.4
<b>Cash generated from operations before changes in working capital</b>		<b>(20.8)</b>	<b>(6.6)</b>
Changes in working capital	10	1.8	(6.6)
<b>Cash generated from operations</b>		<b>(19.0)</b>	<b>(13.2)</b>
Interest paid	6	(2.4)	(5.0)
Corporation tax paid		(93.7)	(89.7)
<b>Cash flow from operating activities</b>		<b>(115.1)</b>	<b>(107.9)</b>
Debt raised/settled with group entities		52.2	234.3
Dividend received	5	300.0	300.0
<b>Cash flow from investing activities</b>		<b>352.2</b>	<b>534.3</b>
<b>Fee cash flow</b>		<b>237.1</b>	<b>426.4</b>
Dividend paid		(237.1)	(245.8)
Purchase and sale of treasury shares		0.0	(180.6)
<b>Cash flow from financing activities</b>		<b>(237.1)</b>	<b>(426.4)</b>
<b>Net cash flow from operating, investing and financing activities</b>		<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents at 1 April		0.0	0.0
<b>Cash and cash equivalents at 31 March</b>		<b>0.0</b>	<b>0.0</b>



# Statement of financial position

(DKKm)	Note	2017/18	2016/17
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	8	2,036.3	2,036.3
Deferred tax assets		1.3	0.0
<b>Total non-current assets</b>		<b>2,037.6</b>	<b>2,036.3</b>
<b>CURRENT ASSETS</b>			
Receivables from group entities	12	91.1	142.0
Corporation tax receivable	7	112.6	114.1
Prepayments		0.9	0.7
<b>Total current assets</b>		<b>204.5</b>	<b>256.8</b>
<b>TOTAL ASSETS</b>		<b>2,242.2</b>	<b>2,293.1</b>

(DKKm)	Note	2017/18	2016/17
<b>EQUITY AND LIABILITIES</b>			
Share capital	9	95.7	98.2
Treasury share reserve		(73.7)	(185.3)
Retained earnings		1,887.3	1,943.7
Proposed dividend for the financial year		241.2	247.5
<b>Total equity</b>		<b>2,150.5</b>	<b>2,104.1</b>
Deferred tax		0.0	0.1
<b>Total non-current liabilities</b>		<b>0.0</b>	<b>0.1</b>
Payables to group entities	12	89.0	188.2
Trade payables	12	2.7	0.7
<b>Total current liabilities</b>		<b>91.7</b>	<b>188.9</b>
<b>Total liabilities</b>		<b>91.7</b>	<b>189.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,242.2</b>	<b>2,293.1</b>

# Statement of changes in equity

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

(DKKm)	Share capital	Share premium	Treasury share reserve	Proposed dividend	Retained earnings	Total
<b>Equity at 1 April 2016</b>	<b>100.7</b>	<b>1,787.3</b>	<b>(137.4)</b>	<b>253.8</b>	<b>239.5</b>	<b>2,243.9</b>
Transfers *	0.0	(1,787.3)	0.0	0.0	1,787.3	0.0
	<b>100.7</b>	<b>0.0</b>	<b>(137.4)</b>	<b>253.8</b>	<b>2,026.8</b>	<b>2,243.9</b>
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	247.5	37.2	284.7
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>247.5</b>	<b>37.2</b>	<b>284.7</b>
<b>Transactions with owners</b>						
Dividend paid	0.0	0.0	0.0	(245.8)	0.0	(245.8)
Dividend on treasury shares	0.0	0.0	0.0	(8.0)	8.0	0.0
Acquisition of treasury shares	0.0	0.0	(180.6)	0.0	0.0	(180.6)
Capital reduction	(2.5)	0.0	130.9	0.0	(128.4)	0.0
Exercise of share options	0.0	0.0	1.8	0.0	(1.7)	0.1
Buyback of share programme	0.0	0.0	0.0	0.0	(6.6)	(6.6)
Share-based payment	0.0	0.0	0.0	0.0	8.4	8.4
<b>Total transactions with owners</b>	<b>(2.5)</b>	<b>0.0</b>	<b>(47.9)</b>	<b>(253.8)</b>	<b>(120.3)</b>	<b>(424.5)</b>
<b>Equity at 31 March 2017</b>	<b>98.2</b>	<b>0.0</b>	<b>(185.3)</b>	<b>247.5</b>	<b>1,943.7</b>	<b>2,104.1</b>

\* Under Danish law, a share premium is a distributable reserve and has therefore been transferred to retained earnings.

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# Notes to the financial statements

## Note 1 – Accounting policies

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

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

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

### Description of accounting policies

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

#### Financial income

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

#### Investments in subsidiaries

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

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

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

#### Tax

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

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

## Note 2 – Accounting estimates and judgments

### Estimation uncertainty

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

## Note 2 – Accounting estimates and judgments, continued

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

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

## Note 3 – Other operating income

(DKKm)	2017/18	2016/17
Management fee to group entities	8.8	10.3
<b>Total</b>	<b>8.8</b>	<b>10.3</b>

## Note 4 - Staff costs

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

The fees to the Board of Directors are recognised in the amount of DKK 2.5 million (2016/17: DKK 2.2 million). The remuneration of the Executive Management is recognised in profit or loss in the amount of DKK 20.0 million (2016/17: DKK 11.7 million). The remuneration includes termination benefits in connection with the change of CEO in the amount of DKK 10.5 million.

Share-based payment is recognised in the amount of DKK 5.1 million (2016/17: DKK 8.4 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)	2017/18	2016/17
Dividend from the subsidiary M Holding 3 A/S	300.0	300.0
<b>Total financial income</b>	<b>300.0</b>	<b>300.0</b>

## Note 6 - Financial expenses

(DKKm)	2017/18	2016/17
Interest, credit institutions	2.4	5.0
<b>Total financial expenses</b>	<b>2.4</b>	<b>5.0</b>

## Note 7 – Tax

(DKKm)	2017/18	2016/17
Tax on the profit for the year is specified as follows:		
Tax on the profit for the year	(6.7)	(4.7)
<b>Total</b>	<b>(6.7)</b>	<b>(4.7)</b>
Tax on the profit for the year has been calculated as follows:		
Joint taxation contributions	(5.3)	(4.7)
Deferred tax	(1.4)	0.0
<b>Total</b>	<b>(6.7)</b>	<b>(4.7)</b>
Tax on the profit for the year is explained as follows:		
Computed 22.0 % tax on profit before tax (22.0% in 2016/17)	59.8	61.6
Non-taxable income	(66.0)	(66.0)
Recognition of deferred tax asset	(1.3)	0.0
Other	0.8	(0.3)
<b>Total</b>	<b>(6.7)</b>	<b>(4.7)</b>
Effective tax rate	(2.5)%	(1.7)%

See note 20 to the consolidated financial statements regarding corporation tax receivable.

## Note 8 – Investments in subsidiaries

(DKKm)	2017/18	2016/17
Cost at 1 April	2,036.3	2,036.3
<b>Carrying amount at 31 March</b>	<b>2,036.3</b>	<b>2,036.3</b>

The company's equity investment in M Holding 3 A/S was 100% at 31 March 2018 (31 March 2017: ownership interest 100%).

## Note 9 - 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 95.9% at 31 March 2018 (31 March 2017: 91.8%).

### Treasury shares

See note 17 to the consolidated financial statements.

## Note 10 - Changes in working capital

(DKKm)	2017/18	2016/17
Change in receivables	(0.2)	(0.2)
Change in trade payables, other payables	2.0	(6.4)
<b>Total</b>	<b>1.8</b>	<b>(6.6)</b>

## Note 11 - 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 2018 (31 March 2017: 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 1,565 million at 31 March 2018 (31 March 2017: DKK 1,500 million).

## Note 12 - 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
<b>2017/18</b>						
<i>Non-derivative financial instruments</i>						
Payables to group entities	89.0	89.0	89.0	0.0	0.0	0.0
Trade payables	2.7	2.7	2.7	0.0	0.0	0.0
<b>31 March 2018</b>	<b>91.7</b>	<b>91.7</b>	<b>91.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2016/17</b>						
<i>Non-derivative financial instruments</i>						
Payables to group entities	188.2	188.2	188.2	0.0	0.0	0.0
Trade payables	0.7	0.7	0.7	0.0	0.0	0.0
<b>31 March 2017</b>	<b>188.9</b>	<b>188.9</b>	<b>188.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Note 12 - Financial risks and financial instruments, continued

### Assumptions for maturity analysis

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 2017/18	Fair value 2017/18	Carrying amount 2016/17	Fair value 2016/17
Receivables from group entities	91.1	91.1	142.0	142.0
<b>Loans and receivables</b>	<b>91.1</b>	<b>91.1</b>	<b>142.0</b>	<b>142.0</b>
Payables to group entities	89.0	89.0	188.2	188.2
Suppliers	2.7	2.7	0.7	0.7
<b>Financial liabilities at amortised cost</b>	<b>91.7</b>	<b>91.7</b>	<b>188.9</b>	<b>188.9</b>

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 13 - 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 5.3 million in 2017/18 (2016/17: DKK 4.7 million). Matas A/S has received DKK 300 million in dividend from subsidiaries.

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

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

## Note 14 – New standards and interpretations

Except as regards impairment of receivables and loans, the description in note 34 to the consolidated financial statements of new standards not yet in force also fully covers the parent company. Due to the recognition of provisions for losses on intra-group receivables and loans, the parent company is expected to have slightly higher impairment losses on receivables and loans than the Group. The impact of the recognition of provisions is believed to be insignificant.



# 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.

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

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

<b>Underlying (like-for-like) revenue growth</b>	Growth reported by retail stores included in two comparable periods
<b>EBITDA</b>	Earnings before interest, tax, depreciation, amortisation and impairment
<b>EBITDA margin</b>	EBITDA as a percentage of revenue
<b>EBITDA before special items</b>	EBIT plus amortisation, depreciation and impairment losses plus specific external costs which management does not consider part of normal operations
<b>EBITDA margin before special items</b>	EBITDA margin before special items as a percentage of revenue
<b>EBITA</b>	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
<b>EBITA margin</b>	EBITA as a percentage of revenue
<b>EBIT</b>	Earnings before interest and tax
<b>EBIT margin</b>	EBIT as a percentage of revenue
<b>Adjusted profit after tax</b>	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
<b>Cash conversion</b>	EBITDA before special items plus change in net working capital less capital expenditure divided by EBITDA before special items
<b>Net working capital</b>	The sum of inventories, trade receivables, other receivables and prepayments less the sum of prepayments from customers, trade payables and other current liabilities
<b>Free cash flow</b>	Cash flow from operating activities less net capital expenditure including acquisitions of subsidiaries and operations
<b>Net interest-bearing debt</b>	Debt to credit institutions and other interest-bearing debt less cash and cash equivalents
<b>Net interest-bearing debt to EBITDA before special items</b>	Ratio of net interest-bearing debt at year-end to LTM EBITDA before special items
<b>Invested capital</b>	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 activities as a percentage of revenue

# Interim financial highlights

(unaudited)

(DKKm)	2017/18				2016/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Statement of comprehensive income</b>								
Revenue	820.9	778.0	1,062.8	757.4	848.1	771.6	1,064.3	779.4
Gross profit	379.1	344.2	484.2	341.8	401.1	361.9	487.5	361.3
EBITDA	136.5	94.8	221.5	81.7	152.6	113.4	231.8	122.3
EBIT	99.9	57.0	177.3	34.7	117.9	78.5	195.6	83.1
Net financials	(5.0)	(5.3)	(5.2)	(4.2)	(9.5)	(8.4)	(7.8)	(12.9)
Profit before tax	94.9	51.7	172.1	30.5	108.4	70.1	187.8	70.2
Profit for the period	74.0	40.3	134.2	31.7	84.6	54.6	147.0	52.6
<b>Statement of financial position</b>								
Assets	5,490.1	5,305.1	5,328.0	5,303.6	5,443.7	5,316.1	5,454.4	5,270.6
Equity	2,410.1	2,452.6	2,588.2	2,620.9	2,468.2	2,493.8	2,552.6	2,572.5
Net working capital	(98.0)	(56.2)	(166.7)	(127.3)	(105.5)	3.7	(160.5)	(158.0)
Net interest-bearing debt	1,481.8	1,694.0	1,457.0	1,471.9	1,428.1	1,732.1	1,522.3	1,515.0
<b>Statement of cash flows</b>								
Cash flow from operating activities	69.3	48.0	260.5	5.8	77.4	1.6	330.7	73.0
Cash flow from investing activities	(36.0)	(22.7)	(23.1)	(20.3)	(51.7)	(23.4)	(31.3)	(28.1)
Free cash flow	33.3	25.3	237.4	(14.5)	25.7	(21.8)	299.4	44.9
Net cash flow from operating, investing and financing activities	187.0	(168.0)	(0.1)	34.2	36.2	(71.4)	131.7	(133.0)
<b>Key performance indicators</b>								
Number of transactions (in millions)	5.2	5.1	6.0	4.9	5.6	5.3	6.3	5.0
Average basket size (in DKK)	155.1	149.8	175.3	154.4	145.4	140.6	163.6	149.3
Total retail floor space (in thousands of square metres)	52.6	53.3	53.4	53.3	51.5	51.5	51.9	52.3
Avg. revenue per square metre (in DKK thousands) - LTM	64.7	64.7	64.7	64.3	65.1	64.8	65.0	65.0
Like-for-like growth	(2.9)%	0.8%	(0.8)%	(2.6)%	2.9%	(1.5)%	1.3%	2.5%
<b>Adjusted figures</b>								
EBITDA	136.5	94.8	221.5	81.7	152.6	113.4	231.8	122.3
Special items	0.0	(12.7)	(5.5)	(2.0)	0.0	0.0	0.0	0.0
EBITDA before special items	136.5	107.5	227.0	83.7	152.6	113.4	231.8	122.3
Depreciation of property, plant and equipment	(17.5)	(18.5)	(23.2)	(29.3)	(15.7)	(15.9)	(17.2)	(20.2)
Special items, amortisation and depreciation	0.0	0.0	(4.0)	(1.4)	0.0	0.0	0.0	0.0
EBITA	119.0	89.0	207.8	55.7	136.9	97.5	214.6	102.1
Adjusted profit after tax	88.9	65.3	154.8	47.0	99.4	69.4	161.8	67.4
<b>Adjusted figures</b>								
Gross margin	46.2%	44.2%	45.6%	45.1%	47.3%	46.9%	45.8%	46.4%
EBITDA margin	16.6%	12.2%	20.8%	10.8%	18.0%	14.7%	21.8%	15.7%
EBITDA margin before special items	16.6%	13.8%	21.4%	11.0%	18.0%	14.7%	21.8%	15.7%
EBIT margin	12.2%	7.3%	16.7%	4.6%	13.9%	10.2%	18.4%	10.7%
EBITA margin	14.5%	11.4%	19.5%	7.4%	16.1%	12.6%	20.2%	13.1%

**Matas A/S**  
Rørmosevej 1  
DK-3450 Allerød, Denmark  
Tel: +45 4816 5555  
[www.matas.dk](http://www.matas.dk)

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