Matas A/S

Annual report for the financial year 2015/16

(1 April 2015 – 31 March 2016)

Five-year key financials

DKK millions	2011/12	2012/13	2013/14	2014/15	2015/16
Statement of comprehensive income					
Revenue	3,097.2	3,200.0	3,344.5	3,433.3	3,426.1
Gross profit	1,413.8	1,471.2	1,541.3	1,595.0	1,604.5
EBITDA	580.1	588.8	599.8	660.5	652.1
Operating profit	453.5	456.3	464.4	526.2	513.6
Profit before tax	320.9	375.7	381.9	461.7	477.1
Profit for the year	219.4	263.0	248.9	340.3	364.5
Net exceptional items	0.0	16.0	29.9	0.0	0.0
EBITDA before exceptional items	580.1	604.8	629.7	660.5	652.1
EBITA	531.9	548.1	570.8	602.1	589.6
Adjusted profit after tax	279.0	335.9	374.1	397.5	422.5
Statement of financial position					
Assets	5,596.4	5,770.3	5,487.6	5,336.8	5,315.3
Equity	2,096.4	2,359.4	2,599.9	2,643.5	2,658.3
Net working capital	(34.4)	(54.9)	(121.1)	(77.4)	(172.0)
Net interest-bearing debt	2,060.1	1,748.9	1,623.3	1,564.4	1,423.6
Statement of cash flows					
Cash flow from operating activities	486.2	391.5	350.0	422.3	566.9
Cash flow for investments in property, plant and equipment	(20.7)	(17.7)	(39.9)	(27.9)	(45.4)
Free cash flow	425.2	321.0	173.8	360.2	496.6
Ratios					
Revenue growth	3.5%	3.3%	4.5%	2.7%	-0.2%
Like-for-like growth	3.0%	2.9%	3.4%	1.5%	0.3%
Gross margin	45.6%	46.0%	46.1%	46.5%	46.8%
EBITDA margin	18.7%	18.4%	17.9%	19.2%	19.0%
EBITDA margin before exceptional items	18.7%	18.9%	18.8%	19.2%	19.0%
EBITA margin	17.2%	17.1%	17.1%	17.5%	17.2%
EBIT margin	14.6%	14.3%	13.9%	15.3%	15.0%
Cash conversion	111.4%	96.3%	101.6%	85.9%	103.6%
Earnings per share, DKK	5.38	6.45	6.12	8.39	9.17
Diluted earnings per share, DKK	5.38	6.45	6.11	8.38	9.11
Dividend per share (proposed), DKK	-	-	5.50	5.80	6.30
Share price, end of year, DKK	-	-	152	158.5	132.5
ROIC, pre-tax	12.1%	12.9%	13.5%	14.3%	14.3%
ROIC, pre-tax and excluding goodwill	64.3%	79.5%	96.7%	114.9%	133.6%
Net working capital as a percentage of revenue	(1.1)%	(1.7)%	(3.6)%	(2.3)%	-5.0%
Investments as a percentage of revenue	2.0%	2.2%	5.3%	1.8%	2.1%
Net interest-bearing debt/Adjusted EBITDA	3.6	2.9	2.6	2.4	2.2
Average number of employees	2,037	2,051	2,216	2,226	2,163

For definitions, see “Definitions of key financials”

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Letter to our shareholders

Business model proves its strength

The financial year 2015/16 was challenging with low consumer confidence, stagnant growth and intensified competition. In this market, we successfully maintained our revenue, earnings and cash generation at a high level. Again in 2015/16, Matas generated a strong cash flow, which gave us the opportunity to return a higher amount to shareholders through a larger share buyback programme. Given the market developments, we consider our results for the year to be satisfactory, although the underlying revenue growth was slightly below our original forecast from the beginning of the financial year.

In order to strengthen our growth in revenue and earnings capacity both short term and long term, we developed a number of new strategic initiatives in 2015/16. The implementation of these initiatives have already started or will start in the first half of 2016/17.

An important new strategic initiative is the launch of a new and revised version of our customer loyalty programme, **Club Matas.** Based on the 1.6 million Club Matas members, we now take the programme a step further and launch a much more individualised members' programme under which relevance and benefits will be linked more closely to each customer's recorded buying behaviour. The new version of Club Matas was launched recently, in May 2016.

In early 2016, we opened the first two test stores designed to the **"Matas 2020"** concept. The stores are located in the shopping malls Fields (Copenhagen) and Bruun's Galleri (Aarhus). Based on our experience with the new concept in these stores, we plan to roll out the best elements of the concept to our largest stores beginning in 2016/17. Moreover, the store portfolio will be optimised in terms of the acquisition of independent stores and reflecting the changed retail structure. We believe that Matas is strongly positioned to play a key role in the future retail market in Denmark.

The Matas **online store** continued to grow strongly in 2015/16 and will also in future be an important element of our strategy and efforts to generate growth. We want to use the online store to retain and expand our position as the leading omnichannel retail chain in the Danish market. During the past financial year, we intensified our focus on a deeper and broader product range in the Matas online store and increased the integration of the physical stores, the website and Club Matas in order to create Denmark's best omnichannel shopping experience for our customers. We will intensify and continue this work in the years to come.

In January, we launched a new low-cost concept comprising a wide range of items within everyday mass beauty products. The concept, "**ALTID**" ("ALWAYS"), implies that Matas will always offer competitive prices on the range of products included in the concept. The concept has been well received by customers.

In parallel with our sales and customer-focused initiatives, we continually focus on optimising all our in-house processes and efficiency opportunities. This process will continue, and we also expect it to contribute to retaining the Group's continuing high stability and earnings going forward.

As a result of the healthy balance between our earnings, investments and gearing, we started a DKK 125 million share buyback programme in November 2015 as a supplement to the distribution of dividends. Including dividends, we have returned approximately DKK 357 million to our shareholders since the annual general meeting held in June 2015. This corresponds to a current yield of 5.5% relative to the share price at the beginning of the financial year.

For the 2015/16 financial year, we propose a dividend of DKK 6.30 per share, which is in line with our previous communication of having a payout ratio of at least 60% of adjusted profit after tax.

Our guidance for 2016/17 is for an increase of revenue by 1-3% and to reach an EBITA margin slightly below 17%. Furthermore, we expect that a continued strong cash flow will enable us to initiate a new and larger share buyback programme already after Q1 2016/17.

We would like to thank all our many employees for their great efforts during the year.

Enjoy the read!

Lars Vinge Frederiksen	**Terje List**
Chairman	CEO

About Matas

Matas in brief

The Matas chain is Denmark's largest retail chain selling beauty, personal care and health products. At 31 March 2016, the chain consisted of 291 stores in Denmark, including the online store, of which 271 stores and the online store were owned and operated by Matas. The remaining 19 stores were independently owned and are associated with the chain under a partnership agreement. Effective 1 May 2016, Matas acquired the associated store in Skagen, and are currently finalising the details about acquiring a further three associated stores.

In addition to the Matas concept, the Group also operates five physical stores, one shop-in-shop and an online store under the name of StyleBox. The StyleBox stores sell professional haircare and nailcare products, make-up and related treatments.

The Matas chain's overall share of the Danish market for products within beauty and personal care is estimated to be approximately 40%.

The Matas chain has since 1949 built its current strong position on the basis of its objective of offering customers a broad range of quality products at reasonable prices and by providing professional customer services, as expressed in the motto "*Good advice makes the difference"*.

In the 2015/16 financial year, Matas generated revenue of DKK 3,426 million with an EBITA of DKK 590 million. Sales from Matas's own retail stores accounted for 96.6% of revenue, while wholesale sales to associated stores accounted for 3.4%.

Matas has some 2,700 employees, approximately 70% of whom are trained and qualified materialists or trainee materialists.

One-stop retail concept

Matas is characterised by having a wide product range within beauty, personal care, health and problem-solving household products. This broad product range helps create a unique one-stop retail concept for customers. The products offered are organised in four product groups, which Matas refers to as "shops-in-shop":

Beauty. The Beauty Shop offers a broad selection of products such as cosmetics, fragrances, skincare and haircare that meet customers' luxury and everyday needs. The Beauty product group is Matas's largest segment, accounting for 74% of revenue from its own retail stores in 2015/16. Matas had an estimated market share in the Beauty area of approximately 40% in 2015/16.

Within high-end Beauty, which includes selectively distributed branded products from major perfume and cosmetics houses, Matas has the highest market share, making it the largest supplier in the market. High-end Beauty accounts for about a third of Matas's revenues.

The main competitors in the Beauty Shop area are supermarkets, department stores, perfumeries, food discount retailers, parallel importers and online stores.

Matas estimates that long-term market growth in the Beauty market will be around 2-3% per year, assuming a stable Danish economy. In the shorter term, growth will depend partly on general economic trends, including inflation, and whether this leads to increased consumer spending.

In the longer term, demand is expected to be affected by changes in the demographics, the mix of consumers and their behaviour, underpinning 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.

Vital. The Vital Shop offers vitamins, minerals, supplements and specialty foods, along with herbal medicinal and similar products. Vital Shop sales accounted for 11% of total revenue from Matas's own retail stores in 2015/16. The main competitors in the Vital Shop area are supermarkets, pharmacies, health food stores and online stores.

Matas estimates that long-term market growth for the Vital market will average 1-2% per year. The expected growth depends on trends in the Danish economy and on trends in the field of slimming and supplement products.

Material. The Material Shop offers a broad selection of household and personal care goods that includes household cleaning and maintenance, babycare and sports-related products. Material Shop sales accounted for 8% of total revenue from Matas's own retail stores in 2015/16. The main competitors in the Material Shop area are supermarkets. Matas estimates that long-term market growth will average 1-2% per year and largely mirror the general growth rate of the Danish economy.

MediCare. MediCare offers a broad range of products, including OTC medicine and healthcare products. Sales accounted for 6% of total revenue from Matas's own retail stores in 2015/16, and the main competitors are pharmacies, supermarkets and discount food retailers. Matas estimates that long-term market growth will average about 1-2% per year.

Private labels

Matas markets a broad and diversified range of products comprising both international and Danish brands. Matas markets a number of own brand products under various labels, including "Stripes", "Matas Natur" and "Plaisir". Introduced in 1967 as a value-oriented alternative to branded products, and through a focus on reducing environmentally hazardous ingredients, Stripes has since become one of the leading beauty brands in Denmark for women, men and families. Today, Matas has more than a thousand different private label products. Revenue from private label products accounted for approximately 16% of overall revenue in 2015/16, mostly relating to the Beauty segment.

Omnichannel marketing strategy

Matas's wide product range in various categories, brands and price levels that collectively make up the one-stop retail store concept for customers is supported by an extensive onmichannel marketing strategy.

Based on customer preferences, buying behaviour and digital behaviour, Matas can today offer a customised shopping experience across several sales channels and communication platforms.

A key element of the marketing activities is the distribution of the Matas leaflet approximately biweekly to roughly two-thirds of all Danish households.

Matas's marketing efforts are supported by its Club Matas loyalty programme, which had more than 1.6 million members at 31 March 2016. Club Matas membership has especially attracted women, and at the end of the financial year, more than 70% of all Danish women between the age of 18 and 65 were members of Club Matas.

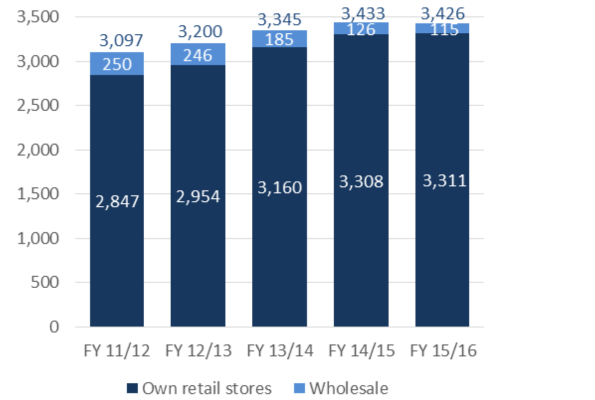
Club Matas is an opportunity for Matas to communicate directly and individually to club members based on their purchase history. Matas continually works to increase the relevance to individual members of this information in order to further enhance customer loyalty. Moreover, this is made possible through the close coordination of Matas's leaflet, Club Matas, the Group's online store and its activities on social media such as Facebook and Instagram.

Since 2012, the expansion of the loyalty programme to include ClubM has given Club Matas members access to a broader coalition loyalty network. At the end of 2015/16, Club Matas members earned Club Matas points on purchases from 18 partners in Denmark in sectors such as travel, eyewear, leisure and books.

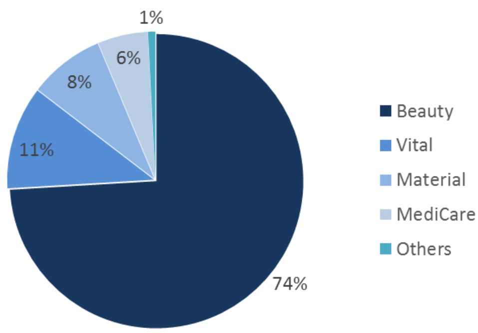
StyleBox

As part of the continuing development of the Group, a new complementary retail concept was launched in June 2013 under the name of "StyleBox". The StyleBox stores offer customers a range of selectively distributed beauty products within professional haircare, nailcare and selected makeup brands. In addition, related treatments are offered in the stores. The StyleBox concept showed good growth in 2015/16, although the level of revenue is still not considered satisfactory.

CONSOLIDATED REVENUE, DKK MILLIONS



BREAKDOWN OF REVENUE FROM OWN RETAIL STORES (ROUNDED FIGURES)



Strategy and financial targets

Matas's general strategy is to build on its strong brand and leading market position in the Danish retail landscape for beauty, personal care and health products in order to grow its core business, including by expanding selectively into complementary product and service areas.

Through even better exploitation of the interaction of the physical store network, Club Matas and the online activities, Matas wants to create better shopping experiences and, through this, lasting competitive advantages and increased customer loyalty.

By focusing on the customer, Matas aims to be the absolute leader in omnichannel retailing within beauty, personal care and health products, as reflected in the main elements of the strategy:

1. Enhance and increase the value of the Club Matas loyalty programme

Given the continued competitive environment, the 1.6 million Club Matas members are a very important asset in the Group's efforts to grow its market share within its key product categories. Matas therefore launched a new version of Club Matas in May 2016 in order to further increase the value of the programme to customers and to Matas. This will involve even more individualised advantages and increased relevance for Club Matas members based on their purchase frequency and buying behaviour. More targeted communication to each member will ensure a high degree of relevance to each member. The aim is to achieve greater loyalty and stronger growth in members' purchase frequency and average basket size.

2. Strengthen the Matas retail store network and in-store appearance

The general atmosphere in Matas stores as expressed by customer service, sales, product concept and appearance will be a key parameter for a stronger Matas and therefore is a priority in the overall strategy. The first two stores designed according to the **"Matas 2020"** concept at the Fields (Copenhagen) and Bruun's Galleri (Aarhus) shopping malls opened in early 2016. Matas is analysing sales trends at the two stores to identify the best elements of the Matas 2020 concept for potential roll-out to the 30-35 largest Matas stores.

Matas intends to continue to improve its retail market position by expanding and updating existing stores, taking over associated stores and opening new stores. The number of associated stores is now below the threshold above which Matas is obliged to follow the existing partnership agreement and can switch to a new agreement. It is expected that a new agreement will be signed in 2016/17. Although the retail network is already finely meshed, Matas believes that there is still a potential to open a small number of new stores in step with urban development and the opening of new shopping centres. In addition, acquisitions of associated stores will continue if they can be acquired at a favourable price and have an attractive location.

3. Develop the Matas online store

The Matas online store is both an important sales channel for the Group and a key part of the company's omnichannel strategy in which the integration of the online store, the physical store and Club Matas is expected to result in a significantly increased sales potential. Matas therefore aims to leverage its leading position and the strength of the Matas brand to continue to increase its online presence and expand its online business volume via www.matas.dk. This will be achieved partly through a product range that is broader in terms of product categories and deeper in Matas's existing product categories, and partly through intensified marketing. In 2016/17, Matas will implement a logistics model with strongly increased capacity in the next year.

4. A changing StyleBox store concept

The StyleBox concept, which at the end of the financial year consisted of five stores and a shop-in-shop, has enabled the Group to offer a range of select beauty products within professional haircare and nailcare which cannot currently be carried in the Matas stores due to suppliers' selective distribution rules. The concept, which is developing well, is adjusted to market conditions in an ongoing process in order to create a solid platform before a possible expansion is initiated.

5. Development of the product range

Matas aims to strengthen its position within beauty, personal care and health products through even greater focus on its key areas of strength. Matas intends to adapt the product range and the in-store physical positioning of the products, both generally and in the individual stores, based on an analysis of customer needs and wishes. In future, the product range will be adapted to a greater extent than today to the individual size, premises and individual characteristics of each store. Based on improved data from sources such as Club Matas, it is expected that there will be greater variation in the product range of the stores in future without, however, weakening the overall Matas concept. In addition to a strategy of carrying the strongest third-party brands, Matas's own brands will have an even more prominent position in the product range.

6. Pursue the long-term potential in the Danish pharmacy market

Matas regularly evaluates its options for expanding its business with product groups and services which customers would consider a natural part of the Matas concept.

An amendment of the Danish Pharmacy Act in 2015 only provided very limited potential for expanding Matas's area of business to include prescription medicine. The only relevant opening is the opportunity for existing pharmacies to operate pharmacies as a shop-in-shop solution in retail stores. Matas intends to continue to monitor developments in this respect, including to investigate the potential of a pharmacy solution in collaboration with existing pharmacies, which is, however, estimated to have limited potential.

Based on Matas's long-standing history as a health products, vitamins and OTC medicine retailer combined with personal advice with a strong level of trust, Matas still has a long-term ambition to sell prescription medicine when Danish legislation provides access to this market.

7. Increased price and discount efficiency

Matas wishes to continually develop its price and offer strategy in order to better focus on special price offers where they have the greatest effect on customers' buying patterns. This work will be supported by increased and enhanced analyses of customers' historical buying patterns. The aim is that, in future, Matas will move away from its focus on broad campaigns targeted at all customers towards more specific offers targeted at and relevant to the individual customer. The new version of Club Matas should be seen as a step in this direction and will be followed up by other initiatives in the years to come.

8. Focus on value creation and shareholder returns

Concurrently with the ambition of generating attractive revenue growth, Matas aims to continue to generate shareholder value. This is done through continual optimisation of the operational platform in order to generate a high profit margin in the core business and maintain tight control of working capital in order to generate substantial cash. The goal is to distribute excess capital to shareholders.

Financial targets

The financial targets for the Group for 2016/17 are as follows:

- Underlying revenue is expected to show like-for-like growth of 1-3% after taking into account a positive calendar effect.
- The EBITA margin is expected to be slightly below 17%.
- Investment of around DKK 90-100 million (excluding acquisitions of stores).

The guidance for 2016/17 is based on expectations of slightly growing consumption, continued intensification of competition and little or no growth in prices. Sales in 2016/17 are expected to be positively affected by an increase in the number of business days compared with 2015/16. However, the effect will be limited as the overall distribution of business days will be more unfavourable in 2016/17 than was the case in 2015/16.

Assuming these market conditions and based on the adopted strategy, it is expected that the Group will be able to retain its market share in 2016/17.

The Group's targets for the next three to five years are:

- to achieve above-market growth in the overall market for beauty, personal care and health products
- to achieve an EBITA margin that is stable at a high level
- to maintain an average investment level (excluding additional acquisitions of associated stores) in the region of DKK 100 million in each of the next three years.

Allocation of capital and dividend policy

Matas's relatively asset-light business model is expected to generate significant positive cash flows after investments in continuing organic growth.

On this basis, it is assessed that a suitable level for the Group's gross debt would currently be DKK 1,600-1,800 million.

The Group's policy going forward is to continue to distribute surplus capital to shareholders through a combination of dividends of a minimum of 60% of adjusted profit after tax and regular share buybacks.

In the event of any significant changes in the Group or any major acquisitions of associated stores, the Board of Directors may reassess the target for the capital structure.

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. The statements are based on management's reasonable expectations and forecasts at the time of the 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 matters, supplier issues and financial and regulatory issues.

Group performance in 2015/16

Profit for the year

Revenue

Revenue was down marginally year on year in 2015/16, by 0.2% to DKK 3,426 million. This was almost in line with the latest guidance of revenue in 2015/16 of around DKK 3.45 billion, and somewhat below the guidance in the latest annual report of revenue of around DKK 3.5 billion.

Matas generated revenue of DKK 765 million in Q4 2015/16, equivalent to a year-on-year decline of 0.9%.

Sales in Matas's own retail stores grew 0.1% year on year in 2015/16, while wholesale sales to associated Matas stores etc. were down by 8.3% mainly as a result of the full-year effect of the acquisition of associated stores in 2014/15 and a drop in ClubM revenue.

Sales in Matas's own stores were down by 1.8% to DKK 735 million in Q4 2015/16, while revenue from sales to associated stores etc. grew by DKK 6 million, partly as a result of conditions of a one-off nature in Q4 2015/16.

Sales to stores operated by the Group in both periods (like-for-like growth) grew by 0.3% in 2015/16, which was less than the most recent guidance of like-for-like growth in 2015/16 of around 1%. Growth continued to be supported by the increase in the average basket size, but was offset by a lower number of transactions. A year-on-year increase in online sales of more than 25% had a favourable impact on revenue performance in the financial year.

During most of the financial year, household consumption showed only weak growth, which had an adverse impact on like-for-like growth.

The difference between like-for-like growth in 2015/16 and the reported growth of 0.1% in own retail stores was primarily attributable to the effect of stores closed as compared with 2014/15 that are not included in like-for-like growth.

The like-for-like growth rate in Q4 2015/16 was minus 1.3% (2014/15: plus 3.7%). The lower level was primarily attributable to lower sales on a few sales days in the period around Easter and should be seen in the context of the strong growth in the same period of the previous year and a difference in the timing of Easter as compared with the previous year. The general market was also challenging in Q4 2015/16, with intensifying competition and still only limited indications of a general recovery in consumer spending.

REVENUE BY SALES CHANNEL

(DKK millions)	2015/16 FY	2014/15 FY	Growth	2015/16 Q4	2014/15 Q4	Growth
Beauty	2,452.2	2,447.0	0.2%	514.9	531.9	(3.2)%
Vital	374.8	347.9	7.7%	108.3	97.7	10.8%
Material	274.7	287.6	(4.5)%	58.5	61.8	(5.3)%
MediCare	182.5	186.2	(2.0)%	44.3	45.8	(3.3)%
Other including Sweden	26.7	39.0	(31.4)%	9.4	11.7	(19.7)%
Total revenue from own retail stores	**3,310.9**	**3,307.7**	**0.1%**	**735.4**	**748.9**	**(1.8)%**
Sales of goods to associated stores, etc.	115.2	125.6	(8.3)%	29.5	23.3	26.6%
Total revenue	**3,426.1**	**3,433.3**	**(0.2)%**	**764.9**	**772.2**	**(0.9)%**

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

Revenue by sales channel

Revenue from the Beauty segment grew by 0.2% in 2015/16, and were down by 3.2% in Q4 2015/16.

In the Beauty segment, Mass Beauty (everyday beauty products) was affected both by a negative effect from consumer reluctance and by growing competition. As a result, Mass Beauty saw a minor organic year-on-year decline in sales, although sales of Matas's own Mass Beauty brands showed a minor improvement. High-End Beauty (luxury beauty products) showed year-on-year sales growth. The Beauty Shop's share of total revenue from Matas's own stores was 74.1% in 2015/16, up from 74.0% in 2014/15.

The Vital Shop generated 7.7% revenue growth in 2015/16. Focused efforts in the stores combined with growing consumer interest in health and nutrition in particular supported this increase.

Revenue from the Material Shop was down by 4.5% in 2015/16, partly as a result of a general downturn in the area and lower campaign activity compared with 2014/15.

MediCare recorded a 2.0% downturn in revenue in 2015/16, which was to a great extent attributable to a drop in sales of a single product in 2015/16 that was very successful in 2014/15.

It is estimated that the overall value of the market for beauty, personal care and health products grew only very slightly in 2015/16 and that the Group retained its overall market share. Part of this performance is believed to have come from the Club Matas loyalty programme, which continued its favourable trend with additional new member growth. At 31 March 2016, Club Matas had more than 1.6 million members.

ClubM saw a minor increase in the number of partners and had 18 external partners at 31 March 2016, up from 15 a year earlier.

Four Matas stores were closed in Denmark in 2015/16, (three owned and one associated), bringing the Matas store network in Denmark to a total of 290 physical stores consisting of 271 own stores and 19 associated stores as at 31 March 2016.

The remaining store in Sweden was closed in early May 2015, and the Group no longer has activities outside Denmark, as the store in the Faroe Islands and the associated store in Greenland are considered Danish stores in this context.

The StyleBox chain consisted of five stores, a shop-in-shop and an online store at the end of 2015/16. StyleBox is considered a development opportunity for the Group, and the StyleBox concept complements the Matas concept well. StyleBox is still being developed and the volume of its business grew during the financial year, and a number of conceptual adjustments had positive effects. Profitability grew stronger during the financial year but is still not satisfactory, since, as expected, StyleBox reported a minor loss. The concept is under continuing development.

Costs

(DKK millions)	2015/16 FY	2014/15 FY	Growth	2015/16 Q4	2014/15 Q4	Growth
Other external costs	296.0	292.3	1.3%	83.4	65.4	27.5%
As a percentage of revenue	8.6%	8.5%		10.9%	8.5%	
Staff costs	656.4	642.2	2.2%	163.0	156.3	4.3%
As a percentage of revenue	19.2%	18.7%		21.3%	20.2%	

Costs and earnings

Gross profit increased by 0.6% in 2015/16 and was DKK 1,605 million.

The gross margin for 2015/16 was 46.8% (2014/15: 46.5%). The increase was attributable to continuing optimisation on the sourcing side and efforts to reduce shrinkage.

The increase in gross profit was therefore attributable to the increase in the gross margin, partially offset by the slightly lower level of revenue.

Gross profit for Q4 2015/16 was DKK 364 million, which was a 2.5% year-on-year increase. This represents a gross margin of 47.6% (Q4 2014/15: 46.0%).

Other external costs increased by DKK 3.7 million or 1.3% year on year in 2015/16. As a percentage of revenue, other external costs increased marginally to 8.6% in 2015/16 from 8.5% in 2014/15.

Other external costs were up by DKK 18 million year on year in Q4 2015/16 to DKK 83 million. This was equivalent to an increase in other external costs as a percentage of revenue from 8.5% in Q4 2014/15 to 10.9% in Q4 2015/16. An increase in net marketing costs and certain cost items of a one-off nature caused the increase.

Staff costs rose by DKK 14 million year on year in 2015/16. Staff costs as a percentage of revenue increased to 19.2% in 2015/16 (2014/15: 18.7%). The increase relative to the previous year concerns the stores and was mainly attributable to fewer reimbursements from the state due to regulatory changes. Staff costs at head office and the central warehouse were reduced as a result of changes to working procedures at the central warehouse.

DKK 3.2 million of staff costs in 2015/16 related to the Group's long-term share-based compensation programme, of which DKK 0.9 million was related to Q4.

Total staff costs for Q4 2015/16 were DKK 163 million, which represented a 4.3% year-on-year increase. Staff costs as a percentage of revenue increased to 21.3% in Q4 2015/16 (2014/15: 20.2%).

EBITDA was down by 1.3% year on year to DKK 652 million in 2015/16.

The EBITDA margin was 19.0%, down from 19.2% in 2014/15, mainly as a result of the developments in other external costs described above.

EBITA was down by 2.1% to DKK 590 million, equivalent to an EBITA margin of 17.2% (2014/15: 17.5%). This was slightly better than the most recent guidance of a 2015/16 EBITA margin of around 17.0%. EBITA for Q4 2015/16 was DKK 101 million, corresponding to an EBITA margin of 13.2% (2014/15: 15.4%).

EBIT was DKK 514 million in 2015/16.

EBITA

(DKK millions)	2015/16 FY	2014/15 FY	Growth	2015/16 Q4	2014/15 Q4	Growth
Operating profit	513.6	526.2	(2.4)%	81.7	100.0	(18.3)%
Amortisation of intangible assets	76.0	75.9		19.0	18.9	
EBITA	589.6	602.1	(2.1)%	100.7	118.9	(15.3)%
EBITA margin	17.2%	17.5%		13.2%	15.4%	

Financial items and tax

Net interest expenses totalled DKK 37 million in 2015/16. This included a fair value adjustment of an interest rate swap representing income of DKK 5 million.

Net interest expenses excluding fair value adjustments were DKK 42 million, which represented a year-on-year decline of DKK 8 million.

Net interest expenses in Q4 2015/16 totalled DKK 11 million, which was a decline of DKK 4 million. Excluding the fair value adjustment by a negative DKK 3 million of the interest rate swap in 2014/15 and by DKK 0 million in 2014/15, net interest expenses were down by DKK 1 million in Q4 2015/16.

NET INTEREST EXPENSES

(DKK millions)	2015/16 FY	2014/15 FY	2015/16 Q4	2014/15 Q4
Net interest expenses	36.5	64.5	10.6	15.1
Fair value adjustment of interest rate swap	5.3	(15.0)	(0.1)	(3.4)
Net interest expenses, adjusted for swap	41.8	49.5	10.5	11.7

The effective tax rate was 23.6% in 2015/16 (2014/15: 26.3%). The decline was partly attributable to a lower nominal tax rate in 2015/16, and to the fact that the lower net interest expenses entail a lower element of non-deductible interest expenses.

See note 28 to the consolidated financial statements for additional information on the Group's tax litigation.

The effective tax rate in Q4 2015/16 was 24.2%.

Profit for the year

Profit for the year after tax was DKK 365 million (2014/15: DKK 340 million).

Adjusted profit for the year after tax was DKK 423 million in 2015/16. This was an increase of 6.3% from 2014/15. In Q4 2014/15, adjusted profit after tax was DKK 69 million (Q4 2014/15: DKK 77 million).

Statement of financial position

Total assets stood at DKK 5,315 million at 31 March 2016 (31 March 2015: DKK 5,337 million). Current assets totalled DKK 920 million, representing a year-on-year increase of DKK 48 million, which was primarily attributable to the slight increase in cash and cash equivalents.

Inventories were 0.1% higher than at the end of 2014/15. Inventories accounted for 19.3% of LTM revenue at 31 March 2016, which was unchanged from the previous year. Inventories were at satisfactory levels during the year, with continuing efforts being made to strike the right balance between the size of inventories and the share of sold out items in the stores.

Trade receivables declined by DKK 5 million to DKK 30 million caused by normal operational fluctuations.

Cash and cash equivalents stood at DKK 70 million (31 March 2015: DKK 42 million).

Trade payables were up by DKK 85 million, which was attributable to timing differences in connection with payments to creditors at the end of the financial year.

Net working capital excluding deposits stood at minus DKK 172 million at 31 March 2016, which was a year-on-year reduction of DKK 95 million. Net working capital accounted for approximately minus 5.0% of LTM revenue as compared with minus 2.3% last year.

Equity stood at DKK 2,658 million at 31 March 2016 (31 March 2015: DKK 2,644 million). Dividend paid in the financial year 2015/16 amounted to DKK 232 million, and a total of 907,562 shares were bought back for DKK 120.9 million in the period until 31 March 2016.

Total bank debt stood at DKK 1,494 million at 31 March 2016, which was below the defined target range of gross debt at the level of DKK 1,600-1,800 million.Net interest bearing debt was DKK 1,424 million at 31 March 2016, representing a year-on-year reduction of DKK 141 million. Net interest-bearing debt represents 2.2 times LTM EBITDA.

Statement of cash flows

Cash generated from operations was DKK 749 million in 2015/16 (2014/15: DKK 621 million) and was positively affected by the change in working capital.

The cash flow from operating activities was DKK 567 million in 2015/16 (2014/15: DKK 422 million). The main reason for the increase was the fall in net working capital described above.

The cash flow from operating activities in Q4 2015/16 totalled DKK 92 million, representing a year-on-year improvement of DKK 23 million.

The cash flow from investing activities was an outflow of DKK 70 million in 2015/16, which was attributable to reinvestments in the store network, IT investments and investments in the new shore concept in the Matas stores at the Fields and Bruun's Galleri shopping malls.

In Q4 2015/16, the cash flow from investing activities was an outflow of DKK 29 million, of which especially the investments in the Fields and Bruun's Galleri stores weighed heavily.

The free cash flow was DKK 497 million in 2015/16 and DKK 63 million in Q4 2015/16.

Return on invested capital

The return on LTM invested capital before tax was 14.3% (133.5% excluding goodwill) as compared with 14.3% in 2014/15 (114.9% excluding goodwill).

Parent company performance

The parent company generated a profit of DKK 304 million in 2015/16 (2014/15: DKK 734 million). The main reason for the lower profit was a fall in dividends from subsidiaries. The profit for the year was positively affected by the establishment of the management-fee scheme under which the parent company receives income from the subsidiaries and income relating to prior-year VAT.

Equity stood at DKK 2,244 million at 31 March 2015 (31 March 2015: DKK 2,289 million).

Events after the date of the statement of financial position

No significant events have occurred after the date of the statement of financial position.

Risk management

Risk management is an integral part of the management process of the Matas Group: the objective is 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. The systems are approved by the Board of Directors, which holds the general responsibility for risk management in the Group. Through 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 major risks. The Board of Directors receives an overview table at least once a year listing individual risks and the estimated sensitivity to EBITDA so that any measures necessary to meet and mitigate such risks can be implemented.

Material operational risks

Changes in economic conditions

Matas is significantly exposed to changes in the prevailing economic conditions in Denmark, the market from which Matas derives virtually all of its revenue. Danish consumers still appear to be reluctant to spend, which could affect the Group's sales or product mix. 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 health products is subject to intense competition from established as well as new players. Matas continually seeks to enhance its market position by developing its retail network and the product range, through marketing, online sales, and by developing the Club Matas loyalty programme for the purpose of bringing 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 prepared a risk management policy and procedures to mitigate the risk of such risks occurring and has also taken out normal 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 different types of financial risk such as interest-rate, liquidity and credit risk. See note 29 to the consolidated financial statements for additional information on such risk.

Tax litigation

Matas is involved in litigation with the Danish tax authorities with respect to withholding tax on interest for the 2006-2009 income years. See note 28 to the consolidated financial statements, “Contingent liabilities and security”, for additional information.

Corporate governance

It is important to Matas to exercise 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 in view of 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. The recommendations are available at the website of the Committee on Corporate Governance, www.corporategovernance.dk. Matas complies with all the recommendations. The Group's corporate governance statements are available on its website at: 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 ensure that they have the opportunity 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 corporate social responsibility 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 aimed at ensuring that the disclosure of information complies with the applicable stock exchange regulations.

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

Matas publishes interim and annual financial statements and hosts investor presentations and telephone conferences after the release of each interim and annual report. In addition, Matas visits, and receives visits from, Danish and international investors. Investors and analysts can also contact the Investor Relations Department if they have further questions regarding the reports published.

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

The date of the general meeting along with 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 will be posted on the corporate website at investor.matas.dk, and by other means, and will be sent to all registered shareholders who have so requested.

Each shareholder is 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. At general meetings, the attending shareholders have the opportunity to ask questions to the Board of Directors and the Executive Management concerning the items on the agenda.

Matas has adopted contingency procedures in the event of takeover bids according to which the Board of Directors shall 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.

The Board of Directors of Matas consists of 60% men and 40% women, which meets the requirement for an equal gender distribution in the supreme governing body.

It is the ambition of the Board of Directors to maintain the diversity in management so that the mix reflects an equal gender distribution as defined in the Danish

Companies Act. The management of Matas, including members of middle management, consists of 56% men (2014/15: 56%) and 44% women (2014/15: 44%), so the Group meets the defined target.

Tasks and responsibilities of the Board of Directors

Powers and responsibilities at Matas 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 defined rules of procedure for the Board of Directors, which are reviewed annually. In future, the Board of Directors will hold twelve ordinary board meetings plus a strategy seminar each year and further convene as needed. In the 2015/16 financial year, ten board meetings were held (nine meetings in 2014/15) and one strategy seminar.

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 five members elected at general meetings and has elected a Chairman and a Deputy Chairman. The members of the Board of Directors is a group of professionally experienced business people who also represent diversity, international experience and competencies that are considered to be relevant to Matas. All members of the Board of Directors elected by the shareholders are considered to be independent.

The members of the Board of Directors elected by the general meeting are elected for terms 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 competencies 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.

Each year the Board of Directors evaluates its work. This year, the Board of Directors performed the evaluation together with an external consultant. The conclusion of the evaluation was that the Board of Directors has the necessary competencies and, thus, did not give rise to proposals for changes to the Board of Directors at the annual general meeting. See "Board of Directors and Executive Management" for a specification of the competencies of each member of the Board of Directors.

Audit Committee

The Board of Directors has set up an Audit Committee comprising three members of the Board of Directors, of whom the Chairman is independent and holds accounting competencies. The purpose of the Audit Committee includes monitoring the financial reporting process, the internal control and risk management systems and the collaboration with the independent auditors. The Audit Committee held four meetings in the 2015/16 financial year (four meetings in 2014/15).

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 2015/16 financial year (two meetings in 2014/15).

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 overall guidelines on incentive pay to the Executive Management. The Remuneration Committee held two meetings in the 2015/16 financial year (two meetings in 2014/15).

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

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

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

See note 31 for a specification of the remuneration 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 giving at least four months' notice. Agreements on termination and/or severance payments 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 the 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 providing 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. Moreover, 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 ongoing performance, store operations, financing and other risks, standardised monthly reports are prepared that contain a follow-up on the budget and a number of key performance indicators (KPIs).

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. The controlling function reports directly to the Executive Management In order to ensure functional separation.

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 given 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. An important element of this is clarity for each employee with respect to his or her role and the relevant working procedures.

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 monitors the Executive Management to ensure that they generally observe Group policies and react in the case of any weaknesses. The external auditors meet with the Audit Committee at least once a year without the Executive Management and report on material weaknesses, if any, in the long-form audit report.

In order to further improve the monitoring process in the Group, Matas established a whistleblower scheme in the course of the 2015/16 financial year, through which violation 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 Group's CSR policy and work with corporate social responsibility is embedded with the Executive Management and in the Group's core values of being a credible, dynamic and responsible organisation.

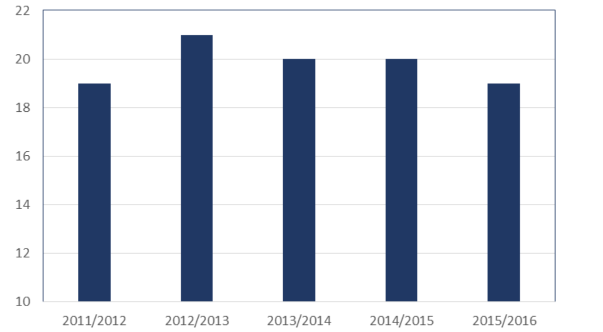
The state of the environment and the needs of consumers and employees are taken into consideration as a material part of management's decision-making and prioritisation processes. As a natural consequence of Matas’s CSR policy and mission of helping all customers to feel well, the Group works proactively in the environmental and health area in close dialogue with consumer organisations and patient associations with strong competencies. The reason why Matas has chosen to give high priority to health and the environment in its CSR-activities is that the Group believes that it has an opportunity to make a positive difference in these areas, in particular. For this reason, health and the environment are important subjects in the training and education of materialists, ensuring a high level of professionalism in the advice Matas employees provide to customers about products and their ingredients, about environmental activities initiated by Matas and about the initiatives to prevent illness the Group regularly offers in the stores.

Environment and climate impact

Based on its CSR policy, Matas is active in the efforts to protect the environment and limit the impact on the climate from the Group's activities.

The Matas Return System is a nationwide recycling scheme in which Matas has taken the initiative to offer customers the opportunity to return empty packaging from all products sold in Matas retail stores. Matas's initiative fits very well environmentally with the EU packaging directive, which prioritises recycling over incineration of plastic packaging. Customers returned 19 tonnes of plastic packaging for recycling in 2015/16. The packaging was returned without reimbursement of a deposit or any other payment to customers for doing so. In addition to the return system for customers’ product packaging, Matas arranges for recycling of all packaging used to transport goods to Matas retail stores, which added up to a total of 27 tonnes of transport plastic and 616 tonnes of cardboard in 2015/16.

PLASTIC PACKAGING RETURNED BY CUSTOMERS (TONNES)



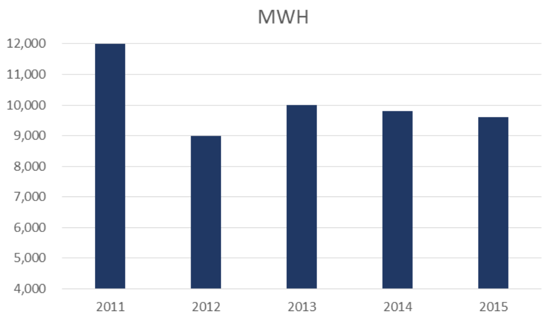
During the 2015/16 financial year, Matas and the Danish Society for Nature Conservation continued their collaboration to identify joint focus areas for nature and environmental protection. The Danish Society for Nature Conservation supports the Matas Return System and sales of Matas own brand products with the Nordic Ecolabel.

The Danish Society for Nature Conservation also recommends that consumers buy Matas's own recyclable bags (Environmental Fund bags). Profits from the sale of these bags go to the Matas Environmental Fund, which provides plants and sun shade tents for playgrounds at child care institutions. Up to and including the end of March 2016, the Fund had provided financial support for 2,108 day care institutions, 67 of them in the past financial year. Matas also recommends that customers buy and use these shopping bags and thereby support the Matas Environmental Fund rather than use disposable plastic bags. This is in line with the European Parliament's target of reducing the consumption of disposable carrier bags.

Matas constantly focuses on reducing and optimising energy consumption throughout the Group with special emphasis on lighting and cooling, which is estimated to account for more than 80% of the total energy consumption in the stores. The replacement of traditional lighting sources by substantially less energy consuming LED lighting sources will continue in an ongoing process.

In 2015, power consumption was reduced by 200,000 kWh relative to the consumption in the 2014 calendar year.

ENERGY CONSUMPTION IN MWH



Consistently with the Group's CSR policy, Matas continued its proactive work to improve all the chain's own brand products during the financial year in order to align them with the latest knowledge about the impact on the environment and consumer health. Moreover, all Matas-brand products are subjected to bacteriological control by Eurofins Steins Laboratorium. By the end of the financial year, 107 own-brand Matas products had been approved for the Swan label, the official Nordic ecolabel, which may only be used by the most environmentally friendly products on the market. In addition to the Group's Code of Conduct for own-brand Matas products, contractual environmental and ethical requirements also apply to all other products in the product range. These requirements are stricter than the Danish statutory requirements. As an example, suppliers have signed declarations that all products supplied to Matas are PVC-free.

For the purpose of increasing the share of Swan label products when procuring goods and services for in-house use, Matas is the first retail business to become a member of the Sustainable Procurement Network. The Network is managed by Ecolabelling Denmark, which is a part of the Danish Standards Foundation.

In the financial year, Matas contributed to increasing the awareness of *Allergyapp* and *Kemiluppen (Chemistry Loupe),* developed by leading dermatologists and the chemistry division of the Danish Consumer Council, respectively. Consumers can use the two apps to scan the bar code on cosmetics to get information about and an impartial assessment of the contents with respect to health and the environment.

Based on the contents of the UNGP*, Matas continues to give priority to providing excellent service when handling customer complaints relating to products and by the introduction of a new tool used to measure customer satisfaction in the stores.

*UN Guiding Principles on Business & Human Rights

Human rights

Under the Group's CSR policy, Matas will support and respect internationally declared human rights, cf. the UNGP, including by avoiding any negative impact on the employees' right to establish labour unions, freedom of association, right to collective bargaining and equal opportunities for women and men. Moreover, Matas requires that its suppliers have developed and produced their products without exploitive child labour.

Sickness prevention and health

In line with the Group's ambition of increasing its contributions towards the prevention of illness and disease, Matas continued its close collaboration with the Danish Heart Foundation and the Danish Cancer Society in 2015/16. The objective of the collaboration with the Danish Heart Foundation is to help reduce the number of women suffering from heart disorders. Today, one in four women in Denmark die from a cardiovascular disease. Up to and including the 2015/2016 financial year, Matas has donated more than DKK 16.4 million to the Danish Heart Foundation. In the past financial year, the donation amounted to DKK 1.9 million. The amount came from fund-raising, partly from a share of revenue from sales of Matas's own-brand luxury Plaisir skin care line. Moreover, in the 2015/16 financial year, Matas offered Club Matas members to use points earned to pay for membership of the Danish Heart Foundation.

According to the Danish Heart Foundation, 285,000 people in Denmark unknowingly suffer from hypertension which, if untreated, can lead to cardiovascular diseases. In collaboration with the Heart Foundation, Matas regularly offers free blood pressure testing in its stores. In the 2015/16 financial year, 122 Matas stores participated, and 3,344 people had their blood pressure measured. In 9% of these people, the measurements showed moderate to severe hypertension, and the Heart Foundation consequently recommended that they consult their own doctor for follow-up examinations.

Matas continued its close collaboration with the Danish Cancer Society during the 2015/16 financial year with the aim of contributing to a decline in the number of people contracting skin cancer, the most common type of cancer in Denmark.

Skin cancer can be prevented by following important sun advice from the Cancer Society. Matas and the Danish Cancer Society collaborate closely to raise the awareness of this sun advice with a special focus on increasing people's knowledge about how much sunscreen should be used and the minimum UV index at which protection is needed. These messages are disseminated through Matas's various media, on Matas sun products and, in particular, in the individual advice provided to consumers by trained Matas shop assistants in the stores. The advisory skills of Matas staff in this area are updated regularly by way of a supplementary training course developed by the Danish Cancer Society.

In the financial year, Matas and the Danish Cancer Society held a full-day event at 51 Matas stores throughout Denmark at which consumers were offered a free subcutaneous examination to detect any damage due to sun exposure and personal advice from representatives of the Cancer Society.

As stated in the Group's CSR policy, Matas continually seeks to enter into partnerships with competent stakeholders regarding activities that could potentially make a positive difference to consumers' health. Matas continued its collaboration with the Danish Lung Association during the 2015/16 financial year, this year attracting attention to the fact that many children and young people suffer from chronic pulmonary diseases. As an example, one in five children of nursery or kindergarten age suffer from asthma. The same goes for one in ten children of school age, and more than a thousand children and young people furthermore suffer from rare pulmonary diseases. In the past financial year, Matas chose to donate half the revenue from the sale of Matas Christmas cards to the Lung Association’s family camps for children suffering from pulmonary diseases and their families. This resulted in a donation of more than DKK 50,000.

Additional information on the Group's collaborative activities is available at www.matas.dk/responsibility.

Employee competencies

The Group's intellectual capital is deemed to be essential for meeting the Group's growth strategy. The goal is for professional advice in the stores under the motto “Good advice makes the difference” to ensure that consumers make a qualified choice among various products – both relative to their needs and relative to any special wishes with respect to the environmental profile of products. Moreover, competent advice is to lead to continuing good customer experience, thereby strengthening the Group's strong market position.

In the 2015/16 financial year, the Group had 2,163 full-time employees (FTE), down from 2,226 last year.

In the 2014/2015 financial year, Matas continued its efforts to provide an excellent and attractive workplace where employee competencies and personal and professional development are in focus. For this reason, Matas continues to invest in a structured training programme for all full-time Matas shop assistants.

Training and knowledge resources

Matas is the only retail chain that trains materialists, and by far the majority of the chain's staff are either currently undergoing training or are trained materialists. The two-year training programme consists partly of an apprenticeship at a Matas store and a training programme consisting of four modules, correspondence school courses, a course in OTC medicine and a final test. After completion of the programme, materialists have the option to specialise.

Matas store managers receive additional training in management, coaching, operations and accounting to ensure that they have the necessary tools to handle the day-to-day management of a store.

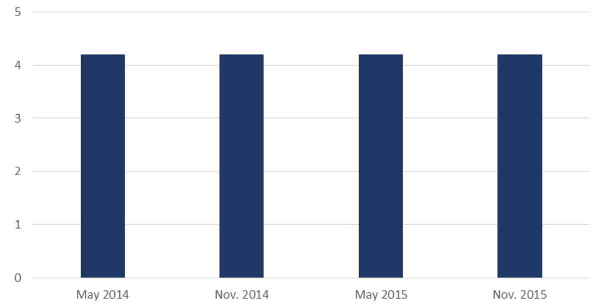
Matas wants to continue to attract, retain and develop committed employees with the skills to provide specialised service to customers. For this reason, skills enhancing programmes are prepared for each head office employee and each of the employees at every store in the chain.

At Matas, it is the knowledge and know-how of the employees which ensures that customers get the best advice from industry specialists. This knowledge and know-how is constantly updated through supplementary training in health and beauty through courses which are to some extent offered by suppliers. To a significant degree, the Group seeks to train its own managers, with five levels of management training offered to materialists. This management training helps improve and expand the skills of store managers, their deputies and young talents: skills that are key to the personal and professional development of materialists and to handling the strategic tasks and projects necessary to ensure the continuing success of the Group.

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 its employees. Matas contributes to diversity and an inclusive labour market through special employment plans such as part-time work schemes and a project called KLAP (*Kreativ, Langsigtet ArbejdsPlanlægning* (creative, long-term work planning)). Matas collaborates with the Danish LEV society on the KLAP Project whose objective is to give people with special needs and learning difficulties an everyday situation in the form of a job with content and the opportunity to meet other people. At the end of the financial year, the Group had 31 employees under the KLAP Project.

EMPLOYEE SATISFACTION



Welfare and responsibility in the workplace

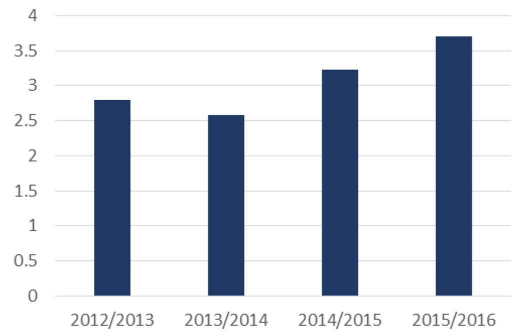
In the Matas Group, proactive efforts are made to ensure employee job satisfaction, working actively to maintain a safe and healthy working environment and holding annual employee development interviews and semi-annual surveys of employee satisfaction at all levels of the Group.

Matas continues to work actively to improve the general level of employee satisfaction in the Matas chain in order make Matas an even better place to work and a better place to shop for its customers. Anonymous surveys of employee satisfaction are conducted for all employees twice a year, and Matas follows up on all survey feedback.

The employee satisfaction survey shows a very good score of more than 4.2 out of 5 for the Group as a whole.

Matas recorded a minor 0.4% increase in the level of sickness absence, but excluding the sickness absence that often accompanies a pregnancy and taking into account employees who resigned during the year, the adjusted sickness absence rate was 2.2%, which is low relative to peer companies.

SICKNESS ABSENCE (%)



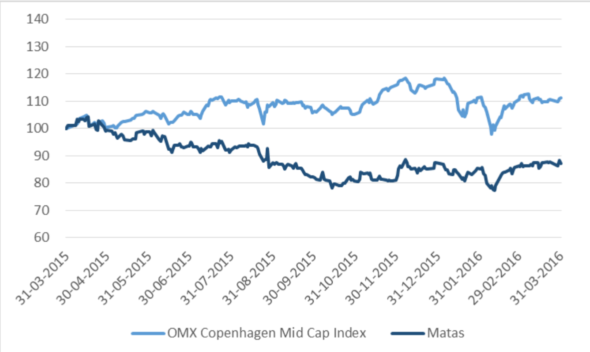
Under the heading of “Accountability”, Matas's website contains further details on the Group's efforts in this respect; this information is updated regularly.

Shareholder information

Matas shares in 2015/16

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 132.5 on 31 March 2016, equivalent to a decline of 16% in 2015/16. A dividend of DKK 5.80 per share was paid out as of 1 July 2014. Including this dividend, the rate of decline in the share price was 13% in 2015/16. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of 11% in the same period. At the end of the 2015/16 financial year, the market capitalisation of Matas A/S was DKK 5,339 million. The average turnover in Matas's shares was 91,038 shares per day in 2015/16.

INDEXED SHARE PRICE PERFORMANCE



Share capital

The nominal value of the company's share capital at 31 March 2016 was DKK 100,728,730 divided into shares of DKK 2.50, equivalent to 40,291,492 shares and 40,291,492 votes. In the course of the financial year, the share capital was reduced by DKK 1,220,780, equivalent to a total of 488,312 shares.

As at 31 March 2016, Matas held 1,045,693 treasury shares. The shares are not divided into share classes.

Authorisations relating to the share capital

Pursuant to the Articles of Association, the Board of Directors is, until 1 April 2018, 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.

MASTER DATA

Share capital, DKK	100,728,730
Number of shares (of DKK 2.5)	40,291,492
Classes of shares	1
Restrictions on transferability and voting rights	None
Stock exchange	Nasdaq Copenhagen
Ticker symbol	MATAS
ISIN code	DK0060497295

The capital increase shall take place at market price and may be effected by cash payment or as consideration for an acquisition of business activities or other assets.

Further, the Board of Directors is, until 1 April 2018, 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. The new shares shall be issued at a subscription price to be determined by the Board of Directors, which may be below the market price.

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.

Moreover, 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 authority is valid until 29 June 2016.

MOVEMENTS IN SHARE CAPITAL IN 2015/16

Date	Transaction	Share capital before change (DKK)	Change in share capital	Share capital after change (DKK)	Number of shares after change
27 July 2015	Reduction of share capital	101,949,510	(1,220,780)	100,728,730	40,291,492

Ownership

At 31 March 2016, Matas A/S had approximately 10,700 registered shareholders, who represented approximately 95% of the share capital. Out of the registered shareholders, shares held by non-Danish shareholders accounted for approximately 44%. KIRKBI Invest A/S, Denmark, has disclosed that it holds 14.3% of the shares, and Schroders plc, United Kingdom, has disclosed that it holds 6.0% of the shares.

At 31 March 2016, members of the Board of Directors held 25,203 shares, and members of the Executive Management held 176,304 shares, equivalent to 201,507 shares, or 0.5% of the share capital.

Treasury shares

At the annual general meeting held on 24 June 2015, 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 2016.

As part of the adjustment of the Group's capital structure, a share buyback programme for a total of DKK 125 million was initiated in November 2015. Under the buyback programme, which ran from 19 November 2015 until 12 May 2016, a total of 980,863 treasury shares of DKK 2.50 nominal value were acquired, equivalent to 2.4% of the share capital. A total of 750,763 shares of DKK 2.50 nominal value of these shares were acquired in the 2015/16 financial year. This brought to company's portfolio of treasury shares to 1,045,693 shares of DKK 2.50 nominal value at 31 March 2016, equivalent to 2.6% of the share capital.

It is expected that the treasury shares acquired under the share buyback programme will be proposed to be cancelled at the annual general meeting to be held in 2016. Other treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

Dividends

The Board of Directors proposes an ordinary dividend of DKK 6.30 per share for the 2015/16 financial year. The proposed dividend per share corresponds to a total dividend distribution of DKK 253.8 million, equivalent to approximately 60% 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 2015/16 financial year, meetings and telephone conferences were held with approximately 130 institutional investors.

The company's investor relations website, investor.matas.dk, contains all official financial reports, investor presentations, the financial calendar, corporate governance documents and other material.

Analyst coverage

Matas A/S is currently covered by seven analysts.

ANALYST COVERAGE

ABG Sundal Collier	Michael Vitfell-Rasmussen
Carnegie	Claus Almer
Danske Bank	Poul Ernst Jessen
Handelsbanken	Erik Sandstedt
Jyske Bank	Frans Høyer
Morgan Stanley	Anisha Singhal
Nordea	Patrik Setterberg

Contact

Day-to-day contact with investors and analysts is handled by the investor relations function.

Søren Mølbak
Tel: +45 4816 5548
E-mail: som@matas.dk

Annual general meeting

The annual general meeting will be held on 29 June 2016 at 4:00 p.m. at the Tivoli Hotel & Congress Center, Arni Magnussons Gade 2-4, DK-1577 Copenhagen V, Denmark.

Financial calendar

The financial calendar for the 2016/17 financial year is as follows.

FINANCIAL CALENDAR

29 June 2016	Annual general meeting for 2015/16
16 August 2016	Interim report – Q1 2016/17
9 November 2016	Interim report – 6 months 2016/17
10 January 2017	Trading update for Q3 2016/17
8 February 2016	Interim report – 9 months 2016/17
30 May 2017	Annual report for 2016/17
29 June 2017	Annual general meeting for 2016/17

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
- Re-elected: 2016
- Chairman of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the boards of directors of Falck A/S, Rockwool A/S, Widex A/S, Augustinus Industri A/S, Hedorf Holding A/S and Tate & Lyle, London. Chairman of the Danish Committee on Corporate Governance and a member of the Supervisory Board of PAI Partners SA, France.
- Special competencies: 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
- Re-elected: 2016
- Member of the Remuneration Committee, the Nomination Committee and the Audit Committee
- Independent board member
- Chairman of Clea Capital Ltd., Burner International A/S and Jægersborg Ejendomme A/S
- Special competencies: General management experience and retail experience within beauty, personal care and health products.

Ingrid Jonasson Blank, board member

- Born 1962, Swedish nationality
- Position: Professional board member since 2010
- First elected to the Board of Directors in 2013
- Re-elected: 2016
- Member of the Remuneration Committee and the Nomination Committee
- Independent board member
- Member of the boards of directors of Ambea Sverige AB, Musti ja Mirri Grp Oy, Fiskars Oyj, Orkla ASA, Bilia AB, Royal Unibrew A/S, ZetaDisplay AB, Matse Holding AB and Martin & Servera AB.
- Special competencies: General management experience in retail business from her position as Executive Vice President of ICA Sverige AB and board experience from listed companies.

Christian Mariager, board member

- Born 1961, Danish nationality
- Position: Professional board member since 2015
- First elected to the Board of Directors in 2014
- Re-elected: 2016
- Member of the Audit Committee
- Independent board member
- Chairman of Comitel A/S and Coffeebrewer Nordic A/S. Vice Chairman of NDI A/S and Brunata A/S. Member of the boards of directors of Imerco A/S, Michael Goldschmidt Holding A/S, Løgismose Meyers A/S and Wagg Foods Ltd.(UK). Member of the Advisory Board of Columbia Business School.
- Special competencies: General strategy and management experience in consumer goods and retailing.

Board of Directors (continued)

Birgitte Nielsen, board member

- Born 1963, Danish nationality
- Position: Professional board member since 2006
- First elected to the Board of Directors in 2013
- Re-elected: 2016
- Chairman of the Audit Committee
- Independent board member
- Member of the boards of directors of Topdanmark A/S, Kirk Kapital A/S, Arkil Holding A/S, Coloplast A/S, the Danish Rheumatism Association and De Forenede Ejendomsselskaber A/S
- Special competencies: General management experience and extensive financial and accounting understanding. Board experience from listed companies. Chairman of the audit committee of Arkil Holding A/S and a member of the audit committee of Topdanmark A/S.

Executive Management

Terje List
Chief Executive Officer

- Born 1965, Danish nationality
- Board member: 3C RETAIL A/S, Svenska S Holding 3 AB and the Danish Chamber of Commerce

Anders Skole-Sørensen
Chief Financial Officer

- Born 1962, Danish nationality
- Board member: F. Uhrenholdt Holding 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 2015 to 31 March 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the Group's and the company's assets and liabilities and financial position at 31 March 2016 and of the results of the Group's and the company's operations and cash flows for the financial year 1 April 2015 to 31 March 2016.

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 company's cash flows and financial position and describes the principal risks and uncertainties that the Group and the company face.

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

Allerød, 27 May 2016

Executive Management

Terje List CEO	Anders Skole-Sørensen

Board of Directors

Lars Vinge Frederiksen Chairman	Lars Frederiksen Deputy Chairman	
Ingrid Jonasson Blank	Christian Mariager	Birgitte Nielsen

Independent auditors’ report

To the shareholders of Matas A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Matas A/S for the financial year 1 April 2015 – 31 March 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company 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 Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 March 2016 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 April 2015 – 31 March 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review

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

Copenhagen, 27 May 2016

Ernst & Young
Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28

Peter Gath
State Authorised Public Accountant

Consolidated financial statements 2015/16

Statement of comprehensive income

(DKK millions)	Note	2015/16	2014/15
Revenue	3, 4	3,426.1	3,433.3
Cost of goods sold	5	(1,821.6)	(1,838.3)
Gross profit		1,604.5	1,595.0
Other external costs	6	(296.0)	(292.3)
Staff costs	7	(656.4)	(642.2)
Amortisation, depreciation and impairment losses	8	(138.5)	(134.3)
Operating profit		513.6	526.2
Financial income	9	7.1	0.1
Financial expenses	10	(43.6)	(64.6)
Profit before tax		477.1	461.7
Tax on the profit for the year	11	(112.6)	(121.4)
Profit for the year		364.5	340.3
Other comprehensive income			
Other comprehensive income after tax		0.0	0.0
Total comprehensive income		364.5	340.3
Earnings per share:			
Earnings per share, DKK	12	9.17	8.39
Diluted earnings per share, DKK	12	9.11	8.38

Statement of cash flows

(DKK millions)	Note	2015/16	2014/15
Profit before tax		477.1	461.7
Adjustment for non-cash operating items, etc.:			
Amortisation, depreciation and impairment losses	8	138.5	134.3
Other non-cash operating items, net		3.4	1.9
Financial income	9	(7.1)	(0.1)
Financial expenses	10	43.6	64.6
Cash generated from operations before changes in working capital		655.5	662.4
Changes in working capital	26	93.8	(41.8)
Cash generated from operations		749.3	620.6
Interest received	9	1.8	0.1
Interest paid	10	(40.7)	(46.7)
Corporation tax paid		(143.5)	(151.7)
Cash flow from operating activities		566.9	422.3
Acquisition of intangible assets	14	(25.2)	(23.5)
Acquisition of property, plant and equipment	16	(45.4)	(27.9)
Sale of securities		0.3	0.0
Acquisition of subsidiaries and operations	27	0.0	(10.7)
Cash flow from investing activities		(70.3)	(62.1)
Free cash flow		496.6	360.2
Debt raised from and settled with banks		(115.3)	(159.7)
Dividend paid		(232.0)	(223.8)
Purchase and sale of treasury shares	17	(120.9)	(75.2)
Cash flow from financing activities		(468.2)	(458.7)
Net cash flow from operating, investing and financing activities		28.4	(98.5)
Cash and cash equivalents at 1 April		41.5	140.0
Cash and cash equivalents at 31 March		69.9	41.6

Assets at 31 March

(DKK millions)	Note	**2015/16**	**2014/15**
NON-CURRENT ASSETS			
Goodwill		3,691.0	3,691.0
Trademarks and trade names		435.7	509.7
Shares in co-operative property		3.9	3.9
Other intangible assets		37.2	39.4
Total intangible assets	14, 15	4,167.8	4,244.0
Land and buildings		96.5	98.7
Plant and machinery		67.3	53.2
Leasehold improvements		10.0	13.6
Total property, plant and equipment	16	173.8	165.5
Deferred tax assets	22	16.0	18.0
Deposits		36.9	36.2
Other securities and investments		0.9	1.3
Total other non-current assets		53.8	55.5
Total non-current assets		4,395.4	4,465.0
CURRENT ASSETS			
Inventories	18	662.8	662.1
Trade receivables	19	29.5	34.3
Corporation tax receivable	20	129.5	112.3
Other receivables		4.5	2.6
Prepayments		23.7	19.0
Cash and cash equivalents		69.9	41.5
Total current assets		919.9	871.8
TOTAL ASSETS		5,315.3	5,336.8

Equity and liabilities at 31 March

(DKK millions)	Note	**2015/16**	**2014/15**
EQUITY AND LIABILITIES			
Share capital	21	100.7	101.9
Share premium		1,787.3	1,787.3
Translation reserve		0.3	0.3
Treasury share reserve		(137.4)	(85.7)
Retained earnings		653.6	603.2
Proposed dividend for the financial year	13	253.8	236.5
Total equity		2,658.3	2,643.5
Deferred tax	22	248.2	263.9
Banks	24	1,493.5	1,560.6
Other payables	25	22.8	28.1
Total non-current liabilities		1,764.5	1,852.6
Banks	24	0.0	45.3
Prepayments from customers	23	149.8	141.2
Trade payables		584.2	499.5
Other payables	25	158.5	154.7
Total current liabilities		892.5	840.7
Total liabilities		2,657.0	2,693.3
TOTAL EQUITY AND LIABILITIES		5,315.3	5,336.8

Statement of changes in equity

(DKK millions)	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2015	**101.9**	**1,787.3**	**0.3**	**(85.7)**	**236.5**	**603.2**	**2,643.5**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/(loss) for the year	0.0	0.0	0.0	0.0	253.8	110.7	364.5
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**253.8**	**110.7**	**364.5**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(232.0)	0.0	(232.0)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.5)	4.5	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(120.9)	0.0	0.0	(120.9)
Reduction of share capital	(1.2)	0.0	0.0	69.2	0.0	(68.0)	0.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	3.2	3.2
Total transactions with owners	**(1.2)**	**0.0**	**0.0**	**(51.7)**	**(236.5)**	**(60.3)**	**(349.7)**
Equity at 31 March 2016	**100.7**	**1,787.3**	**0.3**	**(137.4)**	**253.8**	**653.6**	**2,658.3**

(DKK millions)	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2014	**101.9**	**1,787.3**	**0.3**	**(10.5)**	**224.3**	**496.6**	**2,599.9**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/(loss) for the year	0.0	0.0	0.0	0.0	236.5	103.8	340.3
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**236.5**	**103.8**	**340.3**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(223.8)	0.0	(223.8)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(0.5)	0.5	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(75.2)	0.0	0.0	(75.2)
Share-based payment	0.0	0.0	0.0	0.0	0.0	2.3	2.3
Total transactions with owners	**0.0**	**0.0**	**0.0**	**(75.2)**	**(224.3)**	**2.8**	**(296.7)**
Equity at 31 March 2015	**101.9**	**1,787.3**	**0.3**	**(85.7)**	**236.5**	**603.2**	**2,643.5**

Summary of notes to the financial statements

Notes to the financial statements

Note 1 – Accounting policies

Matas A/S is a public limited company domiciled in Denmark. The financial part of the annual report for the period 1 April 2015 – 31 March 2016 includes both the consolidated financial statements of Matas A/S and its subsidiaries (the Group) and the financial statements of the parent company.

The consolidated financial statements of Matas A/S for 2015/16 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

The Board of Directors and the Executive Management considered and adopted the annual report of Matas A/S for 2015/16 on 27 May 2016. The annual report will be presented to the shareholders of Matas A/S for approval at the annual general meeting to be held on 29 June 2016.

Basis of preparation

The consolidated financial statements are presented in DKK millions.

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

With effect from the financial year 2015/16, Matas A/S has implemented the standards and interpretations that have come into force for 2015/16. None of these have affected the recognition and measurement in 2015/16 or are expected to affect Matas A/S with the current activities. Note 34 contains a description of the effect of new financial reporting regulations.

Description of accounting policies

Consolidated financial statements

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

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

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

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

Business combinations

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

Note 1 - Accounting policies - cont.

For acquisitions of new enterprises in which Matas A/S is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprises' 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 of the acquired enterprise.

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 indication of impairment. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently forms 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

For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting enterprise operates. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

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 in the income statement 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 in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of enterprises with another functional currency than DKK, the statement of comprehensive income is translated at the exchange rates at the transaction date and the statement of financial position items are translated at the exchange rates at the date of the statement of financial position. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the date of the statement of financial position and on translation of the statement of comprehensive income from the exchange rates at the transaction date to the exchange rates at the date of the statement of financial position are recognised in other comprehensive income in a separate translation reserve under equity.

Note 1 - Accounting policies - cont.

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 classified and/or do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue
Revenue from the sale of goods for resale is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received.

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 expense, gains and losses on transactions denominated in foreign currencies. Furthermore, amortisation of financial assets and liabilities, as well as surcharges and refunds under the on-account tax 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 companies are taxed under the tax prepayment scheme.

Matas A/S is the administrative company under 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 companies 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, other comprehensive income or directly in equity.

Note 1 - Accounting policies - cont.

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 that their useful lives cannot be determined.

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
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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 recognised as an expense in the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement 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	15-25 years
Plant and machinery	1-7 years
Lease hold 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 the depreciation is recognised prospectively as a change in accounting estimates.

Note 1 - Accounting policies - cont.

Impairment testing of non-current assets

Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, 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 over the income statement 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 subject to annual impairment tests 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 tested annually for indications of impairment. 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 losses are recognised in the income statement 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 calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation, had the asset not been impaired.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO (first in, first out) method and the net realisable value.

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in 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 has been 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 - cont.

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.

Share premium
Share premium comprises amounts in addition to the nominal share capital that have been paid by the shareholders in connection with capital increases and gains and losses on the sale of treasury shares.

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

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

Employee benefits

Pension obligations and similar non-current liabilities
The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees.

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

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 in the income statement 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.

Employee shares
To the extent employees of the Matas Group are given the opportunity to subscribe shares at a price below the market price, the discount is recognised as an expense in staff costs. The balancing item is recognised directly in equity as a shareholder transaction. The discount is calculated at the subscription date as the difference between fair value and the subscription price of the subscribed shares.

Note 1 - Accounting policies - cont.

Current and deferred tax

In accordance with the joint taxation rules, Matas A/S as administrative company assumes the liability for payment to the tax authorities of the 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 using the statement of financial position 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 is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/(loss) for the year or the taxable income. 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 according to the tax rules and at the tax rates applicable in the respective countries at the date of the statement of financial position when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in comprehensive income.

Prepayments from customers

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

Liabilities regarding gift vouchers are recognised at the date of issue.

Points issued under the Club Matas customer loyalty programme are recognised as a liability at the date of recognition of the related sales. The liability is measured at the estimated fair value of the Club Matas points issued.

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 in the income statement under financial expenses over the term of the loan.

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

Note 1 - Accounting policies - cont.

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. Cash flows from disposals of 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 enterprises 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 flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date and 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.

Geographical information on revenue and non-current assets is based on the geographic location where the sales transaction takes place. The value of non-current assets by geographic location is exclusive of the value of deferred tax assets.

Estimation uncertainty

The computation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions regarding 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. The 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. The financial risks of the Matas Group are described in greater detail in note 29.

It may be necessary to change previously made estimates as a result of changes in the circumstances on which previous estimates were based or because of new knowledge or subsequent events.

Note 2 – Accounting estimates and judgments

Impairment testing
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. The 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 (first in, first out) method and the net realisable value. Goods for resale are measured at cost, comprising 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 development in expected sales price.

The carrying amount of inventories is recognised at net realisable value, DKK 0.8 million at 31 March 2016 (31 March 2015: DKK 0).

Rolling stock counts in the stores are made evenly distributed over the year. Moreover, full stock counts were made for 21% of the stores at the end of the financial year (2014/15: 21%). Inventories subjected to rolling stock counts consequently have to be measured taking into account shrinkage. Shrinkage is estimated at 1.3% of sales in 2015/16 (2014/15: 1.3%).

Measurement of prepayments
Prepayments from customers comprise delivery 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, liabilities are recognised at the date of recognition of the sale related to the issuance of Club Matas points. The liability is measured at the estimated fair value of the Club Matas points issued. The determination of the estimated fair value is by nature subject to some uncertainty with respect to the future actual redemption of points and the flexibility of the customer loyalty programme.

Tax litigation
The outcome of the pending case with the Danish tax authorities concerning withholding tax on interest is inherently uncertain. 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, vitamins, minerals and supplements, household and personal care goods and over-the-counter medicine.

Revenue can be specified as follows:

(DKK millions)	2015/16	2014/15
Beauty	2,452.2	2,447.0
Vital	374.8	347.9
Material	274.7	287.6
MediCare	182.5	186.2
Other including Sweden	26.7	39.0
Total revenue from own retail stores	**3,310.9**	**3,307.7**
Sales of goods to associated stores, etc.	115.2	125.6
Total revenue	**3,426.1**	**3,433.3**

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

Geographical information

The Matas Group operates in Denmark. The Matas Group's limited activities in Sweden were discontinued in early May 2015.

Revenue from sales through Danish retail stores and to associated stores amounted to 100.0% (2014/15: 99.7%).

All the Group's non-current assets are physically located in Denmark as at 31 March 2016 (31 March 2015: 100.0%)

Note 4 – Revenue

(DKK millions)	2015/16	2014/15
Sale of goods from retail stores	3,310.9	3,307.7
Sale of goods to associated stores	115.2	125.6
Total revenue	**3,426.1**	**3,433.3**

Note 5 – Cost of goods sold, etc.

(DKK millions)	2015/16	2014/15
Cost of goods sold for the year	1,819.4	1,838.3
Write-down of inventories for the year	2.2	0.0
Reversed write-down of inventories	0.0	0.0
Total cost of goods sold	1,821.6	1,838.3

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

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

(DKK millions)	2015/16	2014/15
Fee to EY	0.8	1.1
Total	**0.8**	**1.1**

Which is specified as follows:

(DKK millions)	2015/16	2014/15
Audit	0.7	0.8
Other assurance engagements	0.0	0.0
Tax and VAT assistance	0.1	0.1
Other services	0.0	0.2
Total	**0.8**	**1.1**

Note 7 – Staff costs

(DKK millions)	2015/16	2014/15
Wages and salaries	599.4	585.4
Defined contribution plans	42.1	41.8
Share-based payment	3.2	2.3
Other staff costs	15.2	16.1
Total staff costs	**659.9**	**645.6**

Total staff costs are recognised as follows:

(DKK millions)	2015/16	2014/15
Staff costs in statement of comprehensive income	656.4	642.2
Intangible assets	3.5	3.4
Total staff costs	**659.9**	**645.6**
Average number of employees	2,163	2,226

For information on remuneration to the Board of Directors, the Executive Management and other executive employees, including bonus programmes and option programmes, see note 31.

Note 8 – Depreciation, amortisation and impairment losses

(DKK millions)	2015/16	2014/15
Amortisation, intangible assets	101.4	99.0
Depreciation, property, plant and equipment	37.1	35.3
Total	**138.5**	**134.3**

Note 9 – Financial income

(DKK millions)	2015/16	2014/15
Changes in the fair value of derivative financial instruments	5.3	0.0
Interest from the Danish tax authorities	1.7	0.0
Interest, cash, etc.	0.1	0.1
Total financial income	**7.1**	**0.1**
Interest from financial assets measured at amortised cost amounts to	0.0	0.0

Note 10 – Financial expenses

(DKK millions)	2015/16	2014/15
Interest, banks	40.0	46.2
Amortisation of financing costs	2.9	2.9
Changes in the fair value of derivative financial instruments	0.0	15.0
Other	0.7	0.5
Total financial expenses	43.6	64.6
Interest on financial liabilities measured at amortised cost amounts to	24.0	35.2

Note 11 – Tax

(DKK millions)	2015/16	2014/15
Tax on the profit/(loss) for the year is specified as follows:		
Tax on profit/(loss) for the year	112.6	121.4
Total	**112.6**	**121.4**
Tax on the profit/(loss) for the year has been calculated as follows:		
Current tax	126.4	156.7
Deferred tax	(13.7)	(35.3)
Current tax regarding previous years	(0.1)	0.0
Total	**112.6**	**121.4**
Tax on the profit/(loss) for the year is explained as follows:		
Computed 23.5% tax on profit before tax (24.5% in 2014/15)	112.1	113.1
Limitation of right to deduct interest	1.3	8.0
Other	0.9	4.6
Change of Danish corporate tax rate	(1.6)	(4.3)
Tax regarding previous years	(0.1)	0.0
Total	**112.6**	**121.4**
Effective tax rate	23.6%	26.3%

Note 12 – Earnings per share

	2015/16	2014/15
Profit for the year (DKK millions)	**364.5**	**340.3**
Average number of shares	40,324,046	40,779,804
Average number of treasury shares	(599,600)	(208,203)
Average number of outstanding shares	**39,724,446**	**40,571,601**
Average dilutive effect of outstanding share options	266,113	51,853
Diluted average number of outstanding shares	**39,990,559**	**40,623,454**
Earnings per share of DKK 2.50	9.17	8.39
Diluted earnings per share of DKK 2.50	9.11	8.38

Note 13 – Dividend per share

The Board of Directors recommends to the annual general meeting that a dividend of DKK 6.30 (2014/15: DKK 5.80) be declared and paid.

The dividend is determined as approximately 60% of adjusted profit after tax for the 2015/16 financial year. For a definition of adjusted profit after tax, see “Definitions of key financials”.

Note 14 – Intangible assets

(DKK millions)	Goodwill	Trademarks and trade names	Shares in co-operative property	Other intangible assets	Total
Cost at 1 April 2015	**3,691.0**	**1,107.1**	**3.9**	**157.0**	**4,959.0**
Additions	0.0	0.0	0.0	25.2	25.2
Disposals	0.0	0.0	0.0	(0.5)	(0.5)
Cost at 31 March 2016	**3,691.0**	**1,107.1**	**3.9**	**181.7**	**4,983.7**
Amortisation and impairment at 1 April 2015	**0.0**	**597.4**	**0.0**	**117.6**	**715.0**
Amortisation	0.0	74.0	0.0	27.4	101.4
Disposals	0.0	0.0	0.0	(0.5)	(0.5)
Amortisation and impairment at 31 March 2016	**0.0**	**671.4**	**0.0**	**144.5**	**815.9**
Carrying amount at 31 March 2016	**3,691.0**	**435.7**	**3.9**	**37.2**	**4,167.8**
Cost at 1 April 2014	**3,684.7**	**1,107.1**	**3.9**	**133.5**	**4,929.2**
Additions on acquisitions	6.3	0.0	0.0	0.0	6.3
Additions	0.0	0.0	0.0	23.5	23.5
Cost at 31 March 2015	**3,691.0**	**1,107.1**	**3.9**	**157.0**	**4,959.0**
Amortisation and impairment at 1 April 2014	**0.0**	**523.5**	**0.0**	**92.5**	**616.0**
Amortisation	0.0	73.9	0.0	25.1	99.0
Amortisation and impairment at 31 March 2015	**0.0**	**597.4**	**0.0**	**117.6**	**715.0**
Carrying amount at 31 March 2015	**3,691.0**	**509.7**	**3.9**	**39.4**	**4,244.0**
Amortised over	-	15 years	-	5-10 years	

Note 14 – Intangible assets, cont.

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

Note 15 – Impairment testing

Goodwill

The carrying amount of goodwill for the Group amounted to DKK 3,691.0 million at 31 March 2016 (31 March 2015: DKK 3,691.0 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 2016.

The recoverable value is based on the value in use, which is determined using expected net cash flows on the basis of the approved budget for 2016/17 and a projection for the remaining budget period (the years 2017-2020) with an expected growth in revenue at the rate of 2-3%. In the longer term, demand is expected to be affected by changes in the demographics, the mix of consumers and their behaviour, underpinning 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 2-3% 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 gross margin in the budget period is estimated based on the historic average gross margin, which is expected to be maintained almost unchanged despite a continued competitive market.

The discount factor before tax is 9.0% (31 March 2015: 9.8%).

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2020 is estimated at 1.5% (31 March 2015: 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 2016, there is no current evidence of impairment. Management assesses that likely changes in the basic assumptions above will not lead to the carrying amount exceeding the recoverable amount.

Note 16 – Property, plant and equipment

(DKK millions)	Land and buildings	Plant and machinery	Leasehold improvements	Total
Cost at 1 April 2015	**119.1**	**196.3**	**158.2**	**473.6**
Additions	0.3	41.5	3.6	45.4
Disposals	0.0	(32.3)	(0.3)	(30.1)
Cost at 31 March 2016	**119.4**	**205.5**	**161.5**	**488.9**
Depreciation and impairment at 1 April 2015	**20.4**	**143.1**	**144.6**	**308.1**
Depreciation	2.5	27.2	7.2	36.9
Disposals	0.0	(32.1)	(0.3)	(29.9)
Depreciation and impairment at 31 March 2016	**22.9**	**138.2**	**151.5**	**315.1**
Carrying amount at 31 March 2016	**96.5**	**67.3**	**10.0**	**173.8**
Cost at 1 April 2014	**119.1**	**171.9**	**155.8**	**446.8**
Additions on acquisitions	0.0	0.0	0.1	0.1
Additions	0.0	25.3	2.6	27.9
Disposals	0.0	(0.9)	(0.3)	(1.2)
Cost at 31 March 2015	**119.1**	**196.3**	**158.2**	**473.6**
Depreciation and impairment at 1 April 2014	**17.9**	**121.4**	**134.7**	**274.0**
Depreciation	2.5	22.6	10.2	35.3
Disposals	0.0	(0.9)	(0.3)	(1.2)
Depreciation and impairment at 31 March 2015	**20.4**	**143.1**	**144.6**	**308.1**
Carrying amount at 31 March 2015	**98.7**	**53.2**	**13.6**	**165.5**
Depreciated over	15-25 years	1-7 years	5-10 years	

Note 17 – Treasury shares

(DKK millions)	Number of shares of DKK 2.5		% of share capital	
	2015/16	**2014/15**	**2015/16**	**2014/15**
1 April	626,443	97,777	1.54%	0.24%
Reduction of capital, June 2015	(488,312)	-	(1.20)%	-
	138,131	97,777	0.34%	0.24%
Acquisition of treasury shares	907,562	528,666	2.25%	1.30%
31 March	**1,045,693**	**626,443**	**2.60%**	**1.54%**

Note 17 – Treasury shares, cont.

On 19 November 2015, the Group began a share buyback programme for DKK 125 million. See description under "Shareholder information". As at 31 March 2016, 750,763 treasury shares had been bought back for DKK 95.5 million under the programme. The completion of the earlier programme for DKK 100 million resulted in the purchase of 156,799 treasury shares in the 2015/16 financial for a total of DKK 25.2 million.

Under the previous programme for DKK 100 million, 528,666 shares were acquired in the 2014/15 financial year for a total of DKK 75.2 million.

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

Note 18 – Inventories

(DKK millions)	2015/16	2014/15
Goods for resale	662.0	662.1
Carrying amount of inventories recognised at net realisable value	0.8	0.0
31 March	**662.8**	**662.1**

Note 19 – Trade receivables

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

(DKK millions)	2015/16	2014/15
1 April	0.5	0.6
Write-down during the year	0.1	0.2
Realised during the year	(0.3)	(0.3)
31 March	**0.3**	**0.5**

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

(DKK millions)	2015/16	2014/15
Maturity:		
Up until 30 days	0.9	0.7
Between 30 and 90 days	0.7	0.0
31 March	**1.6**	**0.7**

Note 20 – Corporation tax receivable

Corporation tax receivable includes DKK 79.6 million (2014/15: DKK 89.6 million) including interest on tax paid relating to the decision of the Danish tax authorities concerning withholding tax on interest. See discussion in note 2 and note 28. The amount was reduced by DKK 10.0 million in the course of the year in connection with a change of the tax rates of the Danish tax authorities. The decision has been appealed to the Danish National Tax Tribunal, and its decision is expected in one to two years.

Note 21 – Equity

Share capital
The nominal value of the share capital is DKK 100,728,730 divided into shares of DKK 2.50, equivalent to 40,291,492 shares and 40,291,492 votes. The shares are not divided into share classes.

Capital structure
The Group aims to retain its gross debt at the level of DKK 1,600-1,800 million and to return any excess capital to shareholders by way of dividends and share buybacks. The Group's policy is to declare annual dividends of at least 60% of adjusted profit after tax. For a definition of adjusted profit after tax, see "Definitions of key financials". The capital is managed for the Group as a whole.

The ratio of equity to total equity and liabilities was 50.0% at 31 March 2016 (31 March 2015: 49.5%).

Note 22 – Deferred tax

(DKK millions)	**2015/16**	**2014/15**
Deferred tax at 1 April	245.9	281.6
Deferred tax for the year, recognised in the profit for the year	(13.7)	(35.7)
Deferred tax at 31 March	**232.2**	**245.9**
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	(16.0)	(18.0)
Deferred tax (liability)	248.2	263.9
Deferred tax at 31 March, net	**232.2**	**245.9**
Deferred tax relates to:		
Intangible assets	231.5	246.9
Property, plant and equipment	16.2	16.1
Inventories	(16.0)	(18.0)
Other assets	0.5	0.9
Deferred tax at 31 March, net	**232.2**	**245.9**

Unrecognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 17.9 million (2014/15: DKK 17.7 million).

Note 22 – Deferred tax, cont.

Changes in temporary differences during the year:

(DKK millions)	Balance at 1 April	Recognised in the profit for the year, net	Balance at 31 March
2015/16			
Intangible assets	246.9	(15.4)	231.5
Property, plant and equipment	16.1	0.1	16.2
Inventories	(18.0)	2.0	(16.0)
Other assets	0.9	(0.4)	0.5
Total	**245.9**	**(13.7)**	**232.2**
2014/15			
Intangible assets	273.2	(26.3)	246.9
Property, plant and equipment	23.0	(6.9)	16.1
Inventories	(15.9)	(2.1)	(18.0)
Other assets	1.3	(0.4)	0.9
Total	**281.6**	**(35.7)**	**245.9**

Note 23 - Prepayments from customers

Prepayments from customers comprise liabilities 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, liabilities are recognised at the date of recognition of the sale related to the issuance of Club Matas points. The liability is measured at the estimated fair value of the Club Matas points issued. The determination of the estimated fair value is by nature subject to some uncertainty with respect to the future actual redemption of points and the flexibility of the customer loyalty programme.

Note 24 – Amounts owed to banks

(DKK millions)	2015/16	2014/15
Amounts owed to banks are recognised in the statement of financial position as follows:		
Non-current liabilities	1,493.5	1,560.6
Current liabilities	0.0	45.3
Total	**1,493.5**	**1,605.9**
Nominal value	**1,500.0**	**1,615.3**
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
Fair value	**1,500.0**	**1,615.3**

Note 24 – Amounts owed to banks, cont.

The fair value of financial liabilities is assessed 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.

A facilities agreement was signed in July 2013 which has a final maturity date of 30 June 2018. Amounts owed to banks carry variable interest rates and are priced at an initial margin in the range of 150-200 basis points above CIBOR, and include a margin ratchet dependent on the level of leverage. At 31 March 2016, the effective interest rate on the net debt was 1.4-1.5% p.a. (31 March 2015: 1.4-1.5% p.a.).

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

Special covenants are attached to the Group's credit facility. The Group has complied with these covenants since raising the facility.

Note 25 – Other payables

(DKK millions)	**2015/16**	**2014/15**
Included in non-current liabilities:		
Fair value of hedging instrument (interest-rate swap)	22.8	28.1
Total	**22.8**	**28.1**
Included in current liabilities:		
VAT payable	37.2	43.2
Holiday pay obligation	91.3	90.3
Salary-related liabilities	18.9	21.1
Other creditors	11.1	0.1
Total	**158.5**	**154.7**

Note 26 – Changes in working capital

(DKK millions)	**2015/16**	**2014/15**
Change in inventories	(0.7)	(54.8)
Change in deposits and receivables	(2.7)	28.7
Change in trade and other payables	97.2	(15.7)
Total	**93.8**	**(41.8)**

Note 27 – Acquisition of subsidiaries and operations

In the 2015/16 financial year, the Group did not acquire any associated Matas stores.

In the 2014/15 financial year, the Group acquired three associated Matas stores, two on 1 October 2014 and one on 1 February 2015.

(DKK millions)	2015/16	2014/15
Intangible assets	0.0	0.0
Property, plant and equipment	0.0	0.1
Financial assets	0.0	0.2
Inventories	0.0	4.2
Deferred tax assets	0.0	0.0
Other receivables	0.0	0.2
Cash and cash equivalents	0.0	0.0
Liabilities	0.0	(3.8)
Acquired net assets	**0.0**	**0.9**
Goodwill	0.0	6.3
Acquisition cost	**0.0**	**7.2**
Of which cash and cash equivalents	0.0	0.0
Of which paid relating to prior years	0.0	3.6
Unpaid acquisition cost	0.0	(0.1)
Cash acquisition cost	**0.0**	**10.7**

2014/15

After recognition of identifiable assets and liabilities at fair value, goodwill in connection with the Group's acquisition was computed at DKK 6.3 million in 2014/15.

As a consequence of the continuing settlement of the contracts with the sellers, changes may occur in the acquisitions recognised.

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

In 2014/15, the acquired subsidiaries and operations were recognised in revenue and profit for the year at DKK 7.0 million and DKK 0 million respectively for the period since the acquisition.

Consolidated revenue and profit for the year in 2014/15, prepared on a pro forma basis as if the acquired subsidiaries and operations had been acquired on 1 April 2014, amounted to DKK 3,442.8 million and DKK 340.4 million respectively.

In connection with the acquisition of subsidiaries and operations, transaction costs were incurred in the amount of DKK 0 million in 2014/15.

Note 28 – Contingent liabilities and security

Matas A/S received a decision from the Danish tax authorities in September 2013 to the effect that they intend to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to MHolding 1 AB. The total amount is DKK 79.6 million including interest (2014/15: DKK 89.6 million). See note 20.

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

Note 28 – Contingent liabilities and security, cont.

As the Danish tax authorities will 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.

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 is to a limited extent exposed to changes in foreign currencies. It is Group policy not to engage in active speculation in financial risks. The Group's financial management is thus aimed solely at management of the financial risks which are a direct result of the Group's operation and financing.

For a description of the accounting policies and methods, including recognition criteria and measurement basis, we refer to the accounting policies.

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

Interest rate risk

It is Group policy to fully or partially hedge interest rate risks on all Group loans when it is assessed that the interest payments can be hedged satisfactorily. Hedging is usually made by means of interest rate swaps, where loans at floating interest rate are converted to 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 which expires with the Group's long-term debt obligations at 30 June 2018. It was decided that the interest rate swap, which partially hedges the Group's interest rate risks on floating-rate loans, was not to be accounted for as a hedging instrument. The fair value was negative at DKK 22.8 million at 31 March 2016 (31 March 2014: negative at DKK 28.1 million). The interest rate for the term of the agreement has been fixed at 1.15%.

For the Group's floating rate cash and cash equivalents and debt to banks, a drop in interest level of 1% p.a. relative to the actual interest rates would have a negative effect on the profit for the year of DKK 9 million (2014/15: DKK 8 million) and on equity at 31 March 2015 of DKK 9 million (31 March 2015: DKK 8 million).

Assumptions for analysis of sensitivity

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

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

Currency risk

The Group's foreign operations are not significantly affected by currency fluctuations.

The Group has not entered into any foreign exchange contracts for the last three years.

Liquidity risk

The Group's liquidity reserve consists of cash and cash equivalents and unutilised credit facilities and amounted to DKK 820 million at 31 March 2016 (31 March 2015: DKK 676 million). It is the Group's aim to maintain sufficient cash resources to continue, among other things, to acquire Matas stores.

The Group's financial liabilities fall due as follows:

Note 29 – Financial risks and financial instruments, cont.

(DKK millions)	Carrying amount	Contractual cash flows	Within 1 year	2 to 3 years	4 to 5 years	After 5 years
2015/16						
Derivative financial instruments						
Interest rate swap	22.8	22.5	10.0	12.5	0.0	0.0
Non-derivative financial instruments						
Banks	1,493.5	1,559.8	26.6	1,533.2	0.0	0.0
Trade payables	584.2	584.2	584.2	0.0	0.0	0.0
Other payables	10.7	10.7	10.7	0.0	0.0	0.0
31 March 2016	**2,111.2**	**2,177.2**	**631.5**	**1,545.7**	**0.0**	**0.0**
2014/15						
Derivative financial instruments						
Interest rate swap	28.1	36.8	11.3	22.7	2.8	0.0
Non-derivative financial instruments						
Banks	1,560.6	1,701.9	72.6	52.6	1,576.8	0.0
Trade payables	499.5	499.5	499.5	0.0	0.0	0.0
Other payables	11.7	11.7	11.7	0.0	0.0	0.0
31 March 2015	**2,099.9**	**2,249.9**	**595.1**	**75.3**	**1,579.6**	**0.0**

Assumptions for analysis of maturity

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

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

Credit risk

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

The Group has no significant risks regarding any one individual customer or partner. Thus no trade receivables have been insured. There are no significant overdue receivables and therefore only minor provisions for bad debts have been made.

Note 29 – Financial risks and financial instruments, cont.

(DKK millions)	Carrying amount 2015/16	Fair value 2015/16	Carrying amount 2014/15	Fair value 2014/15
Deposits	36.9	36.9	36.2	36.2
Trade receivables	29.5	29.5	34.3	34.3
Other receivables	4.5	4.5	2.6	2.6
Cash and cash equivalents	69.9	69.9	41.5	41.5
Loans and receivables	**140.8**	**140.8**	**114.6**	**114.6**
Derivative financial instruments included in the trading portfolio	22.8	22.8	28.1	28.1
Financial liabilities at fair value through profit or loss	**22.8**	**22.8**	**28.1**	**28.1**
Non-current financial liabilities				
Banks	1,493.5	1,493.5	1,560.6	1,570.0
Current financial liabilities				
Banks	0.0	0.0	45.3	45.3
Trade payables	584.2	584.2	499.5	499.5
Other payables including employee bonds	10.7	10.7	11.7	11.7
Financial liabilities measured at amortised cost	**2,088.4**	**2,088.4**	**2,117.1**	**2,126.5**

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 2014/15.

(DKK millions)	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Non-observable input (Level 3)	Total
2015/16					
Financial liabilities					
Derivative financial instruments included in the trading portfolio	0.0	22.8	0.0	0.0	22.8
Total financial liabilities	**0.0**	**22.8**	**0.0**	**0.0**	**22.8**
2014/15					
Financial liabilities					
Derivative financial instruments included in the trading portfolio	0.0	28.1	0.0	0.0	28.1
Total financial liabilities	**0.0**	**28.1**	**0.0**	**0.0**	**28.1**

Note 29 – Financial risks and financial instruments, cont.

Derivative financial instruments

The Group uses derivative financial instruments to partially hedge the interest rate risk of the Group's loans. It is Group policy not to 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 Group's 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 income statement.

(DKK millions)	Notional amount	Fair value adjustment recognised in income statement	Fair value	Time to maturity (months)
2015/16				
Interest rate risks				
Interest rate swap, trading portfolio	750.0	5.3	(22.8)	27.0
2014/15				
Interest rate risks				
Interest rate swap, trading portfolio	750.0	(15.0)	(28.1)	39.0

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 of the leases have variable lease payments depending on the revenue.

Interminable leases are specified as follows:

(DKK millions)	2015/16	2014/15
0-1 years	92.2	92.8
1-5 years	9.6	16.3
> 5 years	0.0	0.0
Total	**101.8**	**109.1**

In 2015/16, DKK 169.3 million (2014/15: DKK 169.0 million) was recognised in profit/loss regarding operating leases. The 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 0.25 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 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 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 with a value of up to 75% of their annual base salary excluding pension contributions as at the date of grant. Breakdown of management compensation included in staff costs (see note 7):

(DKK millions)	**Base salary incl. benefits**	**Pension contributions**	**Short-term bonus (1)**	**Total**	**Share options (2)**	**Total incl. share options**
2015/16						
Terje List	5.3	0.1	1.3	6.7	3.4	10.1
Anders Skole-Sørensen	2.5	0.3	0.6	3.4	1.7	5.1
Executive Management, total	7.8	0.4	1.9	10.1	5.1	15.2
Other executives, total	8.6	0.5	1.4	10.5	2.9	13.4
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
Board of Directors, total	2.2	0.0	0.0	2.2	0.0	2.2
Total	**18.6**	**0.9**	**3.3**	**22.8**	**8.0**	**30.8**

(1) Paid during the year

(2) The amount stated represents the Black-Scholes value of options granted during the financial year. Share options are charged to staff costs over the vesting period. Staff costs include the share of costs for the financial year of options granted.

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

(DKK millions)	Base salary incl. benefits	Pension contributions	Short-term bonus (1)	Total	Share options (2)	Total incl. share options
2014/15						
Terje List	5.2	0.1	2.0	7.3	3.7	11.0
Anders Skole-Sørensen	2.4	0.2	0.8	3.4	1.7	5.1
Executive Management, total	7.6	0.3	2.8	10.7	5.4	16.1
Other executives, total	8.1	0.5	1.4	10.0	2.9	12.9
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 (3)	0.2	-	-	0.2	-	0.2
Board of Directors, total	2.1	0.0	0.0	2.1	0.0	2.1
Total	**17.8**	**0.8**	**4.2**	**22.8**	**8.3**	**31.1**

(1) Paid during the year

(2) The amount stated represents the Black-Scholes value of options granted during the financial year. Share options are charged to staff costs over the vesting period. Staff costs include the share of costs for the financial year of options granted.

(3) Christian Mariager was elected to the Board of Directors on 30 June 2014

In accordance with Matas A/S's overall guidelines on incentive pay, Matas on 26 June 2015 granted a total of 208,698 options to purchase shares in Matas A/S, consisting of 132,803 options to members of the Executive Management and 75,895 options to key employees.

The share options granted are subject to the fulfilment of two KPIs, weighted at 50% each: one based on ROIC before tax and excluding goodwill and one based movements in equity. Upon fulfilment of the KPIs, vesting will take place in three equal tranches after each of the financial years 2017/18, 2018/19 and 2019/20, and the KPI targets will be defined for each of these periods. None of any vested share options can be exercised until after the release of the annual report for the financial year 2017/18, at the earliest. The options can then be exercised during a period of up to three years.

Provided that 100% of the 208,698 granted stock options vest, their theoretical value will be DKK 7.9 million calculated according to the Black-Scholes formula, assuming a strike price of DKK 170.12, an average technical term of 7 years, a technical volatility of 25.9%, and a technical interest rate of 0.45%.

Programme	Number of employees	Number of options granted	Strike price (*)	Market value at grant (DKK millions)
2015/16	9	208,698	170.12	7.9
2014/15	9	72,789	7.16	8.2
2013/14	8	82,770	5.93	7.2

(*) The options in the 2015/16 programme can be exercised after the release of the annual report for 2017/18, at the earliest. For the 2014/15 programme, the exercise period runs for two years from the date of publication of the 2016/17 annual report. For the 2013/14 programme, the exercise period runs for two years from the date of publication of the 2015/16 annual report.

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

Movements in outstanding options:

(No. of shares)	Terje List	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Average Strike price per option (DKK)
Outstanding at 1 April 2015	48,132	22,034	70,166	37,105	107,271	6.70
Granted	88,926	43,877	132,803	75,895	208,698	170.12
Exercised	0	0	0	0	0	-
Unvested in tranche 3 (2013 programme) in 15/16	(11,785)	(5,657)	(17,442)	(9,136)	(26,578)	5.93
Unvested in tranche 2 (2014 programme) in 15/16	(9,391)	(4,176)	(13,567)	(7,216)	(20,783)	7.16
Outstanding at 31 March 2016	**115,882**	**56,078**	**171,960**	**96,648**	**268,608**	**133.71**
Of which unvested in tranche 3 of the 2014 programme and tranches 1-3 of the 2015/16 programme	(99,890)	(48,752)	(148,642)	(84,319)	(232,961)	153.15
Vested options at 31 March 2016	**15,992**	**7,326**	**23,318**	**12,329**	**35,647**	**6.68**
Options that may be exercised at the end of the 2015/16 financial year	6,142	2,949	9,091	4,758	13,849	5.93

For unexercised but vested options, the average share price is DKK 6.68 per share at the date of exercise.

For outstanding vested and unvested options at 31 March 2015, the average term to maturity is 3.9 years.

In 2015/16, the cost recognised relating to share options is DKK 3.2 million.

Shareholdings

Shareholdings of the Board of Directors and the Executive Management in Matas A/S and changes in shareholdings in 2015/16:

	Shares held at 1 April 2015 No. of shares	Purchased/sold during period No. of shares	Shares held at 31 March 2016 No. of shares	Market value at 31 March 2016 (DKK millions)
Board of Directors				
Lars Vinge Frederiksen, Chairman	8,695	0	8,695	1.2
Lars Frederiksen	146,269	(138,000)	8,269	1.1
Birgitte Nielsen	1,739	0	1,739	0.2
Ingrid Jonasson Blank	3,000	0	3,000	0.4
Christian Mariager	3,500	0	3,500	0.5
Executive Management				
Terje List	89,915	4,180	94,095	12.5
Anders Skole-Sørensen	82,209	0	82,209	10.9

Note 32 – Related parties

The Matas Group's related parties with significant influence comprise the companies' Executive Boards and Boards of Directors 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 (2014/15: 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 profit for the year or equity at 31 March 2016.

Note 34 – New financial reporting regulation

As of the date of release of this annual report, the ISAB has issued the following new financial reporting standards and interpretations which are not mandatory for Matas A/S in the preparation of the annual report for 2015/16:

- IFRS 9 Financial Instruments and subsequent amendments tor IFRS 9, IFRS 7 and IAS 39
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41
- IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12, IAS 28
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IAS 1 Disclosure Initiative – Amendments to IAS 1
- Annual improvements to IFRSs 2012-2014 Cycle.

Out of these, the amendments to IAS 16 and IAS 38, amendments to IAS 16 and IAS 41, amendments to IAS 27, amendments to IFRS 11, amendments to IAS 1 and annual Improvements to IFRSs 2012-2014 cycle have been adopted by the EU.

The adopted standards and interpretations that have not yet come into force will be implemented as and when they become mandatory to Matas A/S. None of the new standards or interpretations are expected to have a material impact on recognition and measurement in Matas A/S. However, the analysis of the expected effect of the implementation of IFRS 15 and IFRS 16 has not yet been completed. See below.

IFRS 15 "Revenue from Contracts with Customers", which replaces the current revenue standards (IAS 11 and IAS 18) and interpretations, introduce a new model for recognition and measurement of revenue relating to sales contracts with customers. The standard comes into force for financial years beginning on 1 January 2018 or later.

Matas A/S expects to implement IFRS 15 prospectively with effect from the financial year 2016/17. Matas is in the process of analysing the impact of IFRS 15 on revenue measurement. The analysis has not yet been completed. It is expected in particular to affect the accounting classification of the Club Matas customer loyalty programme to a minor extent. However, the assessment is that the effect on recognition and measurement will be immaterial.

IFRS 16 "Leases" was issued in mid-January 2016. The standard, which comes into force for financial years beginning on 1 January 2019 or later, significantly changes the accounting for leases that are currently accounted for as

Note 34 – New financial reporting regulation, cont.

operating leases. The standard requires that all leases, irrespective of type - must with few exceptions be recognised in the lessee's statement of financial position as an asset with a related lease liability.

At the same time, the lessee's income statement will be affected as the annual lease expense will consist of two elements in future: partly a depreciation charge and partly an interest expense, as opposed to the present rules under which the annual expense relating to operating leases is recognised in a single line item under operating costs. Matas A/S has not completed the analysis of the effect to the Group of IFRS 16. It is expected that the standard will have a material impact on the total of the consolidated statement of financial position and the presentation broken down on operating items (external costs and depreciation).

Group overview

	Domicile	Ownership
Parent company		
Matas A/S	Denmark	
Subsidiaries		
Denmark		
MHolding 3 A/S	Denmark	100%
MHolding 4 ApS	Denmark	100%
MHolding 5 ApS	Denmark	100%
MHolding 6 ApS	Denmark	100%
Matas Operations A/S	Denmark	100%
Matas Property A/S	Denmark	100%
Stylebox A/S	Denmark	100%
Materialisten på Frederiksberg ApS	Denmark	100%
Other countries		
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 2015/16 financial year (as of 1 April 2015)

Jens Kongsgaard, Nørreport-Centret, Holstebro ApS

Jens Kongsgaard, Torvet Holstebro ApS

Financial statements of the parent company Matas A/S 2015/16

Statement of comprehensive income

(DKK millions)	Note	2015/16	2014/15
Other operating income	3	27.4	0.0
Other external costs		(8.4)	(3.1)
Staff costs	4	(15.3)	(14.1)
Operating profit/(loss)		3.7	(17.2)
Financial income	5	302.9	750.5
Financial expenses	6	(1.0)	(3.7)
Profit before tax		305.6	729.6
Tax on the profit for the year	7	(1.2)	4.3
Profit for the year		304.4	733.9
Other comprehensive income			
Other comprehensive income after tax		0.0	0.0
Total comprehensive income		304.4	733.9
Proposed appropriation of profit/(loss)			
Proposed dividend: DKK 6.30 per share (2014/15: DKK 5.80 per share)		253.8	236.5
Retained earnings		50.6	497.4
Total		304.4	733.9

Statement of cash flows

(DKK millions)	Note	**2015/16**	**2014/15**
Profit before tax		305.6	729.6
Non-cash operating items, etc.		3.2	2.3
Financial income	5	(302.9)	(750.5)
Financial expenses	6	1.0	3.7
Cash generated from operations before changes in working capital		6.9	(14.9)
Changes in working capital	10	132.6	158.6
Cash generated from operations		139.5	143.7
Interest received	5	2.9	2.3
Interest paid	6	(1.0)	(3.7)
Corporation tax paid		(144.6)	(146.9)
Cash flow from operating activities		(3.2)	(4.6)
Cash flow from investing activities		0.0	0.0
Free cash flow		(3.2)	(4.6)
Debt raised/settled with Group companies		56.1	(296.4)
Dividend paid		(232.0)	(223.8)
Dividend received	6	300.0	600.0
Purchase and sale of treasury shares		(120.9)	(75.2)
Cash flow from financing activities		3.2	4.6
Net cash flow from operating, investing and financing activities		0.0	0.0
Cash and cash equivalents at 1 April		0.0	0.0
Cash and cash equivalents at 31 March		0.0	0.0

Statement of financial position

(DKK millions)	Note	2015/16	2014/15
NON-CURRENT ASSETS			
Investments in subsidiaries	9	2,036.3	2,036.3
Total non-current assets		2,036.3	2,036.3
CURRENT ASSETS			
Receivables from Group companies	13	140.4	142.3
Corporation tax receivable	7	130.1	112.1
Prepayments		0.5	0.5
Total current assets		271.0	254.9
TOTAL ASSETS		2,307.3	2,291.2

(DKK millions)	Note	2014/15	2014/15
EQUITY AND LIABILITIES			
Share capital	9	100.7	101.9
Share premium		1,787.3	1,787.3
Treasury share reserve		(137.4)	(85.7)
Retained earnings		239.5	249.2
Proposed dividend for the financial year		253.8	236.5
Total equity		2,243.9	2,289.2
Deferred tax		0.1	0.0
Total non-current liabilities		0.1	0.0
Payables to Group companies	13	56.1	0.0
Trade payables	13	7.1	0.8
Other payables		0.1	1.2
Total current liabilities		63.3	2.0
Total liabilities		63.4	2.0
TOTAL EQUITY AND LIABILITIES		2,307.3	2,291.2

Statement of changes in equity

(DKK millions)	Share capital	Share premium	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2015	**101.9**	**1,787.3**	**(85.7)**	**236.5**	**249.2**	**2,289.2**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit/(loss) for the year	0.0	0.0	0.0	253.8	50.6	304.4
Total comprehensive income	**0.0**	**0.0**	**0.0**	**253.8**	**50.6**	**304.4**
Transactions with owners						
Dividend paid	0.0	0.0	0.0	(232.0)	0.0	(232.0)
Dividend on treasury shares	0.0	0.0	0.0	(4.5)	4.5	0.0
Acquisition of treasury shares	0.0	0.0	(120.9)	0.0	0.0	(120.9)
Reduction of share capital	(1.2)	0.0	69.2	0.0	(68.0)	0.0
Share-based payment	0.0	0.0	0.0	0.0	3.2	3.2
Total transactions with owners	**(1.2)**	**0.0**	**(51.7)**	**(236.5)**	**(60.3)**	**(349.7)**
Equity at 31 March 2016	**100.7**	**1,787.3**	**(137.4)**	**253.8**	**239.5**	**2,243.9**

(DKK millions)	Share capital	Share premium	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2014	**101.9**	**1,787.3**	**(10.5)**	**224.3**	**(251.0)**	**1,852.0**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit/(loss) for the year	0.0	0.0	0.0	236.5	497.4	733.9
Total comprehensive income	**0.0**	**0.0**	**0.0**	**236.5**	**497.4**	**733.9**
Transactions with owners						
Dividend paid	0.0	0.0	0.0	(223.8)	0.0	(223.8)
Dividend on treasury shares	0.0	0.0	0.0	(0.5)	0.5	0.0
Share-based payment	0.0	0.0	0.0	0.0	2.3	2.3
Acquisition of treasury shares	0.0	0.0	(75.2)	0.0	0.0	(75.2)
Total transactions with owners	**0.0**	**0.0**	**(75.2)**	**(224.3)**	**2.8**	**(296.7)**
Equity at 31 March 2015	**101.9**	**1,787.3**	**(85.7)**	**236.5**	**249.2**	**2,289.2**

Summary of notes to the financial statements

Notes to the financial statements

Note 1 – Accounting policies

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

The financial statements of the parent company have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The classification of banks (cash pool) has been changed, to the effect that this debt is deemed to be payables to Group companies. Accounts with Group companies are stated at gross amounts.

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

Dividends in subsidiaries is recognised in the parent company's income statement in the financial year in which the dividend is declared. If the distributed amount exceeds the comprehensive income of the subsidiary for the period, or the carrying amount of net assets exceeds the carrying amount of investments in subsidiaries, an impairment test is performed.

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 evidence 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 administrative company under the joint taxation and accordingly settles all corporation taxes with the tax authorities. Joint tax 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 companies.

Companies that use tax losses in other companies pay a joint tax contribution to the parent company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax value of the losses used (full absorption).

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 testing investments in subsidiaries for impairment.

The estimates used are based on assumptions which management assesses to be reliable, but which are inherently subject to uncertainty. The 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. Financial risks of 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

(DKK millions)	2015/16	2014/15
Management fee to Group companies (including adjustments regarding previous years)	25.2	0.0
VAT adjustment regarding previous years	2.2	0.0
Total	**27.4**	**0.0**

Note 4 – Staff costs

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

The fees to the Board of Directors are recognised in the amount of DKK 2.1 million (2014/15: DKK 2.1 million). The remuneration of the Executive Management is recognised in the income statement in the amount of DKK 10.0 million (2014/15: DKK 10.2 million). In addition, share-based payment is recognised in the amount of DKK 3.2 million (2014/15: DKK 2.3 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

(DKK millions)	2015/16	2014/15
Dividend from MHolding 3 A/S	300.0	0.0
Interest from the Danish tax authorities	1.7	0.0
Dividend from MHolding 2 ApS	0.0	600.0
Gain on distribution of MHolding 3 A/S from MHolding 2 ApS	0.0	147.9
Interest, Group companies	1.2	2.6
Total	**302.9**	**750.5**

Note 6 – Financial expenses

(DKK millions)	2015/16	2014/15
Interest surcharge, corporation tax	0.4	0.0
Interest, Group companies	0.6	3.7
Total	**1.0**	**3.7**

Note 7 – Tax

(DKK millions)	2015/16	2014/15
Tax on the profit/(loss) for the year is specified as follows:		
Tax on profit/(loss) for the year	1.2	(4.4)
Total	**1.2**	**(4.4)**
Tax on the profit/(loss) for the year has been calculated as follows:		
Joint taxation contributions	1.1	(4.4)
Deferred tax	0.1	0.0
Total	**1.2**	**(4.4)**
Tax on the profit/(loss) for the year is explained as follows:		
Computed 23.5% tax on profit before tax (24.5% in 2014/15)	71.8	178.8
Non-taxable income	(71.4)	(183.2)
Other	0.8	0.0
Total	**1.2**	**(4.4)**
Effective tax rate	0.4%	-0.6%

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

Note 8 – Investments in subsidiaries

(DKK millions)	2015/16	2014/15
Cost at 1 April	2,036.3	1,888.1
Termination of MHolding 2 ApS	0.0	(1,888.1)
Addition of MHolding 3 A/S through distribution from MHolding 2 ApS	0.0	2,036.3
Carrying amount at 31 March	**2,036.3**	**2,036.3**

The company's ownership interest in MHolding 3 A/S was 100% as at 31 March 2016 (31 March 2015: ownership interest 100%).

Note 9 – Equity and treasury shares

Share capital
The nominal value of the share capital is DKK 100,728,730 divided into shares of DKK 2.50, equivalent to 40,291,492 shares and 40,291,492 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.

Note 9 – Equity and treasury shares, cont.

The Group aims to retain its gross debt at the level of DKK 1,600-1,800 million and to return any excess capital to shareholders by way of dividends and share buybacks. The Group's policy is to declare annual dividends of at least 60% of adjusted profit after tax. For a definition of adjusted profit after tax, see “Definitions of key financials”. The capital is managed for the Group as a whole.

The ratio of equity to total equity and liabilities was 97.3% at 31 March 2016 (31 March 2015: 99.9%).

Treasury shares

See note 17 to the consolidated financial statements.

Note 10 – Changes in working capital

(DKK millions)	2015/16	2014/15
Change in receivables and receivables from subsidiaries	127.4	157.6
Change in trade payables, other payables, and debt to subsidiaries	5.2	1.0
Total	**132.6**	**158.6**

Note 11 – Contingent liabilities and security

The parent company is jointly taxed with the other Danish companies of the Matas Group. As administrative company, the company has unlimited and joint and several liability with the other jointly taxed companies for Danish corporation tax for the companies in the tax pool. Corporation tax payable amounted to DKK 0 at 31 March 2016 (31 March 2015: 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 banks.

The debt to banks stood at DKK 1,500 million at 31 March 2016 (31 March 2015: DKK 1,570 million).

Note 12 – Financial risks and financial instruments

The company has no activity and no direct foreign currency risks. The company's loans with banks are at floating rates of interest.

Liquidity risk

The company's financial liabilities fall due as follows:

Note 12 – Financial risks and financial instruments, cont.

(DKK millions)	Carrying amount	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
2015/16						
Non-derivative financial instruments						
Payables to Group companies	56.1	56.1	56.1	0.0	0.0	0.0
Trade payables	7.1	7.1	7.1	0.0	0.0	0.0
31 March 2016	**63.2**	**63.2**	**63.2**	**0.0**	**0.0**	**0.0**
2014/15						
Non-derivative financial instruments						
Trade payables	0.8	0.8	0.8	0.0	0.0	0.0
31 March 2015	**0.8**	**0.8**	**0.8**	**0.0**	**0.0**	**0.0**

Assumptions for analysis of maturity

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

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

Credit risk

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

The company has no material credit risk.

(DKK millions)	Carrying amount 2015/16	Fair value 2015/16	Carrying amount 2014/15	Fair value 2014/15
Receivables from Group companies	140.4	140.4	142.3	142.3
Loans and receivables	**140.4**	**140.4**	**142.3**	**142.3**
Payables to Group companies	56.1	56.1	0.0	0.0
Trade payables	7.1	7.1	0.8	0.8
Financial liabilities measured at amortised cost	**63.2**	**63.2**	**0.8**	**0.8**

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 to subsidiaries amounted to DKK 1.3 million in 2015/16 (2014/15: DKK 4.4 million). Matas A/S has received DKK 300 million in dividend from subsidiaries.

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 thereon, see note 4 to the parent company's financial statements and note 31 to the consolidated financial statements.

Note 14 – New financial reporting regulation

See note 34 to the consolidated financial statements.

Definitions of key financials

Gross margin	Gross profit as a percentage of revenue
EBIT margin	Operating profit as a percentage of revenue.
EBITA margin	Operating profit plus amortisation of trade marks and other intangibles in addition to software plus any impairment losses in respect of goodwill and other intangibles plus specific external costs which management believes are not part of normal operations as a percentage of revenue
EBITDA margin	Operating profit plus depreciation, amortisation and impairment losses as a percentage of revenue.
EBITDA margin before exceptional items	Operating profit plus amortisation, depreciation and impairment losses plus specific external costs which management does not consider part of normal operations as a percentage of revenue
Adjusted profit after tax	Profit for the year plus the tax-adjusted impact of amortisation of intangibles in addition to software and impairment losses and specific external costs which are not considered part of normal operations
Effective tax rate	Tax on profit for the year divided by profit before tax
Earnings per share	Profit for the year attributable to shareholders of Matas A/S divided by average number of shares
Diluted earnings per share	Profit for the year attributable to shareholders of Matas A/S divided by diluted average number of shares
Dividend per share	Proposed dividend per share
Net working capital	The sum of inventories, trade receivables, other receivables and prepayments less the sum of prepayments from customers, trade payables and other current liabilities
Free cash flow	Cash flow from operating activities less net capital expenditure including acquisitions of subsidiaries and operations
Cash conversion	EBITDA before exceptional items plus change in net working capital less capital expenditure divided by EBITDA before exceptional items
Net interest-bearing debt	Liabilities to banks and other interest bearing debt less cash and cash equivalents
Net interest bearing debt to EBITDA before exceptional items	Ratio of net interest bearing debt at year end to LTM EBITDA before exceptional items
Like-for-like growth	Growth in number of retail stores that have been trading in two comparable periods
Invested capital	The sum of property, plant and equipment, intangibles and net working capital less parts of deferred tax
Return on invested capital (ROIC), pre-tax	EBITA as a percentage of average invested capital
Return on invested capital (ROIC), pre-tax and excluding goodwill	EBITA as a percentage of average invested capital excluding goodwill

Interim financial highlights

(unaudited)

(DKK millions)	2015/16 Q1	2015/16 Q2	2015/16 Q3	2015/16 Q4	2014/15 Q1	2014/15 Q2	2014/15 Q3	2014/15 Q4
Income statement								
Revenue	826.5	783.2	1,051.5	764.9	827.2	792.6	1,041.3	772.2
Gross profit	386.0	366.9	487.5	364.1	385.9	372.8	481.0	355.3
EBITDA	152.4	138.4	243.6	117.7	144.6	140.6	241.7	133.6
Operating profit	118.7	104.0	209.2	81.7	111.3	106.3	208.6	100.0
Net interest expenses	(5.6)	(10.4)	(9.9)	(10.6)	(19.7)	(16.9)	(12.8)	(15.1)
Profit before tax	113.1	93.6	199.3	71.1	91.6	89.4	195.8	84.9
Profit for the period	86.4	71.3	152.9	53.9	67.6	65.8	143.9	63.0
Statement of financial position								
Assets	5,474.4	5,369.1	5,481.8	5,315.3	5,689.4	5,647.3	5,757.8	5,336.8
Equity	2,472.9	2,545.4	2,663.1	2,658.3	2,444.0	2,510.6	2,625.7	2,643.5
Net working capital	(122.6)	(27.4)	(152.9)	(172.0)	(156.8)	(14.7)	(99.9)	(77.4)
Net interest-bearing debt	1,645.1	1,627.2	1,426.0	1,423.6	1,467.9	1,726.3	1,574.2	1,564.4
Statement of cash flows								
Cash flow from operating activities	189.3	33.5	252.1	92.0	172.3	(13.1)	194.3	68.8
Cash flow from investing activities	(11.8)	(14.9)	(14.2)	(29.4)	(16.2)	(20.8)	(12.1)	(13.0)
Free cash flow	177.5	18.6	237.9	62.6	156.1	(33.9)	182.2	55.8
Net cash flow from operating, investing and financing activities	149.7	(91.4)	116.9	(146.8)	156.1	(82.7)	122.8	(294.7)
Key performance indicators								
Number of transactions (in millions)	5.6	5.5	6.4	5.2	5.8	5.7	6.6	5.5
Average basket size (in DKK)	141.4	136.0	156.4	140.1	134.8	130.4	150.0	133.9
Total retail floor space (in thousands of square metres)	50.8	50.8	50.8	50.6	50.9	51.0	51.0	51.1
Average revenue per square metre (in DKK thousands) - LTM	64.3	64.3	64.6	64.7	63.9	63.7	63.8	64.2
Like-for-like growth	0.4%	0.2%	1.5%	(1.3)%	1.4%	0.5%	0.8%	3.7%
Adjusted figures								
EBITDA	152.4	138.4	243.6	117.7	144.6	140.6	241.7	133.6
Net exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA before exceptional items	152.4	138.4	243.6	117.7	144.6	140.6	241.7	133.6
Depreciation	(14.7)	(15.4)	(15.4)	(17.0)	(14.3)	(15.3)	(14.1)	(14.7)
EBITA	137.7	123.0	228.2	100.7	130.3	125.3	227.6	118.9
Adjusted profit after tax	100.9	85.8	167.4	68.5	81.9	80.1	158.2	77.3
Gross margin	46.7%	46.8%	46.4%	47.6%	46.7%	47.0%	46.2%	46.0%
EBITDA margin	18.4%	17.7%	23.2%	15.4%	17.5%	17.7%	23.2%	17.3%
EBITDA margin before exceptional items	18.4%	17.7%	23.2%	15.4%	17.5%	17.7%	23.2%	17.3%
EBIT margin	14.4%	13.3%	19.9%	10.7%	13.5%	13.4%	20.0%	13.0%
EBITA margin	16.7%	15.7%	21.7%	13.2%	15.8%	15.8%	21.9%	15.4%

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