



# Matas A/S

## Annual report for the financial year 2016/17

(1 April 2016 – 31 March 2017)

# Five-year key financials

DKK millions	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Statement of comprehensive income</b>					
Revenue	3,200.0	3,344.5	3,433.3	3,426.1	3,463.4
Gross profit	1,471.2	1,541.3	1,595.0	1,604.5	1,611.8
EBITDA	588.8	599.8	660.5	652.1	620.1
EBIT	456.3	464.4	526.2	513.6	475.1
Net financials	(80.6)	(82.5)	(64.5)	(36.5)	(38.7)
Profit before tax	375.7	381.9	461.7	477.1	436.4
Profit for the year	263.0	248.9	340.3	364.5	338.7
Net exceptional items	(16.0)	(29.9)	0.0	0.0	0.0
EBITDA before exceptional items	604.8	629.7	660.5	652.1	620.1
EBITA	548.1	570.8	602.1	589.6	551.1
Adjusted profit after tax	335.9	374.1	397.5	422.5	398.0
<b>Statement of financial position</b>					
Assets	5,770.3	5,487.6	5,336.8	5,315.3	5,270.6
Equity	2,359.4	2,599.9	2,643.5	2,658.3	2,572.5
Net working capital	(54.9)	(121.1)	(77.4)	(172.0)	(158.0)
Net interest-bearing debt	1,748.9	1,623.3	1,564.4	1,423.6	1,515.0
<b>Statement of cash flows</b>					
Cash flow from operating activities	391.5	350.0	422.3	566.9	482.6
Cash flow for investments in property, plant and equipment	(17.7)	(39.9)	(27.9)	(45.4)	(43.3)
Free cash flow	321.0	173.8	360.2	496.6	348.1
<b>Ratios</b>					
Revenue growth	3.3%	4.5%	2.7%	(0.2)%	1.1%
Underlying (like-for-like) revenue growth	2.9%	3.4%	1.5%	0.3%	1.3%
Gross margin	46.0%	46.1%	46.5%	46.8%	46.5%
EBITDA margin	18.4%	17.9%	19.2%	19.0%	17.9%
EBITDA margin before exceptional items	18.9%	18.8%	19.2%	19.0%	17.9%
EBITA margin	17.1%	17.1%	17.5%	17.2%	15.9%
EBIT margin	14.3%	13.9%	15.3%	15.0%	13.7%
Cash conversion	96.3%	101.6%	85.9%	103.6%	85.0%
Earnings per share, DKK	6.45	6.12	8.39	9.17	8.79
Diluted earnings per share, DKK	6.45	6.11	8.38	9.11	8.75
Dividend per share (proposed), DKK	-	5.50	5.80	6.30	6.30
Share price, end of year, DKK	-	152.0	158.5	132.5	99.0
ROIC, pre-tax	12.9%	13.5%	14.3%	14.3%	13.6%
ROIC, pre-tax and excluding goodwill	79.5%	96.7%	114.9%	133.6%	156.2%
Net working capital as a percentage of revenue	(1.7)%	(3.6)%	(2.3)%	(5.0)%	(4.6)%
Investments as a percentage of revenue	2.2%	5.3%	1.8%	2.1%	3.9%
Net interest-bearing debt/adjusted EBITDA	2.9	2.6	2.4	2.2	2.4
Number of own stores	258	273	275	272	277
Number of associated stores	36	23	20	19	10
Average number of employees (FTE)	2,051	2,216	2,226	2,163	2,197

For definitions, see "Definitions of key financials" on page 84

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# Letter to our shareholders

Dear shareholder

Affected primarily by the implementation of our 2020 strategy, "The Ultimate Difference", and necessary adaptation to the rapidly changing Danish personal care market, 2016/17 was a busy and a challenging financial year.

Our 2020 strategy sets out to empower Matas to offer the market's premier customer experience and to further strengthen our leading online position. The implementation is progressing according to plan, and we have at the same time positioned ourselves strongly in relation to the ever intensifying competition and changing consumer behaviour, which is increasingly affected by digitalisation. However, in light of our ambition of continuously growing earnings, we consider our 2016/17 financial performance less satisfactory.

## Market's premier customer experience

When shopping at Matas, customers' experience is primarily affected by the way in which we meet our customers, physically in our stores as well as digitally in our webshop. In 2016/17, we launched a number of measures to improve our physical meeting, including a comprehensive development programme for all shop assistants, the hiring of a sales director to strengthen the sales management team and a large-scale retail network upgrade. To ensure a consistent shopping experience, we have made sure that by the end of January 2018 Matas will be in control of operations at all Matas stores, with the exception of the store in Greenland.

The customer experience is also positively impacted by the ongoing update of our product range. In the cosmetics area, international brands such as NYX and MAC have been implemented as shop-in-shop solutions. Matas's own brands differentiate us from our competitors, and we launched a range of measures in 2016/17 to further consolidate our private labels, devoting special efforts to our Stripes products, which celebrated their 50th anniversary in May 2017.

In terms of digitalisation, our focus remains on developing Club Matas and on strengthening the integration with Matas.dk and the retail network. In 2016/17, we took steps to further personalise communication to the more than 1.7 million members of our new members' programme introduced in May

2016, and we launched a new, improved app that already has more than 500,000 users. This has translated into increased loyalty among our large group of core customers and renewed interest in the Club Matas concept. Our efforts to improve the customer experience across all sales channels resulted in online sales growth significantly above market levels.

## Transformed competitive landscape

The 2016/17 financial year was affected by intensifying competition, primarily in the mass beauty segment, where a number of new outlets focusing on fixed low prices were opened and price competition was generally stepped up. In response to this, we sharpened our pricing communications and completed a cost reduction programme in the second half of the financial year.

## Performance in 2016/17 and guidance for 2017/18

We grew underlying like-for-like revenue by 1.3% in 2016/17, performing in line with our target range of 0-2%. However, costs related to the implementation of our 2020 strategy and the intensified price competition negatively affected earnings, which came in at a less satisfactory level.

For the 2016/17 financial year, we propose a dividend of DKK 6.30 per share, which is in line with our previously communicated target of paying out at least 60% of adjusted profit after tax.

For 2017/18, we expect to report underlying revenue growth of 1-3% and to lift overall consolidated earnings. In addition, we expect our 2017/18 cash flows to enable us to launch yet another share buyback programme. Based on the positive effects of the implementation of our 2020 strategy and our solid market position, we remain optimistic about Matas's capacity to create additional shareholder value going forward.

We would like to thank our loyal and dedicated employees for their hard work and strong commitment.

We hope you'll enjoy reading our annual report.

**Lars Vinge Frederiksen**  
Chairman

**Terje List**  
CEO

# About Matas

## Matas at a glance

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

Since 1949, we have built our market position to its currently strong level based on our objective of offering our customers a broad range of quality products at reasonable prices and providing excellent customer services, as expressed in our motto: *"Good advice makes the difference"*.

At 31 March 2017, the Matas chain included 287 stores in Denmark, including one webshop, of which 276 stores and the webshop were owned and operated by Matas. The remaining ten stores were independently owned stores associated with the chain under a partnership agreement. During the first quarter of the 2017/18 financial year, Matas acquired two of these associated stores and is currently negotiating the final details with the owners of another two on taking over these stores as well.

In addition to the Matas stores, the Group has since 2013 operated the StyleBox chain, which consists of six physical stores, including a shop-in-shop, and a webshop. StyleBox offers a range of selectively distributed beauty products within professional hair and nailcare and selected makeup brands. In addition, customers are offered personal styling, hair and nail services.

Matas's overall share of the Danish market for beauty and personal care products is estimated at approximately 40%.

In the 2016/17 financial year, Matas generated revenue of DKK 3,463 million and EBITA of DKK 551 million. Own store sales accounted for 98.0% of revenue, while wholesale sales to associated stores accounted for 2.0%.

Matas has some 2,800 employees, primarily shop assistants, approximately 70% of whom are trained and qualified materialists or trainee materialists.

## One-stop retail concept

Matas is characterised by its wide product range within beauty, personal care, healthcare and problem-solving household products. This broad product range creates a unique one-stop retail concept for our

customers, who are offered four shops-in-shops focused on Beauty, Vital, Material and MediCare.

**Beauty.** The Beauty Shop offers a broad selection of products within cosmetics, fragrances, skincare and haircare that meet customers' luxury and everyday needs. Beauty is Matas's largest product segment, accounting for 74% of revenue from our own retail stores in 2016/17. Matas had an estimated share of the Beauty market of approximately 40% in 2016/17.

Within High-End Beauty, which includes selectively distributed branded products from leading 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 revenue.

Our main competitors in the Beauty segment are supermarkets, department stores, perfumeries, food discount retailers, parallel importers and e-businesses.

**Vital.** The Vital Shop offers vitamins, minerals, supplements, specialty foods, herbal medicinal products, etc. Vital Shop sales accounted for 11% of total revenue from Matas's own retail stores in 2016/17. The main competitors are supermarkets, pharmacies, health food stores and e-businesses.

**Material.** The Material Shop offers a broad selection of household and personal care products, including household cleaning and maintenance products, baby care and sports-related products. Material Shop sales accounted for 8% of total revenue from Matas's own retail stores in 2016/17. Supermarkets are the main competitors.

**MediCare.** MediCare offers a broad range of products, including OTC medicine and nursing products. Sales accounted for 5% of total revenue from Matas's own retail stores in 2016/17, and the main competitors are pharmacies, supermarkets and discount retailers.

With growth being driven by the trend towards spending more money on everyday luxury products, Matas expects annual market growth in the low single digit range within the four segments in the next few years. The strongest growth is expected in the Beauty segment, which accounts for the lion's share of revenue.

## Private labels

Matas markets a broad and diversified range of international and Danish brands. In addition, Matas markets a number of private labels, including “Stripes”, “Matas Natur” and “Plaisir”. Introduced in 1967 as a low-end alternative to branded products, the Stripes family has developed into a leading beauty brand in Denmark for women, men and families. Matas currently offers more than a thousand different private label products characterised by a sound balance between price and quality and reduced use of substances harmful to the environment. Private label products accounted for approximately 15% of overall revenue in 2016/17, with the Beauty segment as the biggest contributor.

## Omnichannel marketing strategy

The one-stop retail store concept and its unrivalled product range divided into four shops-in-shops is supported by an extensive omnichannel marketing strategy.

Based on their behaviour in Matas stores and in our webshop, all customers are met by personalised information and offers across sales channels and communication platforms. In addition, advertising leaflets are distributed to some 60% of all Danish households every two weeks.

Marketing efforts are supported by our Club Matas loyalty programme, which had more than 1.7 million members at 31 March 2017. At the end of the financial year, more than 70% of all Danish women between the ages of 18 and 65 were members of Club Matas.

Club Matas enables Matas to communicate clearly, directly and individually to club members based on their shopping history. Matas continually works to personalise its communication in order to further enhance customer loyalty. This is made possible through close coordination between Club Matas, the advertising leaflet and the webshop and our social media activities, primarily on Facebook and Instagram.

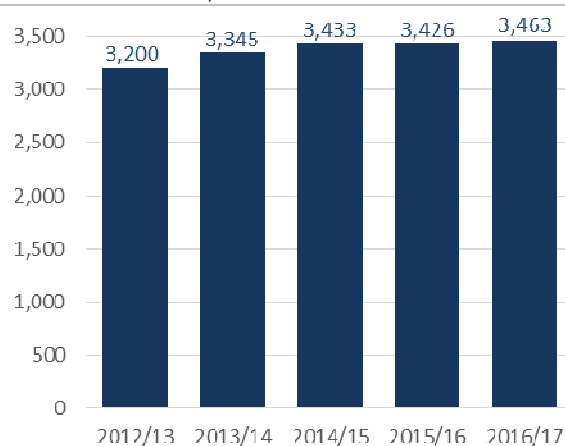
Since 2012, the expansion of our loyalty programme to include the Club Matas partner programme has given Club Matas members access to a broader coalition loyalty network. At the end of 2016/17, members earned Club Matas points on purchases from 21 Danish partners in travel, telecommunications, leisure, clothing and other sectors.

## StyleBox

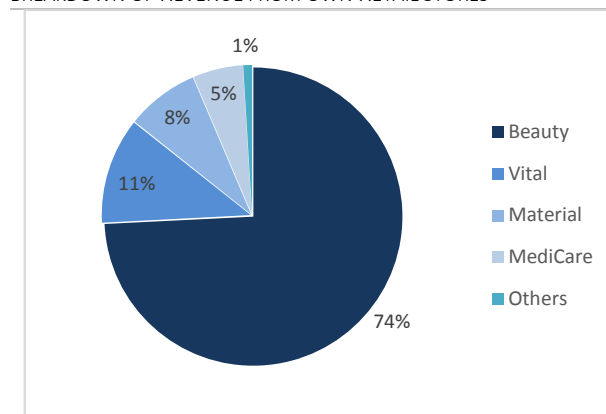
In June 2013, Matas launched a complementary retail concept under the name of StyleBox. StyleBox currently consists of six physical stores, including a shop-in-shop, and a webshop. StyleBox offers a range

of selectively distributed beauty products within professional hair and nailcare and selected makeup brands. In addition, customers are offered personal styling, hair and nail services.

CONSOLIDATED REVENUE, DKK MILLIONS



BREAKDOWN OF REVENUE FROM OWN RETAIL STORES



# Strategy and financial guidance

We revised our 2020 strategy in the spring of 2016. This work was based on our customer commitment of being the “Place of beauty and well-being” and our mission of “Helping everybody feel well, look good and be happy”.

This work resulted in a more focused 2020 strategy, “The Ultimate Difference”, setting out to proactively meet customers’ needs and provide the market’s best shopping experience across sales and communications channels. Our strategy revolves around two main elements: **Customer focus** and **Digitalisation**.

**Customer focus:** The customer’s needs are put first, the objective being to provide the market’s best shopping experience across sales and communications channels. We do this by way of initiatives in three areas:

1. The customer meeting
2. The best shopping experience
3. Price and campaign efficiency

**Digitalisation:** Based on intelligent customer data analysis, we meet customers’ needs through personalised messages and offers across sales channels. These initiatives are concentrated in two main areas:

4. An efficient omnichannel platform
5. The Club Matas customer database

During financial year 2016/17, we launched a number of measures to support these two strategical focus areas. At the same time, our market was challenged by meagre growth and intensifying competition, making it necessary to continuously adapt to market changes. To offset the increased competitive pressure and compensate for our strategic investments, we launched a cost reduction programme in the third quarter of the financial year with a full-year effect of DKK 25-30 million. These cost reductions had been fully phased in by the end of the financial year.

## Strategic measures

### 1. The customer meeting

A relationship-building meeting in the store is a key element of our strategy. Confident that good advice makes the difference, Matas has been putting the customer’s needs first through 68 years.

With a view to further strengthening the customer meeting, the autumn of 2016 saw the hiring of a new sales director, the launch of a training programme to improve interaction between the customer and the shop assistant and the introduction of a structured Mystery Shopping programme to gauge the stores’ customer meeting performance. These extensive training, measurement and follow-up programmes have already resulted in very high customer satisfaction scores, which, in turn, have resulted in increased average customer purchases. However, there is still considerable scope for growing average purchases. These measures will continue through financial year 2017/18.

Offering the best product mix across all product categories is an important element of our efforts to put customers’ needs first. Accordingly, we launched a structured Category Management project in financial year 2016/17 to optimise the future product range across product categories and align the product range of individual stores to their size and location.

This work has already resulted in increased focus on the health food segment and the introduction of new, strong cosmetics brands such as NYX and Smashbox. At the same time, we have intensified our efforts to strengthen the offering of private labels and products for which we have exclusive distribution rights in Denmark.

In September 2016, we signed a deal with Estée Lauder Companies for exclusive non-department store distribution of the MAC cosmetics brand, thus strengthening our position as the market’s leading supplier of beauty products. In November 2016, we launched a new private label, My Moments, which currently comprises spa and skincare products.

We will continue our work to optimise the product mix throughout 2017/18. We are currently planning the launch of a new, improved sun protection range in the context of the Stripes family and expect to sign several new exclusive distribution agreements.

### 2. Premier shopping experience

Our work to compose the product range of the future goes hand in hand with our efforts to create a new and more up-to-date interior design concept to

present our product range in the best possible way and further improve the shopping experience.

Accordingly, we continued the upgrade of our largest stores in the past financial year. We expect all our large stores to be fully up to date and equipped to give our customers a positive and competitive shopping experience by the end of 2017/18. New concept elements are continuously tested in the newly refurbished stores, enabling us to roll out successful elements to our other stores. We have successfully established MAC shops-in-shops in a number of our refurbished stores, and this concept will be rolled out to additional stores as they are upgraded and to other stores well suited for the MAC brand. Also, we have successfully rolled out expanded health food sections as part of the new store concept, and this area will be given higher priority in the other stores as well.

With a view to realising their growth potential, the five stand-alone StyleBox stores were renovated during the autumn of 2016. Comprising also the establishment of MAC shop-in-shop solutions, these measures have already significantly lifted revenue. In 2017/18, we will primarily focus on developing StyleBox shops inside large Matas stores.

In addition to the ongoing upgrade of our largest stores, we have stepped up maintenance and minor refurbishments of our other stores, giving more than one hundred stores an overhaul during the 2016/17 financial year.

In the autumn of 2016, we opened our largest store to date, of 560 sqm (including a 60 sqm pharmacy), in Sønderborg. This store is the first to test the concept of an independent shop-in-shop pharmacy. The store, which also includes a MAC shop-in-shop, is reporting an above expectations revenue growth. We expect to open additional stores in 2017/18 in which shop-in-shop pharmacies etc. will be a key element of the shopping experience.

The 68-year epoch during which independent shop owners have been members of the Matas chain is coming to an end. During the past 11 years, Matas A/S has acquired or opened more than 290 stores in Denmark. Five shops have left the Matas network and chosen to continue as independent shops under a different name.

The Matas chain will by 31 January 2018 consist solely of stores owned and operated by Matas A/S, the only exception being the store in Greenland. Matas A/S will set up own stores in the locations where the owners leave the network. We have already signed an agreement to establish our largest store to date in the

Rødovre Centrum shopping centre. The store is scheduled to open in the autumn of 2017.

### 3. Price and campaign efficiency

In financial year 2016/17, our market was challenged by slow growth and intensified competition, forcing us, among other things, to enhance our price and campaign efficiency.

A dramatic increase in the number of competing mass beauty retailers led to growing price pressure in this product category. In response, in the autumn of 2016, we adjusted campaign prices and introduced fixed low prices for a number of products particularly exposed to competition. During the last quarter of the financial year, we also intensified our pricing communications to make sure that customers' perception of prices is in tune with our verifiably competitive prices.

### 4. Market-leading omnichannel platform

It is our ambition that Matas's physical and digital marketing platform remains the strongest communications platform in the beauty and health food products market. Our marketing platform consists of the Matas advertising leaflet and matas.dk, the Matas stores and Club Matas, which drives customer traffic through a personal members' site, an app and e-mails containing offers and inspiration. In addition, Matas communicates via social media, which together with messages from the marketing platform generates brisk customer traffic and provides an attractive communication platform for Matas in relation to customers and suppliers alike.

At the same time, we are working to personalise relevant and attractive digital communications offers by means of customer behaviour data and intelligent customer data analysis. By end-2017, we will be in a position to show personalised advertising messages in real time when the individual customer is on the internet, messages based on the customer's shopping behaviour in our physical stores, on Matas.dk and on Matas's digital platforms.

In April 2017, we kicked off the implementation of a new POS system that will optimise campaigns and discounts in relation to individual media and individual customers. The roll-out of this system to all stores and sales channels is expected to be completed by the end of autumn 2017, ensuring that the customer meeting, on whichever platform, is based on the same customer data.

Our webshop on matas.dk, which is an important part of our omnichannel strategy, underwent significant



change during the financial year and has grown its revenue substantially. We made major investments to improve the online shopping experience, introducing a new, enhanced user interface with improved filtering options and better navigation. We also expanded our online product range. In October 2016, we were the first in Europe to introduce Dior, the exclusive cosmetics brand, in a new and specially designed online universe. In April 2017, we launched our MAC webshop. MAC has long been the best-selling online cosmetics brand.

At the same time, we are increasingly focusing on product lines that are not available in our physical stores but have shown significant growth potential due to their relevance for certain customers. In 2016/17, these product lines accounted for more than 20% of total online revenue, and we will further capitalise on this potential in the current financial year.

We are also developing an inspirational universe to help us anchor our strong customer relations. The first elements of this inspirational universe, containing news, trends and tutorials targeted at customers interested in beauty and health, has been launched in the spring of 2017. In May 2017, we introduced Club Mamma, a new concept providing inspiration and personal offers to women about to become a mother or with young children. This universe is tailored to the needs of women from they become pregnant until they exit Club Mamma when their children turn three years old.

Lastly, we continued integrating the shopping experience in physical Matas stores with that on matas.dk. Staff-supported internet access to matas.dk in all stores gives our customers access to Matas's complete product range in any store, irrespective of size and location. Combining this with pick-up and exchange access in all stores, we have built the market's strongest omnichannel solution. More than 60% of all webshop purchases are picked up at one of our physical stores, and a substantial proportion of customers picking up their orders in a store make additional purchases. This trend points towards untapped potential that may be realised by optimising customer contact across sales channels.

## 5. Full value of Club Matas

Club Matas already has more than 1.7 million members, equivalent to more than 70% of all Danish women between the ages of 18 and 65, and our main focus in the past financial year was therefore on creating additional value from the existing member base.

We expanded our existing loyalty programme, offering customers a range of personalised benefits in addition to the earning of points. The new loyalty element was introduced concurrently with a new, improved app allowing customers to check their current loyalty programme status. With this app, customers always have their membership benefits handy, and notifications let them know when to choose a benefit or exercise a personal offer.

At the end of the financial year, the new app had more than 500,000 users, and it has boosted loyalty among the large group of core customers. The app is considered a very important communications tool in our future interaction with customers.

At the same time, we introduced the possibility of using points earned to obtain cash discounts in our stores. Our customers are very pleased with this simplification of the reward model that will continue through the current financial year.

Enhanced utilisation of customer data to improve the customer meeting and grow sales is obviously high on our agenda for the current financial year.

The Club Matas partner programme, which at the end of 2016/17 had 21 partners, is undergoing exciting changes, and we are continually developing the programme to include additional activities to strengthen loyalty among our shared customers. We are very positive about the continued development of this business model and expect to launch several new initiatives in collaboration with our partners during the current financial year.

## Financial targets

Our financial guidance for the Group for 2017/18 is as follows:

- Underlying like-for-like revenue growth of 1-3% after taking a negative calendar effect into account.
- Improved EBITA relative to financial year 2016/17.
- Investments of around DKK 90-100 million (excluding store acquisitions).

The guidance for 2017/18 is based on expectations of slightly growing consumer spending, continued intensification of competition and little or no price movements. 2017/18 sales are expected to be adversely affected by fewer trading days compared with 2016/17.

Based on these market conditions and our adopted strategy, it is expected that the Group will be able to retain its market share in 2017/18.

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 healthcare products;
- to grow EBITA throughout the period; and
- to normalise investments below the current 3% of revenue from financial year 2018/19 onwards.

### 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 share buybacks.

In the event of any significant changes in the Group, the Board of Directors may reassess capital structure targets.

### Forward-looking statements

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

# Group performance in 2016/17

## Statement of comprehensive income

### Revenue

Revenue grew by 1.1% year on year to DKK 3,463 million for 2016/17.

Revenue for Q4 2016/17 came to DKK 779 million, up 1.9% on Q4 2015/16.

Sales in Matas's own retail stores grew by 2.5% year on year. Wholesale sales to associated Matas stores etc. were down by 39.0%, mainly as a result of the lower number of associated stores, declining sales to the remaining associated stores and lower income from the Club Matas partner programme.

Matas's own stores grew revenue by DKK 30 million to DKK 765 million in Q4 2016/17, an increase of 4.1%, while revenue from sales to associated stores etc. was down by DKK 15 million, mainly as a result of associated store acquisitions.

Sales in stores operated by the Group in both periods grew by 1.3% in 2016/17 (underlying growth), which was in line with the latest guidance of underlying growth in 2016/17 of 0 - 2%. Again, growth was

supported by larger average basket sizes, but this was offset by a lower number of transactions. Revenue in FY 2016/17 was favourably affected by a year-on-year increase in online sales of more than 30% and robust revenue growth in StyleBox.

Consumer spending grew slowly during most of the financial year, impacting adversely on underlying growth.

The difference between the underlying sales growth rate of 1.3% and the reported own store growth rate of 2.5% was primarily attributable to revenue from acquired associated stores, which is not included in underlying growth.

The underlying growth rate in Q4 2016/17 was 2.5% against negative growth of 1.3% for the same period of 2015/16. The improvement can primarily be attributed to the different timing of Easter compared with the previous year. General market conditions remained challenging in Q4 2016/17, reflecting intensifying competition and only faint signs of a general recovery in consumer spending.

### REVENUE BY SHOP-IN-SHOP

(DKK millions)	2016/17 FY	2015/16 FY	Growth	2016/17 Q4	2015/16 Q4	Growth
Beauty	2,517.8	2,452.2	2.7%	541.0	514.9	5.1%
Vital	389.5	374.8	3.9%	108.5	108.3	0.2%
Material	268.3	274.7	(2.3)%	56.1	58.5	(4.2)%
MediCare	185.1	182.5	1.4%	44.2	44.3	(0.1)%
Other *	32.5	26.7	21.8%	15.4	9.4	64.9%
<b>Total own store revenue</b>	<b>3,393.2</b>	<b>3,310.9</b>	<b>2.5%</b>	<b>765.2</b>	<b>735.4</b>	<b>4.1%</b>
Sales to associated stores etc.	70.2	115.2	(39.0)%	14.2	29.5	(51.7)%
<b>Total revenue</b>	<b>3,463.4</b>	<b>3,426.1</b>	<b>1.1%</b>	<b>779.4</b>	<b>764.9</b>	<b>1.9%</b>

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

### Revenue by shop-in-shop

The Beauty segment grew revenue by 2.7% in 2016/17 and by 5.1% in Q4 2016/17 over Q4 2015/16.

In the Beauty segment, High-End Beauty reported solid year-on-year growth of 6.5% in 2016/17. High-end women's skincare and make-up products performed particularly well.

The Mass Beauty market is still characterised by fierce price competition and reported a moderate decline in sales relative to 2015/16.

The Beauty segment's share of total own store revenue was 74.2% in 2016/17 against 74.1% in 2015/16.

The Vital segment reported year-on-year revenue growth of 3.9% in 2016/17.

Affected by a general slowdown within the area, the Material segment saw revenue decline by 2.3% in 2016/17.

The MediCare segment grew revenue by 1.4% in 2016/17 over 2015/16.

Overall, it is our assessment that Matas has retained its market share, although the market for beauty, personal care and healthcare products grew only slightly and was affected by fierce competition in 2016/17. The Club Matas loyalty programme is thought to have played a key role in retaining a stable market share with membership growth of some 100,000 in the year. At 31 March 2017, Club Matas had more than 1.7 million members.

The Club Matas partner programme grew its membership to 21 external partners at 31 March 2017, up from 18 a year earlier.

Five Danish Matas stores – four owned by Matas A/S and one associated store – were closed in 2016/17. Three of the closed stores have been replaced by a new, bigger store in the same area. At 31 March 2017, the Matas chain included 287 retail stores: 276 own retail stores, one webshop and ten associated stores.

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

StyleBox, which complements the Matas stores, continues its development and grew business volumes in the financial year, supported by a number of conceptual adjustments, the most important being the introduction of MAC shops-in-shops. Profitability improved during the financial year but is still not satisfactory. As expected, StyleBox reported a minor loss for the year.

## COSTS

(DKK millions)	2016/17 FY	2015/16 FY	Growth	2016/17 Q4	2015/16 Q4	Growth
Other external costs	302.0	296.0	2.0%	71.6	83.4	(14.1)%
As a percentage of revenue	8.7%	8.6%		9.2%	10.9%	
Staff costs	689.7	656.4	5.1%	167.4	163.0	2.7%
As a percentage of revenue	19.9%	19.2%		21.5%	21.3%	

### Costs and earnings

Gross profit increased by 0.5% to DKK 1,612 million for 2016/17.

The gross margin for 2016/17 was 46.5%, down from 46.8% in 2015/16. The slight setback was due to intensified competition.

The higher gross profit was therefore attributable to the increase in revenue, which was only partially offset by the slightly lower gross margin.

Gross profit for Q4 2016/17 was DKK 361 million, a decline of 0.8% relative to Q4 2015/16. This represents a gross margin of 46.4% compared with 47.6% for the same period the year before.

Other external costs were up by DKK 6.0 million or 2.0% year on year in 2016/17, due mainly to higher rent as a result of the acquisition of eight associated stores in the financial year. As a percentage of revenue, other external costs were more or less unchanged at 8.7% in 2016/17 against 8.6% in 2015/16.

In Q4 2016/17, other external costs fell by DKK 11.8 million relative to the same period the year before, to DKK 72 million. As a percentage of revenue, other external costs were down to 9.2% in the fourth quarter from 10.9% in Q4 2015/16. The fall can be ascribed to lower net marketing expenses and to last year's non-recurring costs in connection with the strategy work.

Staff costs rose by DKK 33 million year on year in 2016/17, driven by a higher number of staff, mainly shop assistants, as a result of the acquisition of eight associated stores.

Staff costs for 2016/17 included DKK 8.4 million related to the Group's long-term share-based compensation programme, an increase of DKK 5.2 million relative to 2015/16. The increase reflected cash settlement of the value of an existing share option scheme cancelled in September 2016, which drove costs up by DKK 6.6 million.

Against this background, staff costs as a percentage of revenue increased to 19.9% in 2016/17 from 19.2% in 2015/16.

For Q4 2016/17, staff costs totalled DKK 167 million, an increase of 2.7% relative to Q4 2015/16. Staff costs as a percentage of revenue were more or less unchanged at 21.5% in Q4 2016/17 against 21.3% for Q4 2015/16.

In the 2016/17 financial year, the Group had 2,197 full-time employees (FTE), up from 2,163 last year. The increase mainly reflects store acquisitions.

EBITDA was down by 4.9% year on year to DKK 620.1 million for 2016/17.

The EBITDA margin was 17.9% as compared with 19.0% the year before, impacted by a much stronger EBITA

increase in costs than in revenue and the slightly lower gross margin.

EBITA was down by 6.5% to DKK 551 million, taking the EBITA margin to 15.9% from 17.2% in 2015/16. This was in line with our most recent guidance of a 2016/17 EBITA margin of around 16%. EBITA for Q4 2016/17 was DKK 102 million, bringing the EBITA margin to 13.1% from 13.2% the year before.

EBIT was DKK 475 million in 2016/17.

(DKK millions)	2016/17 FY	2015/16 FY	Growth	2016/17 Q4	2015/16 Q4	Growth
<b>EBIT</b>	475.1	513.6	(7.5)%	83.1	81.7	1.8%
Amortisation of intangible assets	76.0	76.0		19.0	19.0	
<b>EBITA</b>	551.1	589.6	(6.5)%	102.1	100.7	1.4%
EBITA margin	15.9%	17.2%		13.1%	13.2%	

For a definition of EBITA, see page 80.

#### Financial items and tax

Net interest expenses totalled DKK 39 million in 2016/17, including a fair value adjustment of an interest rate swap representing income of DKK 10 million.

Excluding fair value adjustments, net interest expenses were DKK 48 million, a year-on-year increase of DKK 7 million.

Net interest expenses for Q4 2016/17 were DKK 13 million, an increase of DKK 2 million. Excluding the DKK 0 million fair value adjustment of the interest rate swap in 2015/16 and the DKK 2.4 million adjustment in 2016/17, net interest expenses were up by DKK 5 million in Q4 2016/17.

#### NET INTEREST EXPENSES

(DKK millions)	2016/17 FY	2015/16 FY	2016/17 Q4	2015/16 Q4
Net interest expenses	38.7	36.5	12.8	10.6
Fair value adjustment of interest rate swap	9.7	5.3	2.4	(0.1)
Net interest expenses, adjusted for swap	48.4	41.8	15.2	10.5

The effective tax rate was 22.4% in 2016/17 compared with 23.6% for 2015/16, primarily reflecting the reduction of the corporate income tax rate from 23.5% in 2015 to 22.0% in 2016.

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

The effective tax rate in Q4 2016/17 was 25.1%.

#### Profit for the year after tax

Profit for the year after tax was DKK 339 million, down from DKK 365 million in 2015/16.

Adjusted profit after tax was DKK 398 million in 2016/17 (see note 13), a decline of 5.8% relative to 2015/16. For Q4 2016/17, adjusted profit after tax was DKK 67 million against DKK 69 million for Q4 2015/16.

## Statement of financial position

Total assets amounted to DKK 5,271 million at 31 March 2017, down from DKK 5,315 million at 31 March 2016. Current assets totalled DKK 888 million, representing a year-on-year decline of DKK 32 million.

Inventories were up 4.6% over 31 March 2016. Inventories accounted for 20.0% of LTM revenue at 31 March 2017 as compared with 19.3% at 31 March 2016. The increase mirrors the acquisition of eight associated stores. We are of the opinion that the level of inventories throughout the financial year have struck a fair balance between our desire to keep inventories low and the need to limit the share of sold out items in our stores.

Mainly reflecting the lower number of associated stores, trade receivables declined by DKK 9 million to DKK 21 million.

Cash and cash equivalents stood at DKK 33 million, down from DKK 70 million the year before.

Trade payables were up by DKK 4 million.

Net working capital excluding deposits stood at minus DKK 158 million at 31 March 2017, up by DKK 14 million over 31 March 2016. Net working capital accounted for minus 4.6% of LTM revenue as compared with minus 5.0% the year before.

Equity was DKK 2,573 million at 31 March 2017, down from DKK 2,658 million at 31 March 2016. Dividend paid in financial year 2016/17 amounted to DKK 246 million, and a total of 1,625,338 treasury shares were bought back for a total of DKK 181 million in the period until 31 March 2017. Details are provided in note 17.

Total bank debt amounted to DKK 1,548 million at 31 March 2017, slightly below our target of gross debt in the DKK 1,600-1,800 million range. Net interest-bearing debt at 31 March 2017 was DKK 1,515 million, an increase of DKK 91 million over 31 March 2016. Net interest-bearing debt represents 2.4 times LTM EBITDA.

## Statement of cash flows

Cash generated from operations was an inflow of DKK 619 million in 2016/17, against an inflow of DKK 749 million the year before.

Cash flows from operating activities were an inflow of DKK 483 million in 2016/17, down from an inflow of DKK 567 million in 2015/16. The fall was caused by the increase in inventories and the decline in EBITDA.

Cash flows from operating activities for Q4 2016/17 were an inflow of DKK 73 million, a year-on-year decline of DKK 19 million.

Cash flows from investing activities were an outflow of DKK 135 million in 2016/17, compared with an outflow of DKK 70 million last year. The increase was driven by eight associated store acquisitions as compared with no acquisitions in 2015/16, investments in the store network and the new store concept and the opening of the new Matas store in Sønderborg.

For Q4 2016/17, cash flows from investing activities were an outflow of DKK 28 million.

The free cash flow was DKK 348 million in 2016/17 and DKK 45 million in Q4 2016/17.

## Return on invested capital

The return on LTM invested capital before tax was 13.6% (157.0% excluding goodwill), as compared with 14.3% in 2015/16 (133.7% excluding goodwill).

## Parent company performance

The parent company generated a profit of DKK 285 million in 2016/17 against DKK 304 million in 2015/16. The lower profit primarily reflects the recognition in 2015/16 of several years' income from the management fee scheme as well as costs related to the buyback of share option programmes, which were, however, offset by lower external costs insofar as non-recurring costs were recognised in 2015/16.

Equity was DKK 2,104 million at 31 March 2017 compared with DKK 2,244 million at 31 March 2016.

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

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

# Risk management

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

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

## Material operational risks

### Changes in economic conditions

Matas is significantly exposed to changes in the prevailing economic climate in Denmark, the market from which 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 and new players alike. Matas continually seeks to reinforce its market position by developing its retail network, product range, marketing, online sales and the Club Matas loyalty programme in an effort to bring the Group closer to its customers.

### Products and suppliers

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

### Product liability

The Group's operations involve risks which could potentially result in product liability, including personal injury claims. The Group has laid down a risk

management policy and procedures to mitigate such risks and has also taken out standard insurance cover.

### Legislation and indirect taxation

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

## Significant financial risks

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

## Tax litigation

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

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

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

# Corporate governance

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

## Corporate governance recommendations

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

## Communicating with investors and other stakeholders

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

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

In addition to its investor relations policy and communication and stakeholder policy, the Board of Directors has approved a set of internal rules to ensure that the disclosure of information complies with applicable stock exchange regulations.

All company announcements are published via Nasdaq Copenhagen and can subsequently be accessed from the company's website at [investor.matas.dk](http://investor.matas.dk). All announcements are published in Danish and English.

Matas publishes interim and annual financial statements and hosts investor presentations and conference calls after the release of each interim and

annual report. In addition, Matas holds meetings with Danish and international investors. Investors and analysts can also contact the Investor Relations Department to clear up any further questions regarding published reports.

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

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

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

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

## Diversity in management

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

Consisting of 60% men and 40% women, the Board of Directors meets the requirement for equal gender distribution in its supreme governing body.

It is the ambition of the Board of Directors to retain the diversity in management so that the mix reflects equal gender distribution as defined in the Danish Companies Act. The management of Matas, including members of middle management, consists of 52%



men (2015/16: 56%) and 48% women (2015/16: 44%), which means that the Group meets the defined target.

## Duties and responsibilities of the Board of Directors

At Matas, management duties and responsibilities are divided between the company's Board of Directors and Executive Management. No one person is a member of both of these bodies, and no member of the Board of Directors has previously been a member of the Executive Management. Matas has laid down rules of procedure for the Board of Directors, which are reviewed annually. The Board of Directors holds twelve ordinary board meetings plus a strategy seminar each year and will further convene as needed. In the 2016/17 financial year, twelve board meetings (ten meetings in 2015/16) and one strategy seminar were held.

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

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

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

## Composition of the Board of Directors

The Board of Directors consists of 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 skills that are considered to be relevant to Matas. All members of the Board of Directors elected by the shareholders are regarded as independent.

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

The Board of Directors determines once a year the qualifications, experience and skills the Board of

Directors must possess in order for the Board of Directors to best perform its tasks, taking into account the Group's current needs. The Board of Directors evaluates its work on an annual basis.

### Audit Committee

The Board of Directors has set up an Audit Committee comprising three members of the Board of Directors. The Chairman of the Audit Committee is independent and is skilled in accounting. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the collaboration with the independent auditors. The Audit Committee held four meetings in the 2016/17 financial year (four meetings in 2015/16).

### 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 2016/17 financial year (two meetings in 2015/16).

### Remuneration Committee

The Board of Directors has set up a Remuneration Committee comprising three members. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management as well as general guidelines for incentive pay to the Executive Management. The Remuneration Committee held two meetings in the 2016/17 financial year (two meetings in 2015/16).

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

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

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

short-term and long-term strategic goals and targets and to stimulate value creation.

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

Matas A/S may terminate an employment relationship with a member of the Executive Management by giving up to 24 months' notice. A member of the Executive Management may terminate the employment relationship by giving at least four months' notice. Termination 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 exercising effective control

and risk management, it has as yet not been deemed necessary to establish an internal audit department.

### Risk assessment

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

### Control activities

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

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

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

### Information and communication

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

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

### Monitoring

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

The Audit Committee monitors and reports to the Board of Directors on the procedures for the key line items and checks that the Executive Management

observes group policies and addresses any weaknesses. The external auditors meet with the Audit Committee at least once a year without the Executive Management and report any material weaknesses in their long-form audit report.

Matas has also established a whistleblower scheme, through which 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 Matas Group is a large Danish retail business with almost 300 stores that are in contact with millions of Danish consumers every year. As a natural consequence, we are keenly aware of our responsibilities in relation to our surrounding community. In conducting our business, we affect the surrounding world through the working conditions we offer our employees, through our direct and indirect impact on the environment and through the products we provide to consumers. We are committed to limiting the impact of our activities on the planet, to providing a sound working environment for our employees and to offering our customers the best products.

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

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

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

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

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

instance, product ingredients and environmental effects.

In the current financial year, we will continue to develop our CSR policy and intensify our efforts by drafting action plans and laying down key performance indicators for our CSR priorities in order to be able to more rigorously evaluate our performance going forward.

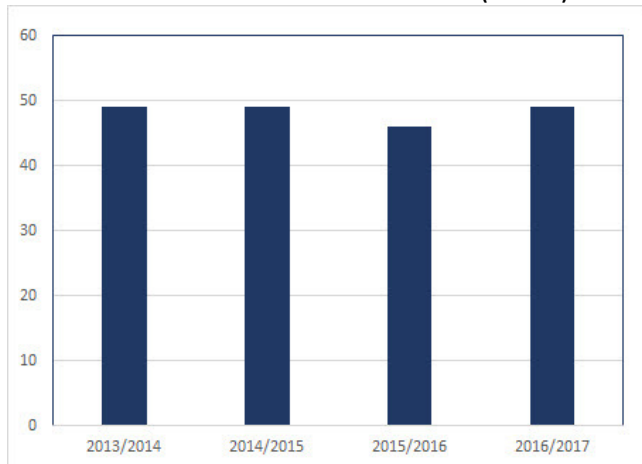
## Environmental and climate impact

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

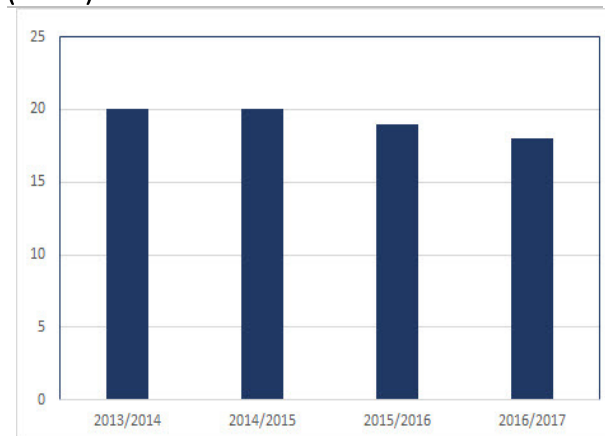
### Environmental impact

With a view to promoting *Responsible consumption*, we prioritise circular waste solutions. This means that all packaging used to transport finished goods to our central storage facilities and stores across the country is recycled by our nationwide recycling scheme – the Matas Return System. In 2016/17, 31 tonnes of transport plastic and 529 tonnes of cardboard were recycled. Through the same recycling scheme, we invite customers to return empty packaging from all products sold in Matas retail stores. Customers returned 18 tonnes of plastic packaging for recycling in 2016/17. The packaging was returned without reimbursement of a deposit or any other compensation to customers for doing so. In the 2016/17 financial year, we sent 49 tonnes of plastic for recycling, which is three tonnes more than last year.

**PLASTIC PACKAGING SENT FOR RECYCLING BY MATAS (TONNES)**



**PLASTIC PACKAGING RETURNED BY CUSTOMERS FOR RECYCLING (TONNES)**



Matas's recycling system is in keeping with the EU packaging directive, which prioritises recycling over incineration. Setting out to boost packaging volumes returned by our customers by at least 10% relative to the level of the past financial year, we will over the next few years launch a series of campaigns in collaboration with the Danish Society for Nature Conservation and the Plastic Change organisation.

Throughout the 2016/17 financial year, we continued our collaboration with the Danish Society for Nature Conservation to identify areas in which we can promote responsible consumption, including the Matas Return System and the Group's development and sales of Swan-labelled products.

The Danish Society for Nature Conservation also recommends that consumers buy Matas's own durable and recyclable ecobags with a view to reducing the use of disposable carrier bags. All profits from the sale of these ecobags go to the Matas Environmental Fund, which donates plants and sun shade tents for playgrounds at child care institutions. Up to and including March 2017, the Fund had

provided financial support for 2,191 child care institutions, 83 of them in the past financial year. So far, half of all applicants have received financial support.

**Substitution by private labels**

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

Matas offers the largest range of Swan-certified private personal care labels of all Danish retail chains. At 31 March 2017, 152 of our private labels were Swan-labelled, compared with 107 the year before. The Swan label may only be used by the most environmentally friendly products within a specific product category. We expect to increase the number of Swan-labelled private labels to at least 170 by the end of the current financial year.

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

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

All private labels are subjected to bacteriological third-party control by Eurofins Steins Laboratorium to rule out any contamination issues.

During the financial year, we analysed the palm oil derivatives content in all our own non-food products and identified the share certified according to one of the three RSPO-approved trading systems. At 31 March 2017, about 5% of the total palm oil derivatives content of our own non-food products was RSPO-certified. We expect to increase this share to 25% in the course of the next two years (min. Mass Balance certification).

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

#### Climate impact

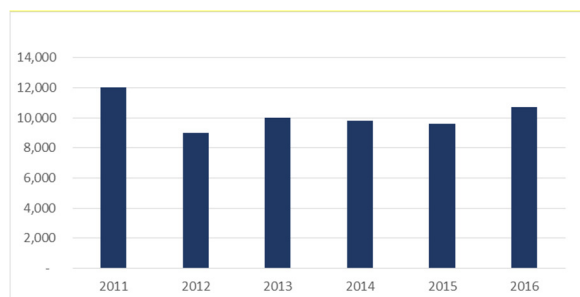
Matas is committed to reducing the Group's energy consumption and CO<sub>2</sub> emissions. We do this by focusing on two primary areas:

- Lighting and cooling account for the largest share of the power consumption in our stores. Our employees are subject to rules for energy-efficient daily use of lighting and air-conditioning systems. In addition, traditional lighting sources are gradually replaced by more energy-efficient LED lighting.
- During the current financial year, we will analyse the consumption of energy in transporting products between our central storage facilities and stores and in transporting empty packaging for recycling. In close dialogue with transport companies, we will set energy reduction targets that do not compromise timely product delivery to the stores.

In 2016, power consumption in our stores was up by 1,100,000 kWh relative to 2015. The main reasons were as follows:

- Lighting has been significantly upgraded in connection with the renovation of stores in accordance with the new concept design. However, power consumption is limited by using energy-efficient LED lighting sources.
- In an effort to improve temperature conditions in the stores, a number of old air-conditioning systems were replaced during the period from end-2015 to end-2016. This replacement has caused a higher energy consumption, but efforts will be made to reduce consumption through stricter rules of conduct.

#### ENERGY CONSUMPTION IN MATAS STORES (MWH)



#### Focus on complaints processing

Matas remains committed to providing good service when handling customer complaints, and in addition, we have introduced a new tool to measure customer satisfaction in our stores.

#### Sickness prevention and health

In consistency with the Group's commitment to promoting consumers' *good health and well-being*, Matas in 2016/17 continued its close collaboration with the Danish Heart Foundation and the Danish Cancer Society on sickness prevention in two areas in which assuming social responsibility is particularly relevant for the Group in light of our concept.

#### Preventing heart disorders in women

One in four women in Denmark dies from a heart disease, and given that most of our employees and customers are women, the Group is working with the Danish Heart Foundation to help reduce the number of women suffering from heart disorders and bring down the mortality rate among people suffering from heart disease. Up to and including the 2016/2017 financial year, Matas has donated DKK 19.1 million to the Danish Heart Foundation. In the past financial year, we donated DKK 2.7 million. This amount came from fund-raising, including from sales of Matas's own luxury skincare line, PLAISIR, awareness bracelets and Christmas package ornaments. In addition, Matas offers Club Matas members to use points earned to pay for membership of the Danish Heart Foundation.

According to the Danish Heart Foundation, 285,000 people in Denmark unknowingly suffer from hypertension that, if untreated, can lead to heart diseases. In collaboration with the Heart Foundation, Matas regularly offers free blood pressure testing in our stores. In the 2016/17 financial year, 180 Matas stores participated, and 3,500 customers and employees had their blood pressure measured. 9% of these appeared to suffer from moderate to severe hypertension, and the Heart Foundation consequently recommended that they consult their own doctor for follow-up examinations.

### Preventing skin cancer

Skin cancer is the most common type of cancer in Denmark, and since Matas represents an advisory concept and is a market leader in sales of sunscreen, the Group is working with the Danish Cancer Society to help prevent skin cancer.

Skin cancer can be prevented by following important sun advice from the Danish Cancer Society. Matas and the Danish Cancer Society work together to propagate this sun advice, focusing on increasing knowledge about the UV index at which protection is needed and how sunburn and thus skin cancer can be prevented by staying in the shade, wearing appropriate clothes and using sunscreen correctly. These messages are disseminated through Matas's various media, on Matas sun products and through the advice provided to consumers by trained Matas shop assistants. The skills of our staff in this area are updated annually by way of a supplementary training course developed by the Danish Cancer Society.

As reflected 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. Given that an estimated 300,000 people in Denmark unknowingly suffer from COLD, we continued our collaboration with the Danish Lung Association during the 2016/17 financial year. Fifty Matas stores offered customers and employees to have their lung function tested by a respiratory nurse. Just under 2,100 people accepted this offer, and 17% of these were advised to consult a doctor based on their respiratory function test.

In the summer of 2016, the EU banned the use of Bisphenol A in till receipts. The ban will take effect in 2019. According to the Danish Environmental Protection Agency, Bisphenol A may cause reproductive disorders and is suspected of having a hormone-disrupting effect. Fully in line with our commitment to promote the good health of our customers and employees, all Matas receipts have been free from Bisphenol A and other bisphenols since 2014.

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

## Human rights

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

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

To the best of our knowledge, no products sold in the 2016/17 financial year were developed or produced using child labour.

Matas is committed to promoting diversity among our employees. The results of this work are presented elsewhere in this annual report.

In the current financial year, we will continue our work in the human rights area and plan to adopt a formal policy for human rights, anti-corruption and social conditions based on the UN Guiding Principles on Business & Human Rights.

## Working conditions (social and employee conditions)

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

### Employee skills

The Group's intellectual capital is deemed to be crucial to the fulfilment of the Group's growth strategy. Our goal is for professional advice in the stores under the motto "Good advice makes the difference" to enable consumers to 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. At the same time, competent advice is to lead to continuing positive customer experience, thereby reinforcing the Group's market position.

In the 2016/2017 financial year, Matas continued its efforts to provide an attractive workplace where employee skills and development are in focus. Accordingly, 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 training materialists, and a clear majority of the chain's staff are either undergoing training or are trained materialists. The two-year training programme consists of an apprenticeship at a Matas store and a theoretical training programme consisting of four modules of two weeks each, multiple e-learning assignments, sales training and a final test. After completion of the programme, materialists have the option to specialise.

Good health and environmental protection are important subjects in the basic training of materialists, the purpose being to equip them to provide professional advice to customers. Accordingly, materialists are taught about products and their ingredients in order to be able to advise consumers about which products are particularly beneficial to their own health and/or the environment, about Matas's waste projects and about the disease-preventing initiatives offered in our stores.

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, skill enhancement programmes are prepared for each head office employee and each of the employees at every store in the chain.

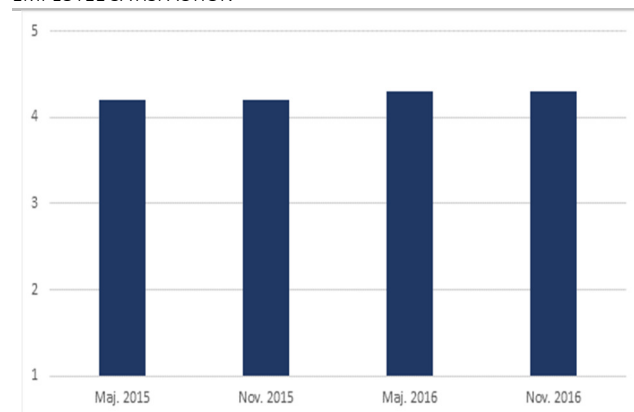
At Matas, it is the knowledge and know-how of the employees which ensures that customers get the best advice from industry specialists. This knowledge and know-how is constantly updated through supplementary training in beauty and health through courses offered by suppliers and others. The Group seeks to a significant degree 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. These skills 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 our employees. Matas contributes to diversity and an inclusive labour market through special employment plans such as part-time

work schemes and a project called KLAP (*Kreativ, Langsigtet ArbejdsPlanlægning* (creative, long-term work planning)). Matas collaborates with the Danish LEV society on the KLAP Project, whose objective is to give people with special needs and learning difficulties a meaningful everyday life 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 26 employees under the KLAP Project.

EMPLOYEE SATISFACTION



### Welfare and responsibility in the workplace

We make proactive efforts to ensure employee job satisfaction, working actively to maintain a safe and healthy working environment and conducting annual employee development interviews and semi-annual surveys of employee satisfaction at all levels of the Group.

We continue to work actively to improve the general level of employee satisfaction in the Matas chain in order to make Matas an even better place to work and a better place to shop for our customers.

The employee satisfaction survey shows a very good score of 4.3 out of 5 for the Group as a whole. Sickness absence in the Matas chain is significantly below the national average of 8.1%. Measured on a monthly basis over the year as a whole and including all staff employed in the financial year and sickness in connection with pregnancy, the rate of absenteeism among employees in the Matas chain was 5.15%. Excluding employees who resigned during the year and absence due to sickness in connection with pregnancy, the sickness absence rate was 2.2%. The average number of employees on leave in connection with pregnancy and child birth at any given time is 102.

### Anti-corruption

Matas is exposed to the risk of non-compliance with anti-corruption legislation by employees, suppliers and



other partners and to the potential indirect financial and legal effects of such non-compliance.

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

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

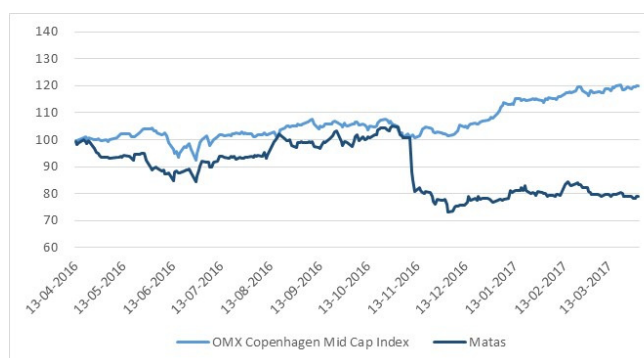
Through the group intranet and posters in the stores, we regularly remind the employees of our policy and their roles and relevant responsibilities. We have set up a whistleblower scheme to allow our employees to anonymously report suspicion of misconduct such as violation of Matas's internal policies or applicable legislation, fraud, etc. No such reports were submitted in 2016/17.

# Shareholder information

## Matas shares in 2016/17

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 99 on 31 March 2017, equivalent to a decline of 25.3% in 2016/17. A dividend of DKK 6.30 per share was paid out as of 1 July 2016. Including this dividend, the rate of decline in the share price was 21.1% in 2016/17. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of 20.0% in the same period. At 31 March 2017, Matas A/S's market capitalisation was DKK 3,890 million. The average turnover in Matas's shares was 82,256 shares per day in 2016/17.

### INDEXED SHARE PRICE PERFORMANCE



## Share capital

The nominal value of the company's share capital at 31 March 2017 was DKK 98,228,730 divided into shares of DKK 2.50, equivalent to 39,291,492 shares and 39,291,492 votes. In the course of the financial year, the share capital was reduced by DKK 2,500,000, equivalent to a total of 1,000,000 shares.

At 31 March 2017, Matas held 1,657,186 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. The capital increase will take

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

### MASTER DATA

Share capital, DKK	98,228,730
Number of shares (of DKK 2.5)	39,291,492
Classes of shares	1
Restrictions on transferability and voting rights	None
Stock exchange	Nasdaq Copenhagen
Ticker symbol	MATAS
ISIN code	DK0060497295

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 will 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 2017.

## MOVEMENTS IN SHARE CAPITAL IN 2016/17

Date	Transaction	Share capital		Share capital after change (DKK)	Number of shares after change
		before change (DKK)	Change in share capital		
1 August 2016	Reduction of share capital	100,728,730	(2,500,000)	98,228,730	39,291,492

### Ownership

At 31 March 2017, Matas A/S had approximately 11,600 registered shareholders, who represented approximately 96% of the share capital. Out of the registered shareholders, shares held by non-Danish shareholders accounted for 44%. KIRKBI Invest A/S, Denmark, has disclosed that it holds 14.2% of the share capital at the reporting date.

At 31 March 2017, members of the Board of Directors held 35,603 shares, and members of the Executive Management held 202,393 shares, equivalent to 237,996 shares, or 0.6% of the share capital.

### Treasury shares

At the annual general meeting held on 29 June 2016, 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 2017.

As part of the adjustment of the Group's capital structure, a share buyback programme for a total of DKK 150 million was initiated in September 2016. Under the buyback programme, which ran from 1 September 2016 until 23 February 2017, a total of 1,395,238 treasury shares of DKK 2.50 nominal value were acquired, equivalent to 3.55% of the share capital. This brought the company's portfolio of treasury shares to 1,657,186 shares of DKK 2.50 nominal value at 31 March 2017, equivalent to 4.22% of the share capital.

It is expected that it will be proposed at the annual general meeting to be held in 2017 to cancel a proportion of the treasury shares acquired under the share buyback programme. 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 2016/17 financial year. The proposed dividend per share corresponds to a total dividend distribution of DKK 247.5 million, equivalent to 62.2% 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 2016/17 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 four analysts.

#### ANALYST COVERAGE

ABG Sundal Collier	Michael Vitfell-Rasmussen
Danske Bank	Poul Ernst Jessen
Jyske Bank	Frans Høyer
Nordea	Claus Almer

### Contact

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

Head of Investor Relations (from 1 August 2017)  
Elisabeth Toftmann Klintholm  
Tel: +45 48 16 55 55  
E-mail: etk@matas.dk

Chief Financial Officer  
Anders Skole-Sørensen

Tel: +45 48 16 55 55  
E-mail: as@matas.dk

## Annual general meeting

The annual general meeting will be held on Wednesday, 29 June 2017 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 2017/18 financial year is as follows.

### FINANCIAL CALENDAR

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29 June 2017	Annual general meeting for 2016/17
22 August 2017	Interim report – Q1 2017/18
8 November 2017	Interim report – Q2 2017/18
9 January 2018	Trading update for Q3 2017/18
6 February 2018	Interim report – Q3 2017/18
16 May 2018	Annual report for 2017/18
28 June 2018	Annual general meeting for 2017/18

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# Board of Directors and Executive Management

## Board of Directors

### Lars Vinge Frederiksen, Chairman

- Born 1958, Danish nationality
- Position: Professional board member since 2013
- First elected to the Board of Directors in 2013
- Up for re-election: 2017
- Chairman of the Remuneration Committee and the Nomination Committee
- Independent board member
- A member of the boards of directors of Falck A/S, Widex A/S, Augustinus Industri A/S and Tate & Lyle, London. Chairman of the Hedorf Foundation and the Danish Committee on Corporate Governance and a member of the supervisory board of PAI Partners SA, France.
- Special skills: Management experience from listed companies, Chr. Hansen Holding A/S (CEO) and general experience in strategic development.

### Ingrid Jonasson Blank, board member

- Born 1962, Swedish nationality
- Position: Professional board member since 2010
- First elected to the Board of Directors in 2013
- Term expires: 2017, does not stand for re-election
- 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, Stor&Liten AB and Martin & Servera AB.
- Special skills: General retailing management experience from her position as Executive Vice President of ICA Sverige AB and board experience from listed companies.

### Lars Frederiksen, Deputy Chairman

- Born 1969, Danish nationality
- Position: Professional board member since 2007
- First elected to the Board of Directors in 2007
- Up for re-election: 2017
- Member of the Remuneration Committee, the Nomination Committee and the Audit Committee
- Independent board member
- Chairman of the boards of directors of Clea Capital Ltd., Burner International A/S, Burner Holding A/S and Jægersborg Ejendomme A/S.
- Special skills: General management experience and retailing expertise.

### Christian Mariager, board member

- Born 1961, Danish nationality
- Position: Professional board member since 2015
- First elected to the Board of Directors in 2014
- Up for re-election: 2017
- Member of the Audit Committee
- Independent board member
- Operating Partner at L Catterton and chairman of Comitel A/S and Coffeemaker Nordic A/S. Deputy chairman of Brunata A/S. Member of the boards of directors of Imerco A/S, Michael Goldschmidt Holding A/S, Løggismose Meyers A/S and Pepe Jeans-Hackett London Ltd. Member of the Advisory Board of Columbia Business School.
- Special skills: 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
- Up for re-election: 2017
- Chairman of the Audit Committee
- Independent board member
- Member of the boards of directors of Kirk Kapital A/S, Arkil Holding A/S, Coloplast A/S, the Danish Rheumatism Association and chairman of the audit committee of Arkil Holding A/S. In addition to member of the boards of directors of "De Forenede Ejendomsselskaber A/S", including the companies "Amager Strandvej 60-64/Ved Amagerbanen 37 ApS", "Valby Maskinfabrik 7 ApS", "Valby Maskinfabrik 8 ApS", "Valby Maskinfabrik 10 ApS", "Valby Maskinfabrik 11 ApS", "Valby Maskinfabrik 12 ApS", "Nimbusparken I ApS" og "Nimbusparken III ApS".
- Special skills: General management experience and extensive financial and accounting skills. Board experience from listed companies.

## Executive Management

### Terje List

#### Chief Executive Officer

- Born 1965, Danish nationality
- Board member: 3C RETAIL A/S (L'Easy), Synsam 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 2016 to 31 March 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the 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 2017 and of the results of the Group's and the company's operations and cash flows for the financial year 1 April 2016 to 31 March 2017.

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, 30 May 2017

## Executive Management

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Terje List  
CEO

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Anders Skole-Sørensen  
CFO

## Board of Directors

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Lars Vinge Frederiksen  
Chairman

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Lars Frederiksen  
Deputy Chairman

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Ingrid Jonasson Blank

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Christian Mariager

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Birgitte Nielsen

# Independent auditor's report

To the shareholders of Matas A/S

## Opinion

We have audited the consolidated financial statements and the parent company financial statements of Matas A/S for the financial year 1 April 2016 – 31 March 2017, which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 March 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 April 2016 – 31 March 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2016/17. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

## *Goodwill measurement*

The carrying amount of goodwill is DKK 3,734.4 million at 31 March 2017, corresponding to 71% of the Group's assets. Goodwill has an indefinite useful life and must pursuant to International Financial Reporting Standards as adopted by the EU (IAS 36) be tested for impairment at least once a year. We did not identify any impairment of goodwill in the financial year. The impairment test is a key audit matter as it relies on assumptions and estimates made by management, for instance regarding future earnings.

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



During our audit, we checked the impairment test prepared by management, on the basis of the discounted cash flow model, and assessed whether the assumptions made by management are reasonable. We assessed the relevance of the calculation model selected and assessed the discount factor and growth rate applied for extrapolation purposes. Expected net cash flows are based on the budget for financial year 2017/18, extrapolation through the remaining budget period to 2021/22 and a terminal value. We examined budget preparation procedures and compared budgets with the Group's strategy work in the individual areas. In addition, we assessed the adequacy of the goodwill disclosures provided in notes 2 and 15.

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

In connection with sales from own stores and the allocation of points and stripes under the Club Matas loyalty programme, a performance obligation related to the non-performed proportion of revenue relating to the allocation of Club Matas points and stripes is recognised. The related revenue is recognised as customers redeem their Club Matas points and stripes. The recognition of revenue and the measurement of unredeemed Club Matas points and stripes are key audit matters as the statement was based on a fair value estimated by management which considering the actual future redemption is inherently associated with uncertainty.

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

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

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

Management is responsible for the Management's review.

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

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

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

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

#### *Management's responsibilities for the 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 additional requirements of the Danish Financial Statements Act and for such internal control as 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.

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

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

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

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

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

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

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

Copenhagen, 30 May 2017  
Ernst & Young  
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# Consolidated financial statements 2016/17

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# Statement of comprehensive income

(DKK millions)	Note	2016/17	2015/16
Revenue	3, 4	3,463.4	3,426.1
Cost of goods sold	5	(1,851.6)	(1,821.6)
<b>Gross profit</b>		1,611.8	1,604.5
Other external costs	6	(302.0)	(296.0)
Staff costs	7	(689.7)	(656.4)
Amortisation, depreciation and impairment losses	8	(145.0)	(138.5)
<b>EBIT</b>		475.1	513.6
Financial income	9	9.7	7.1
Financial expenses	10	(48.4)	(43.6)
<b>Profit before tax</b>		436.4	477.1
Tax on the profit for the year	11	(97.7)	(112.6)
<b>Profit for the year</b>		338.7	364.5
<b>Other comprehensive income</b>			
Other comprehensive income after tax		0.0	0.0
<b>Total comprehensive income for the year</b>		338.7	364.5
<b>Earnings per share:</b>			
Earnings per share, DKK	12	8.79	9.17
Diluted earnings per share, DKK	12	8.75	9.11

# Statement of cash flows

(DKK millions)	Note	2016/17	2015/16
Profit before tax		436.4	477.1
Amortisation, depreciation and impairment losses	8	145.0	138.5
Financial income	9	(9.7)	(7.1)
Financial expenses	10	48.4	43.6
Other non-cash operating items, net		8.4	3.4
<b>Cash generated from operations before changes in working capital</b>		<b>628.5</b>	<b>655.5</b>
Changes in working capital	26	(9.6)	93.8
<b>Cash generated from operations</b>		<b>618.9</b>	<b>749.3</b>
Interest received	9	0.0	1.8
Interest paid	10	(41.9)	(40.7)
Corporation tax paid		(94.4)	(143.5)
<b>Cash flow from operating activities</b>		<b>482.6</b>	<b>566.9</b>
Acquisition of intangible assets	14	(40.4)	(25.2)
Acquisition of property, plant and equipment	16	(43.3)	(45.4)
Disposal of securities		0.2	0.3
Acquisition of subsidiaries and operations	27	(51.0)	0.0
<b>Cash flow from investing activities</b>		<b>(134.5)</b>	<b>(70.3)</b>
<b>Free cash flow</b>		<b>348.1</b>	<b>496.6</b>
Loans raised with credit institutions		1,492.0	0.0
Debt settled with credit institutions		(1,443.7)	(115.3)
Dividend paid		(245.8)	(232.0)
Buyback of share option programme		(6.6)	0.0
Purchase and sale of treasury shares	17	(180.6)	(120.9)
<b>Cash flow from financing activities</b>		<b>(384.7)</b>	<b>(468.2)</b>
<b>Net cash flow from operating, investing and financing activities</b>		<b>(36.6)</b>	<b>28.4</b>
Cash and cash equivalents, beginning of period		69.9	41.5
<b>Cash and cash equivalents, end of period</b>		<b>33.3</b>	<b>69.9</b>

# Assets at 31 March

(DKK millions)	Note	2016/17	2015/16
<b>NON-CURRENT ASSETS</b>			
Goodwill		3,734.5	3,691.0
Trademarks and trade names		361.8	435.7
Shares in co-operative property		3.9	3.9
Other intangible assets		49.2	37.2
<b>Total intangible assets</b>	14, 15	4,149.4	4,167.8
Land and buildings		92.7	96.5
Other fixtures and fittings, tools and equipment		69.9	67.3
Leasehold improvements		12.1	10.0
<b>Total property, plant and equipment</b>	16	174.7	173.8
Deferred tax assets	22	17.7	16.0
Deposits		39.7	36.9
Other securities and investments		0.7	0.9
<b>Total other non-current assets</b>		58.1	53.8
<b>Total non-current assets</b>		4,382.2	4,395.4
<b>CURRENT ASSETS</b>			
Inventories	18	693.2	662.8
Trade receivables	19	20.7	29.5
Corporation tax receivable	20	112.9	129.5
Other receivables		11.4	4.5
Prepayments		16.9	23.7
Cash and cash equivalents		33.3	69.9
<b>Total current assets</b>		888.4	919.9
<b>TOTAL ASSETS</b>		5,270.6	5,315.3

# Equity and liabilities at 31 March

(DKK millions)	Note	2016/17	2015/16
<b>EQUITY AND LIABILITIES</b>			
Share capital	21	98.2	100.7
Share premium		0.0	1,787.3
Translation reserve		0.3	0.3
Treasury share reserve		(185.3)	(137.4)
Retained earnings		2,411.8	653.6
Proposed dividend for the financial year	13	247.5	253.8
<b>Total equity</b>		<b>2,572.5</b>	<b>2,658.3</b>
Deferred tax	22	236.5	248.2
Credit institutions	24	1,492.0	1,493.5
Other payables	25	13.1	22.8
<b>Total non-current liabilities</b>		<b>1,741.6</b>	<b>1,764.5</b>
Credit institutions	24	56.3	0.0
Prepayments from customers	23	156.5	149.8
Trade payables		587.9	584.2
Other payables	25	155.8	158.5
<b>Total current liabilities</b>		<b>956.5</b>	<b>892.5</b>
<b>Total liabilities</b>		<b>2,698.1</b>	<b>2,657.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,270.6</b>	<b>5,315.3</b>



# Statement of changes in equity

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

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

DKK millions	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
<b>Equity at 1 April 2015</b>	<b>101.9</b>	<b>1,787.3</b>	<b>0.3</b>	<b>(85.7)</b>	<b>236.5</b>	<b>603.2</b>	<b>2,643.5</b>
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statement of comprehensive income	0.0	0.0	0.0	0.0	253.8	110.7	364.5
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>253.8</b>	<b>110.7</b>	<b>364.5</b>
<b>Transactions with owners</b>							
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
<b>Total transactions with owners</b>	<b>(1.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>(51.7)</b>	<b>(236.5)</b>	<b>(60.3)</b>	<b>(349.7)</b>
<b>Equity at 31 March 2016</b>	<b>100.7</b>	<b>1,787.3</b>	<b>0.3</b>	<b>(137.4)</b>	<b>253.8</b>	<b>653.6</b>	<b>2,658.3</b>

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# Notes to the financial statements

## Note 1 – Accounting policies

Matas A/S is a public limited company domiciled in Denmark. The financial section of the annual report for the period 1 April 2016 – 31 March 2017 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 2016/17 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

The Board of Directors and the Executive Management considered and adopted the annual report of Matas A/S for 2016/17 on 30 May 2017. 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 2017.

### **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.

Matas A/S has implemented all new or amended financial reporting standards and interpretations adopted by the EU that apply to the financial year 1 April 2016 – 31 March 2017. None of these have significantly affected Matas's annual report for 2016/17. 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***

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

## Note 1 – Accounting policies - cont.

In connection with acquisitions of new entities over which Matas A/S obtains control, the purchase method is used. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The acquisition date is the date when Matas A/S effectively obtains control over the acquired entity.

Any excess of the consideration transferred over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised but is tested annually for 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 subsequently forming the basis for the impairment test.

The consideration for a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. Costs attributable to business combinations are recognised directly in profit or loss when incurred.

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

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

### ***Foreign currency translation***

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

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

## Note 1 – Accounting policies - 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 designated as and/or do not qualify as hedging instruments, changes in fair value are recognised as financial income or financial expenses.

### **Income statement**

#### ***Revenue***

Income from the sale of goods for resale is recognised in revenue once delivery has taken place and the risk has been transferred to the purchaser, provided the income can be reliably measured and is expected to be received. Performance obligations in relation to the non-performed proportion of revenue related to the allocation of points and stripes under the Club Matas loyalty programme are deducted.

Revenue is measured at the fair value of the agreed consideration net of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Note 1 – Accounting policies - 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 their useful lives to be indefinite.

##### *Other intangible assets*

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

#### *Property, plant and equipment*

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

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

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

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

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

Land is not depreciated.

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

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

## Note 1 – Accounting policies - cont.

### **Impairment testing of non-current assets**

Goodwill and intangible assets with indefinite useful lives are subject to annual impairment testing, initially before the end of the acquisition year.

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

Deferred tax assets are subject to annual impairment testing and are recognised only to the extent that it is probable that the assets will be utilised.

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

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

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

### **Inventories**

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

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

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

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

### **Prepayments**

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

## Note 1 – Accounting policies - 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 its employees.

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

The Group has not established any defined benefit pension plans.

#### *Share option programme*

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

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

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

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



## Note 1 – Accounting policies - cont.

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

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

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

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

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the date of the statement of financial position, will apply at the time when the deferred tax is expected to crystallise as current tax. 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 performance obligations regarding issued gift vouchers and the Club Matas customer loyalty programme.

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

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

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

### ***Financial liabilities***

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

## Note 1 – Accounting policies - cont.

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

### Statement of cash flows

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

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

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

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

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

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

### Segment information

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

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

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.

## Note 2 – Accounting estimates and judgments

### **Estimation uncertainty**

The computation of the carrying amount of certain assets and liabilities requires that judgments, estimates and assumptions be made about future events.

The estimates and assumptions used are based on historical experience and other factors which management assesses to be reliable in the circumstances, 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.

### **Impairment testing of goodwill**

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

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

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

### **Inventory measurement**

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

The carrying amount of inventories recognised at net realisable value is DKK 0.0 million at 31 March 2017 (31 March 2016: DKK 0.8 million).

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 (2015/16: 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 2016/17 (2015/16: 1.3%).

### **Measurement of prepayments**

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

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

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

### **Tax dispute**

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

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 products and over-the-counter medicine.

Revenue can be specified as follows:

(DKK millions)	2016/17	2015/16
Beauty	2,517.8	2,452.2
Vital	389.5	374.8
Material	268.3	274.7
MediCare	185.1	182.5
Other	32.5	26.7
<b>Total own store revenue</b>	<b>3,393.2</b>	<b>3,310.9</b>
Sales to associated stores etc.	70.2	115.2
<b>Total revenue</b>	<b>3,463.4</b>	<b>3,426.1</b>

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.

Revenue from sales through Danish retail stores and to associated stores accounted for 100.0% (2015/16: 100.0%).

All the Group's non-current assets are physically located in Denmark as at 31 March 2017 (31 March 2016: 100.0%).

### Note 4 – Revenue

(DKK millions)	2016/17	2015/16
Sale of goods from retail stores	3,393.2	3,310.9
Sale of goods to associated stores	70.2	115.2
<b>Total revenue</b>	<b>3,463.4</b>	<b>3,426.1</b>

### Note 5 – Cost of goods sold etc.

(DKK millions)	2016/17	2015/16
Cost of goods sold for the year	1,851.6	1,819.4
Write-down of inventories for the year	0.0	2.2
<b>Cost of goods sold etc.</b>	<b>1,851.6</b>	<b>1,821.6</b>

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

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

(DKK millions)	2016/17	2015/16
Fee to EY	0.9	0.8
<b>Total fees to the auditors appointed by the shareholders in general meeting</b>	<b>0.9</b>	<b>0.8</b>

Specified as follows:

(DKK millions)	2016/17	2015/16
Audit	0.8	0.7
Other assurance engagements	0.0	0.0
Tax and VAT assistance	0.0	0.1
Other services	0.1	0.0
<b>Total fees to auditors appointed by the shareholders in general meeting</b>	<b>0.9</b>	<b>0.8</b>

## Note 7 – Staff costs

(DKK millions)	2016/17	2015/16
Wages and salaries	627.3	599.4
Defined contribution plans	44.2	42.1
Share-based payment	8.4	3.2
Other staff costs	15.1	15.2
<b>Total staff costs</b>	<b>695.1</b>	<b>659.9</b>

Total staff costs are recognised as follows:

(DKK millions)	2016/17	2015/16
Staff costs in statement of comprehensive income	689.7	656.4
Intangible assets	5.4	3.5
<b>Total staff costs</b>	<b>695.1</b>	<b>659.9</b>
Average number of employees	2,197	2,163

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

## Note 8 – Depreciation, amortisation and impairment

(DKK millions)	2016/17	2015/16
Amortisation, intangible assets	102.3	101.4
Depreciation, property, plant and equipment	41.7	37.1
Loss on disposal of property, plant and equipment	1.0	0.0
<b>Total depreciation, amortisation and impairment</b>	<b>145.0</b>	<b>138.5</b>

## Note 9 – Financial income

(DKK millions)	2016/17	2015/16
Changes in the fair value of derivative financial instruments	9.7	5.3
Interest from the Danish tax authorities	0.0	1.7
Interest, cash etc.	0.0	0.1
<b>Total financial income</b>	<b>9.7</b>	<b>7.1</b>
Interest from financial assets measured at amortised cost amounts to	0.0	0.1

## Note 10 – Financial expenses

(DKK millions)	2016/17	2015/16
Interest, credit institutions	41.6	40.0
Amortisation of financing costs	6.5	2.9
Other	0.3	0.7
<b>Total financial expenses</b>	<b>48.4</b>	<b>43.6</b>
Interest on financial liabilities measured at amortised cost amounts to	27.3	24.0

## Note 11 – Tax

(DKK millions)	2016/17	2015/16
Tax on the profit/(loss) for the year is specified as follows:		
Tax on profit/(loss) for the year	97.7	112.6
<b>Total tax</b>	<b>97.7</b>	<b>112.6</b>
Tax on the profit/(loss) for the year has been calculated as follows:		
Current tax	111.7	126.4
Deferred tax	(13.4)	(13.7)
Current tax regarding previous years	(0.4)	(0.1)
<b>Total tax</b>	<b>97.7</b>	<b>112.6</b>
Tax on the profit/(loss) for the year is explained as follows:		
Computed 22.0% tax on profit before tax (24.5% in 2015/16)	96.0	112.1
Limitation of right to deduct interest	0.8	1.3
Other	1.3	0.9
Change of Danish corporate tax rate	0.0	(1.6)
Tax regarding previous years	(0.4)	(0.1)
<b>Total tax</b>	<b>97.7</b>	<b>112.6</b>
Effective tax rate	22.4%	23.6%

## Note 12 – Earnings per share

(DKK millions)	2016/17	2015/16
<b>Profit for the year</b>	<b>338.7</b>	<b>364.5</b>
Average number of shares	39,620,994	40,324,046
Average number of treasury shares	(1,071,546)	(599,600)
<b>Average number of outstanding shares</b>	<b>38,549,448</b>	<b>39,724,446</b>
Average dilutive effect of outstanding share options	152,261	266,113
<b>Diluted average number of outstanding shares</b>	<b>38,701,709</b>	<b>39,990,559</b>
Earnings per share of DKK 2.50	8.79	9.17
Diluted earnings per share of DKK 2.50	8.75	9.11

## Note 13 – Dividend per share

The Board of Directors recommends to the annual general meeting that a dividend of DKK 6.30 (2015/16: DKK 6.30) be declared and paid.

The dividend is determined as approximately 62% of adjusted profit after tax for the 2016/17 financial year.

For a definition of adjusted profit after tax, see “Definitions of key financials” on page 84.

Adjusted profit after tax is computed as follows:

(DKK millions)	2016/17	2015/16
Profit for the year	338.7	364.5
Plus amortisation of intangible assets excluding software	76.0	76.0
Less tax effect of amortisation of intangible assets excluding software	(16.7)	(18.0)
<b>Adjusted profit after tax</b>	<b>398.0</b>	<b>422.5</b>

## Note 14 – Intangible assets

(DKK millions)	Goodwill	Trade- marks and trade names	Shares in co- operative property	Other intangible assets	Total
<b>Cost at 1 April 2016</b>	<b>3,691.0</b>	<b>1,107.1</b>	<b>3.9</b>	<b>181.7</b>	<b>4,983.7</b>
Additions on acquisitions	43.5	0.0	0.0	0.0	43.5
Additions	0.0	0.0	0.0	40.4	40.4
<b>Cost at 31 March 2017</b>	<b>3,734.5</b>	<b>1,107.1</b>	<b>3.9</b>	<b>222.1</b>	<b>5,067.6</b>
<b>Amortisation and impairment at 1 April 2016</b>	<b>0.0</b>	<b>671.4</b>	<b>0.0</b>	<b>144.5</b>	<b>815.9</b>
Amortisation	0.0	73.9	0.0	28.4	102.3
<b>Amortisation and impairment at 31 March 2017</b>	<b>0.0</b>	<b>745.3</b>	<b>0.0</b>	<b>172.9</b>	<b>918.2</b>
<b>Carrying amount at 31 March 2017</b>	<b>3,734.5</b>	<b>361.8</b>	<b>3.9</b>	<b>49.2</b>	<b>4,149.4</b>
<b>Cost at 1 April 2015</b>	<b>3,691.0</b>	<b>1,107.1</b>	<b>3.9</b>	<b>157.0</b>	<b>4,959.0</b>
Additions	0.0	0.0	0.0	25.2	25.2
Disposals	0.0	0.0	0.0	(0.5)	(0.5)
<b>Cost at 31 March 2016</b>	<b>3,691.0</b>	<b>1,107.1</b>	<b>3.9</b>	<b>181.7</b>	<b>4,983.7</b>
<b>Amortisation and impairment at 1 April 2015</b>	<b>0.0</b>	<b>597.4</b>	<b>0.0</b>	<b>117.6</b>	<b>715.0</b>
Amortisation	0.0	74.0	0.0	27.4	101.4
Disposals	0.0	0.0	0.0	(0.5)	(0.5)
<b>Amortisation and impairment at 31 March 2016</b>	<b>0.0</b>	<b>671.4</b>	<b>0.0</b>	<b>144.5</b>	<b>815.9</b>
<b>Carrying amount at 31 March 2016</b>	<b>3,691.0</b>	<b>435.7</b>	<b>3.9</b>	<b>37.2</b>	<b>4,167.8</b>
Amortised over	-	15 years	-	5-10 years	

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



## Note 15 – Impairment testing

### Goodwill

The carrying amount of consolidated goodwill at 31 March 2017 was DKK 3,734.5 million (31 March 2016: 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 2017.

Management monitors goodwill on the basis of the overall group of CGUs (stores).

The recoverable value is based on the value in use, which is determined using expected net cash flows on the basis of an approved budget for 2017/18 and a projection for the remaining budget period (the years 2018-2021) based on expected revenue growth of 3%.

In the longer term, demand is expected to be affected by changes in the demographics, mix of consumers and consumer behaviour that support health and beauty trends in Denmark, and by developments in product prices. In addition, the level of innovation among manufacturers as well as product launches will affect demand. Matas estimates that long-term market growth in Matas's product areas will average around 2% per year, assuming that the Danish economy remains stable. In the shorter term, growth will depend partly on general economic trends, including inflation and whether this leads to increased consumer spending.

The contribution ratio for the budget period is based on the historical average contribution ratio, which is expected to be remain broadly unchanged despite the persistently competitive market.

The discount factor before tax is 8.5% (31 March 2016: 9.0%).

The weighted average growth rate used for extrapolation of future net cash flows for the years after 2021 is estimated at 1.5% (31 March 2016: 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 2017, there is no current evidence of impairment. In management's assessment, likely changes in the basic assumptions will not lead to the carrying amount exceeding the recoverable amount.

## Note 16 – Property, plant and equipment

(DKK millions)	Land and buildings	Fixtures, fittings, tools and equip- ment	Leasehold improve- ments	Total
<b>Cost at 1 April 2016</b>	<b>119.4</b>	<b>205.5</b>	<b>161.5</b>	<b>486.4</b>
Additions	0.0	36.1	7.2	43.3
Disposals	0.0	(5.8)	(0.8)	(6.6)
<b>Cost at 31 March 2017</b>	<b>119.4</b>	<b>235.8</b>	<b>167.9</b>	<b>523.1</b>
<b>Depreciation and impairment at 1 April 2016</b>	<b>22.9</b>	<b>138.2</b>	<b>151.5</b>	<b>312.6</b>
Depreciation	3.8	32.8	5.1	41.7
Disposals	0.0	(5.1)	(0.8)	(5.9)
<b>Depreciation and impairment at 31 March 2017</b>	<b>26.7</b>	<b>165.9</b>	<b>155.8</b>	<b>348.4</b>
<b>Carrying amount at 31 March 2017</b>	<b>92.7</b>	<b>69.9</b>	<b>12.1</b>	<b>174.7</b>
<b>Cost at 1 April 2015</b>	<b>119.1</b>	<b>196.3</b>	<b>158.2</b>	<b>473.6</b>
Additions	0.3	41.5	3.6	45.4
Disposals	0.0	(32.3)	(0.3)	(30.1)
<b>Cost at 31 March 2016</b>	<b>119.4</b>	<b>205.5</b>	<b>161.5</b>	<b>488.9</b>
<b>Depreciation and impairment at 1 April 2015</b>	<b>20.4</b>	<b>143.1</b>	<b>144.6</b>	<b>308.1</b>
Depreciation	2.5	27.2	7.2	36.9
Disposals	0.0	(32.1)	(0.3)	(29.9)
<b>Depreciation and impairment at 31 March 2016</b>	<b>22.9</b>	<b>138.2</b>	<b>151.5</b>	<b>315.1</b>
<b>Carrying amount at 31 March 2016</b>	<b>96.5</b>	<b>67.3</b>	<b>10.0</b>	<b>173.8</b>
Depreciated over:	25-75 years	1-7 years	5-10 years	

## Note 17 – Treasury shares

(DKK millions)	Number of shares of DKK 2.5		% of share capital	
	2016/17	2015/16	2016/17	2015/16
1 April	1,045,693	626,443	2.60%	1.54%
Transferred in connection with exercise of options	(13,845)	0	(0.03)%	0.00%
Capital reduction resolved at annual general meeting	(1,000,000)	(488,312)	(2.49)%	1.20%
Acquisition of treasury shares	31,848	138,131	0.08%	0.34%
	1,625,338	907,562	4.14%	2.25%
<b>Treasury shares at 31 March</b>	<b>1,657,186</b>	<b>1,045,693</b>	<b>4.22%</b>	<b>2.60%</b>

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

Under the previous programme for DKK 125 million, 230,100 shares were acquired in the 2016/17 financial year for a total of DKK 29.5 million, excluding transaction costs. In financial year 2015/16, 750,763 treasury shares were acquired for a total of DKK 95.5 million.

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

## Note 18 – Inventories

(DKK millions)	2016/17	2015/16
Goods for resale	693.2	662.0
Carrying amount of inventories recognised at net selling price	0.0	0.8
<b>Inventories at 31 March</b>	<b>693.2</b>	<b>662.8</b>

## Note 19 – Trade receivables

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

(DKK millions)	2016/17	2015/16
1 April	0.3	0.5
Write-down during the year	0.0	0.1
Realised during the year	(0.1)	(0.3)
<b>Write-down at 31 March</b>	<b>0.2</b>	<b>0.3</b>

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

(DKK millions)	2016/17	2015/16
Maturity:		
Up until 30 days	0.4	0.9
Between 30 and 90 days	0.0	0.7
<b>Overdue at 31 March</b>	<b>0.4</b>	<b>1.6</b>

## Note 20 – Corporation tax receivable

Corporation tax receivable includes DKK 79.6 million (2015/16: DKK 79.6 million) including interest on tax paid relating to the decision of the Danish tax authorities concerning withholding tax on interest. See discussion in notes 2 and 28. The decision has been appealed to the Danish National Tax Tribunal, and its decision is expected within the next few years.

## Note 21 – Equity

### Share capital

The nominal value of the share capital is DKK 98,228,730 divided into shares of DKK 2.50, equivalent to 39,291,492 shares and 39,291,492 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 48.8% at 31 March 2017 (31 March 2016: 50.0%).

## Note 22 – Deferred tax

(DKK millions)	2016/17	2015/16
Deferred tax at 1 April	232.2	245.9
Deferred tax for the year, recognised in the profit for the year	(13.4)	(13.7)
<b>Deferred tax at 31 March</b>	<b>218.8</b>	<b>232.2</b>
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	(17.7)	(16.0)
Deferred tax (liability)	236.5	248.2
<b>Deferred tax at 31 March, net</b>	<b>218.8</b>	<b>232.2</b>
Deferred tax relates to:		
Intangible assets	218.8	231.5
Property, plant and equipment	15.2	16.2
Inventories	(17.7)	(16.0)
Other assets	2.5	0.5
<b>Deferred tax at 31 March, net</b>	<b>218.8</b>	<b>232.2</b>

Unrecognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 17.3 million (2015/16: DKK 17.9 million).

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
<b>2016/17</b>			
Intangible assets	231.5	(12.7)	218.8
Property, plant and equipment	16.2	(1.0)	15.2
Inventories	(16.0)	(1.7)	(17.7)
Other assets	0.5	2.0	2.5
<b>Total</b>	<b>232.2</b>	<b>(13.4)</b>	<b>218.8</b>
<b>2015/16</b>			
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
<b>Total</b>	<b>245.9</b>	<b>(13.7)</b>	<b>232.2</b>

## Note 23 – Prepayments from customers

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

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

## Note 24 – Amounts owed to credit institutions

(DKK millions)	2016/17	2015/16
Amounts owed to credit institutions are recognised in the statement of financial position as follows:		
Non-current liabilities	1,492.0	1,493.5
Current liabilities	56.3	0.0
<b>Total</b>	<b>1,548.3</b>	<b>1,493.5</b>
<b>Nominal value</b>	<b>1,556.3</b>	<b>1,500.0</b>
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
<b>Fair value</b>	<b>1,556.3</b>	<b>1,500.0</b>

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

The Group's long-term loans with credit institutions were refinanced at 31 March 2017. Amounts owed to credit institutions carry variable interest rates at an initial margin in the range of 55 - 110 basis points above CIBOR (however, at least 0% for the main part of the debt) and include a margin ratchet dependent on the level of leverage. At 31 March 2017, the effective interest rate on the net debt was 0.3-0.9% p.a. (31 March 2016: 1.4-1.5% p.a.).

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

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

## Note 25 – Other payables

(DKK millions)	2016/17	2015/16
Included in non-current liabilities:		
Fair value of hedging instrument	13.1	22.8
<b>Total other payables, non-current liabilities</b>	<b>13.1</b>	<b>22.8</b>
Included in current liabilities:		
VAT payable	40.2	37.2
Holiday pay obligation	96.7	91.3
Pay-related liabilities	15.2	18.9
Other creditors	3.7	11.1
<b>Total other payables, current liabilities</b>	<b>155.8</b>	<b>158.5</b>

## Note 26 – Changes in working capital

(DKK millions)	2016/17	2015/16
Change in inventories	(10.0)	(0.7)
Change in deposits and receivables	6.5	(2.7)
Change in trade and other payables	(6.1)	97.2
<b>Total changes in working capital</b>	<b>(9.6)</b>	<b>93.8</b>

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

## Note 27 – Acquisition of subsidiaries and operations

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

The total acquisition cost was DKK 54.3 million, of which DKK 43.5 million related to goodwill after recognition of identifiable assets and liabilities at fair value.

(DKK millions)	2016/17	2015/16
Inventories	20.4	0.0
Other receivables	0.6	0.0
Cash and cash equivalents	0.1	0.0
Liabilities	(10.3)	0.0
<b>Acquired net assets</b>	<b>10.8</b>	<b>0.0</b>
Goodwill	43.5	0.0
<b>Acquisition cost</b>	<b>54.3</b>	<b>0.0</b>
Of which cash and cash equivalents	(0.1)	0.0
Unpaid acquisition cost	3.2	0.0
<b>Cash acquisition cost</b>	<b>51.0</b>	<b>0.0</b>

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

The acquired stores are recognised in revenue from the date of acquisition to 31 March 2017 at DKK 31.7 million and in EBITDA from the date of acquisition to 31 March 2017 at DKK 2.3 million.

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

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

### 2015/16

The Group did not acquire any Matas stores in 2015/16.

## Note 28 – Contingent liabilities and security

In September 2013, Matas A/S was notified of the Danish tax authorities' decision to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to M Holding 1 AB. The total amount is DKK 79.6 million including interest (2015/16: DKK 79.6 million). See note 20.

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

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

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

Liabilities under operating leases are stated in note 30.

## Note 29 – Financial risks and financial instruments

### The Group's risk management policy

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

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

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

### Interest rate risk

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

In 2013/14, the Group entered into an interest rate swap with a principal amount of DKK 750 million. The Group has decided that the interest rate swap, which partially hedges the Group's interest rate risks on loans, will not be accounted for as a hedging instrument. The fair value was negative at DKK 13.1 million at 31 March 2017 (31 March 2016: DKK (22.8) million). The interest rate for the term of the agreement has been fixed at 1.15%.

Due to the Group's floating-rate cash and cash equivalents and debt to credit institutions, an increase in interest rates of 1% p.a. relative to the actual level of interest rates would, other things being equal, have a negative effect on the profit for the year of DKK 7 million (2015/16: DKK 9 million) and on year-end equity of DKK 7 million (31 March 2016: DKK 9 million).

### Assumptions for sensitivity analysis

Sensitivities are calculated on the basis of 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.

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

### Currency risk

The Group's currency risk is primarily related to its purchases in EURO.



## Note 29 – Financial risks and financial instruments, cont.

The Group has not entered into any foreign exchange contracts.

### Liquidity risk

The Group's liquidity reserve consists of cash and cash equivalents and unutilised credit facilities and amounted to DKK 544 million at 31 March 2017 (31 March 2016: DKK 820 million). The Group aims to maintain sufficient cash resources to, among other things, continue to acquire Matas stores.

The Group's financial liabilities fall due as follows:

(DKK millions)	Carrying amount	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
<b>2016/17</b>						
<i>Derivative financial instruments</i>						
Interest rate swap	13.1	13.1	10.5	2.6	0.0	0.0
<i>Non-derivative financial instruments</i>						
Credit institutions	1,556.0	1,609.9	68.0	431.4	1,110.5	0.0
Trade payables	587.9	587.9	587.9	0.0	0.0	0.0
<b>Financial liabilities at 31 March 2017</b>	<b>2,157.0</b>	<b>2,210.9</b>	<b>666.4</b>	<b>434.0</b>	<b>1,110.5</b>	<b>0.0</b>
<b>2015/16</b>						
<i>Derivative financial instruments</i>						
Interest rate swap	22.8	22.5	10.0	12.5	0.0	0.0
<i>Non-derivative financial instruments</i>						
Credit institutions	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
<b>Financial liabilities at 31 March 2016</b>	<b>2,100.5</b>	<b>2,166.5</b>	<b>620.8</b>	<b>1,545.7</b>	<b>0.0</b>	<b>0.0</b>

### Assumptions for maturity analysis

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

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

### Credit risk

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

The Group is not exposed to any significant risks regarding any one individual customer or partner. Accordingly, trade receivables are not insured. The Group has no significant overdue receivables and has therefore only made minor provisions for bad debts. See note 19.

## Note 29 – Financial risks and financial instruments, cont.

(DKK millions)	Carrying amount 2016/17	Fair value 2016/17	Carrying amount 2015/16	Fair value 2015/16
Deposits	39.7	39.7	36.9	36.9
Trade receivables	20.7	20.7	29.5	29.5
Other receivables	11.4	11.4	4.5	4.5
Cash and cash equivalents	33.3	33.3	69.9	69.9
<b>Loans and receivables</b>	<b>105.1</b>	<b>105.1</b>	<b>140.8</b>	<b>140.8</b>
Derivative financial instruments included in the trading portfolio	13.1	13.1	22.8	22.8
<b>Financial liabilities at fair value through profit or loss</b>	<b>13.1</b>	<b>13.1</b>	<b>22.8</b>	<b>22.8</b>
<i>Non-current financial liabilities</i>				
Credit institutions	1,492.0	1,500.0	1,493.5	1,500.0
<i>Current financial liabilities</i>				
Credit institutions	56.3	56.3	0.0	0.0
Suppliers	587.9	587.9	584.2	584.2
<b>Financial liabilities at amortised cost</b>	<b>2,136.2</b>	<b>2,144.2</b>	<b>2,077.7</b>	<b>2,084.2</b>

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

The methods applied are unchanged from 2015/16.

(DKK millions)	Quoted prices (Level 1)	Obser- vable input (Level 2)	Non- obser- vable input (Level 3)	Total
<b>2016/17</b>				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	13.1	0.0	13.1
<b>Total financial liabilities</b>	<b>0.0</b>	<b>13.1</b>	<b>0.0</b>	<b>13.1</b>
<b>2015/16</b>				
<i>Financial liabilities</i>				
Derivative financial instruments included in the trading portfolio	0.0	22.8	0.0	22.8
<b>Total financial liabilities</b>	<b>0.0</b>	<b>22.8</b>	<b>0.0</b>	<b>22.8</b>

## Note 29 – Financial risks and financial instruments, cont.

### Derivative financial instruments

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

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

(DKK millions)	Notional amount	Fair value adjustment recognised through profit or loss	Fair value	Time to maturity (mths)
<b>2016/17</b>				
<i>Interest rate risks</i>				
Interest rate swap, trading portfolio	750.0	9.7	(13.1)	15.0
<b>2015/16</b>				
<i>Interest rate risks</i>				
Interest rate swap, trading portfolio	750.0	5.3	(22.8)	27.0

## Note 30 – Liabilities under operating leases

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

Payments under interminable operating leases are specified as follows:

(DKK millions)	2016/17	2015/16
0-1 years	98.6	92.2
1-5 years	22.0	9.6
> 5 years	1.8	0.0
<b>Total</b>	<b>122.4</b>	<b>101.8</b>

In 2016/17, DKK 174.6 million (2015/16: DKK 169.3 million) was recognised in profit/loss regarding operating leases. This amount comprises rent, car leases and leases of certain other assets.

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

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

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

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

(1) Paid during the year

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

(DKK millions)	Base salary incl. benefits	Pension contri- butions	Short- term bonus (1)	Total	Share options (2)	Total incl. share options
<b>2015/16</b>						
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
<b>Executive Management, total</b>	<b>7.8</b>	<b>0.4</b>	<b>1.9</b>	<b>10.1</b>	<b>5.1</b>	<b>15.2</b>
<b>Other executives, total</b>	<b>8.6</b>	<b>0.5</b>	<b>1.4</b>	<b>10.5</b>	<b>2.9</b>	<b>13.4</b>
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.4	-	-	0.4	-	0.4
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Ingrid Jonasson Blank	0.3	-	-	0.3	-	0.3
Christian Mariager	0.3	-	-	0.3	-	0.3
<b>Board of Directors, total</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>2.2</b>	<b>0.0</b>	<b>2.2</b>
<b>Total</b>	<b>18.6</b>	<b>0.9</b>	<b>3.3</b>	<b>22.8</b>	<b>8.0</b>	<b>30.8</b>

(1) Paid during the year

(2) The amount 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 options granted attributable to the financial year.

In accordance with Matas A/S's overall guidelines on incentive pay, Matas on 9 September 2016 granted a total of 66,968 PSUs to purchase shares in Matas A/S, consisting of 42,501 PSUs to members of the Executive Management and 24,467 PSUs to key employees. Depending on the achievement of two KPIs, which are each weighted 50%, the number of PSUs granted may at vesting vary between 75% and 150% of the number originally granted. One KPI is based on the EBITDA performance and the other on the revenue performance in the period up to and including financial year 2018/19. The PSUs are granted free of charge, and provided that the PSUs vest and do not lapse, each PSU entitles the holder to receive one Matas share at the time of vesting. Provided that the KPIs described above are achieved, the PSUs granted will vest after publication of the annual report for 2018/19.

Assuming minimum and maximum achievement, respectively, of the KPIs by the end of financial year 2018/19, the PSUs represent a value of DKK 6.3 million and DKK 12.5 million, respectively.

As part of the granting of PSUs, Matas has, by mutual agreement with the participants, cancelled the original share options granted under the programmes completed in 2014 and 2015. The equivalent value of the programmes computed using a Black-Scholes model, DKK 6.6 million, has been settled in cash with the participants of the previous programmes.

Programme	Number of employees	Number of PSUs granted	Market value at grant (DKKm)
2016/17	9	66,968	6.3-12.5

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

Movements in outstanding options:

(No.)	Terje List	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Average strike price per option
Outstanding at 1 April 2016	115,882	56,078	171,960	96,648	268,608	133.71
Exercised in 2016/17	(6,141)	(2,948)	(9,089)	(4,756)	(13,845)	-
Buyback of share option programmes	(109,741)	(53,130)	(162,871)	(91,892)	(254,763)	-
<b>Outstanding at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>

Movements in outstanding PSUs:

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

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

### Shareholdings

Shareholdings of the Board of Directors and the Executive Management in Matas A/S and changes in shareholdings in 2016/17:

	Shares held at 1 April 2016 No.	Purchased/ sold during period No.	Shares held at 31 March 2017 No.	Market value at 31 March 2017 (DKKm)
<b>Board of Directors</b>				
Lars Vinge Frederiksen, Chairman	8,695	10,400	19,095	1.9
Lars Frederiksen	8,269	0	8,269	0.8
Birgitte Nielsen	1,739	0	1,739	0.2
Ingrid Jonasson Blank	3,000	0	3,000	0.3
Christian Mariager	3,500	0	3,500	0.3
<b>Executive Management</b>				
Terje List	94,095	13,641	107,736	10.7
Anders Skole-Sørensen	82,209	12,448	94,657	9.4

## Note 32 – Related parties

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

Following the acquisition of the Group in 2007, leases were entered into with former store owners as landlords for approximately 57 of the Group's current leased stores, including Board member Lars Frederiksen, who indirectly owns two leased stores. Rent for the two retail leases was DKK 0.9 million (2015/16: DKK 0.9 million).

Management's remuneration is disclosed in note 31.

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

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

## Note 34 – New financial reporting regulation

The ISAB has issued a number of new financial reporting standards, amendments to existing standards, revised standards and interpretations that did not apply to Matas A/S at the time of preparation of the annual report for 2016/17, the most important being:

- IFRS 9, Financial Instruments, which takes effect on 1 January 2018 (for Matas: financial year 2018/19), will change the classification, measurement and derecognition of financial assets and introduce new hedge accounting rules. Based on the existing portfolio, the updated classification and measurement requirements are not expected to significantly affect the annual report. The new hedge accounting rules are expected to improve Matas's ability to apply hedge accounting. Matas will look into the possibility of applying hedge accounting in connection with the conclusion of a new interest rate swap after 30 June 2018.
- IFRS 15, Revenue from Contracts with Customers, which takes effect on 1 January 2018 (for Matas: financial year 2018/19), will supersede the existing revenue standards (IAS 11 and IAS 18) and interpretations. The new standard will introduce a new model for recognition and measurement of revenue relating to sales contracts with customers. Matas is currently analysing its effects on recognition and measurement. While this analysis has yet to be completed, the new standard is expected to have a minor effect on the accounting classification of particularly the Club Matas customer loyalty programme.
- IFRS 16, Leases, was issued in January 2016 to take effect for financial years beginning on or after 1 January 2019 (for Matas: financial year 2019/20). The standard implies that all leases, irrespective of type, must with a few exceptions be recognised in the statement of financial position as an asset with a related lease liability. Matas A/S has yet to complete the analysis of the precise effects of this standard on the Group and to determine the principles for calculating existing operating leases for purposes of future recognition, including estimates of the remaining terms of individual leases. It is expected that the recognition of leases in the statement of financial position will increase total assets while equity will remain unchanged, as a result of which the Group's solvency ratio will decline. The standard will have a favourable effect on EBIT due to the reclassification of rent to depreciation and of interest payments to financial expenses. Financial expenses will consequently increase. Free cash flows will also increase because rent will be classified as cash flows from financing activities, not as cash flows from operating activities. Total cash flows will be unaffected.

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

# Group overview

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



# Financial statements of the parent company

## Matas A/S 2016/17

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# Statement of comprehensive income

(DKK millions)	Note	2016/17	2015/16
Other operating income	3	10.3	27.4
Other external costs		(3.0)	(8.4)
Staff costs	4	(22.3)	(15.3)
<b>EBIT</b>		(15.0)	3.7
Financial income	5	300.0	302.9
Financial expenses	6	(5.0)	(1.0)
<b>Profit before tax</b>		280.0	305.6
Tax on the profit for the year	7	4.7	(1.2)
<b>Statement of comprehensive income</b>		284.7	304.4
<b>Other comprehensive income</b>			
Other comprehensive income after tax		0.0	0.0
<b>Total comprehensive income for the year</b>		284.7	304.4
<b>Proposed appropriation of profit/(loss)</b>			
Proposed dividend: DKK 6.30 per share (2015/16: DKK 6.30 per share)		247.5	253.8
Retained earnings		37.2	50.6
<b>Total</b>		284.7	304.4

# Statement of cash flows

(DKK millions)	Note	2016/17	2015/16
Profit before tax		280.0	305.6
Financial income	5	(300.0)	(302.9)
Financial expenses	6	5.0	1.0
Non-cash operating items etc.		8.4	3.2
<b>Cash generated from operations before changes in working capital</b>		(6.6)	6.9
Changes in working capital	10	(6.6)	5.2
<b>Cash generated from operations</b>		(13.2)	12.1
Interest received	5	0.0	2.9
Interest paid	6	(5.0)	(1.0)
Corporation tax paid		(89.7)	(144.6)
<b>Cash flow from operating activities</b>		(107.9)	(130.6)
<b>Cash flow from investing activities</b>		0.0	0.0
<b>Free cash flow</b>		(107.9)	(130.6)
Debt raised/settled with group entities		234.3	183.5
Dividend paid		(245.8)	(232.0)
Dividend received	5	300.0	300.0
Purchase and sale of treasury shares		(180.6)	(120.9)
<b>Cash flow from financing activities</b>		107.9	130.6
<b>Net cash flow from operating, investing and financing activities</b>		0.0	0.0
Cash and cash equivalents at 1 April		0.0	0.0
<b>Cash and cash equivalents at 31 March</b>		0.0	0.0

# Statement of financial position

(DKK millions)	Note	2016/17	2015/16
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	8	2,036.3	2,036.3
<b>Total non-current assets</b>		2,036.3	2,036.3
<b>CURRENT ASSETS</b>			
Receivables from group entities	12	142.0	140.4
Corporation tax receivable	7	114.1	130.1
Prepayments		0.7	0.5
<b>Total current assets</b>		256.8	271.0
<b>TOTAL ASSETS</b>		2,293.1	2,307.3

(DKK millions)	Note	2014/15	2015/16
<b>EQUITY AND LIABILITIES</b>			
Share capital	9	98.2	100.7
Share premium		0.0	1,787.3
Treasury share reserve		(185.3)	(137.4)
Retained earnings		1,943.7	239.5
Proposed dividend for the financial year		247.5	253.8
<b>Total equity</b>		2,104.1	2,243.9
Deferred tax		0.1	0.1
<b>Total non-current liabilities</b>		0.1	0.1
Payables to Group entities	12	188.2	56.1
Trade payables	12	0.7	7.1
Other payables		0.0	0.1
<b>Total current liabilities</b>		188.9	63.3
<b>Total liabilities</b>		189.0	63.4
<b>TOTAL EQUITY AND LIABILITIES</b>		2,293.1	2,307.3

# Statement of changes in equity

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

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

(DKK millions)	Share capital	Share premium	Treasury share reserve	Proposed dividend	Retained earnings	Total
<b>Equity at 1 April 2015</b>	<b>101.9</b>	<b>1,787.3</b>	<b>(85.7)</b>	<b>236.5</b>	<b>249.2</b>	<b>2,289.2</b>
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
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>253.8</b>	<b>50.6</b>	<b>304.4</b>
<b>Transactions with owners</b>						
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
<b>Total transactions with owners</b>	<b>(1.2)</b>	<b>0.0</b>	<b>(51.7)</b>	<b>(236.5)</b>	<b>(60.3)</b>	<b>(349.7)</b>
<b>Equity at 31 March 2016</b>	<b>100.7</b>	<b>1,787.3</b>	<b>(137.4)</b>	<b>253.8</b>	<b>239.5</b>	<b>2,243.9</b>

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# Notes to the financial statements

## Note 1 – Accounting policies

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

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

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

### Description of accounting policies

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

#### Financial income

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

#### Investments in subsidiaries

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

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

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

#### Tax

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

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

## Note 2 – Accounting estimates and judgments

### Estimation uncertainty

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

## Note 2 – Accounting estimates and judgments, cont.

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

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

## Note 3 – Other operating income

(DKK millions)	2016/17	2015/16
Management fee to group entities (including adjustments regarding previous years)	10.3	25.2
VAT adjustment regarding previous years	0.0	2.2
<b>Total</b>	<b>10.3</b>	<b>27.4</b>

## 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 2.2 million (2015/16: DKK 2.1 million). The remuneration of the Executive Management is recognised in profit or loss in the amount of DKK 11.7 million (2015/16: DKK 10.0 million). In addition, share-based payment is recognised in the amount of DKK 8.4 million (2015/16: DKK 3.2 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)	2016/17	2015/16
Dividend from M Holding 3 A/S	300.0	300.0
Interest allowance	0.0	1.7
Interest, group entities	0.0	1.2
<b>Total financial income</b>	<b>300.0</b>	<b>302.9</b>

## Note 6 – Financial expenses

(DKK millions)	2016/17	2015/16
Interest surcharge, corporation tax	0.0	0.4
Interest, group entities	5.0	0.6
<b>Total financial expenses</b>	<b>5.0</b>	<b>1.0</b>



## Note 7 – Tax

(DKK millions)	2016/17	2015/16
Tax on the profit/(loss) for the year is specified as follows:		
Tax on profit/(loss) for the year	(4.7)	1.2
<b>Total</b>	<b>(4.7)</b>	<b>1.2</b>
Tax on the profit/(loss) for the year has been calculated as follows:		
Joint taxation contributions	(4.7)	1.1
Deferred tax	0.0	0.1
<b>Total</b>	<b>(4.7)</b>	<b>1.2</b>
Tax on the profit/(loss) for the year is explained as follows:		
Computed 22.0% tax on profit before tax (23.5% in 2015/16)	61.6	71.8
Non-taxable income	(66.0)	(71.4)
Other	(0.3)	0.8
<b>Total</b>	<b>(4.7)</b>	<b>1.2</b>
Effective tax rate	(1.7%)	0.4%

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

## Note 8 – Investments in subsidiaries

(DKK millions)	2016/17	2015/16
Cost at 1 April	2,036.3	2,036.3
<b>Carrying amount at 31 March</b>	<b>2,036.3</b>	<b>2,036.3</b>

The company's equity investment in M Holding 3 A/S was 100% at 31 March 2017 (31 March 2016: ownership interest 100%).

## Note 9 - Equity and treasury shares

### Share capital

The nominal value of the share capital is DKK 98,228,730 divided into shares of DKK 2.50, equivalent to 39,291,492 shares and 39,291,492 votes. The shares are not divided into share classes.

### Capital structure

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

The 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 91.8% at 31 March 2017 (31 March 2016: 97.3%).

### Treasury shares

See note 17 to the consolidated financial statements.

## Note 10 – Changes in working capital

(DKK millions)	2016/17	2015/16
Change in receivables	(0.2)	0.0
Change in trade payables, other payables	(6.4)	5.2
<b>Total</b>	<b>(6.6)</b>	<b>5.2</b>

## Note 11 - Contingent liabilities and security

The parent company is jointly taxed with the other Danish companies of the Matas Group. As the administration company, the company has unlimited and joint and several liability with the other entities participating in the joint taxation for Danish corporation tax payable by the jointly taxed entities. Corporation tax payable amounted to DKK 0 at 31 March 2017 (31 March 2016: DKK 0). Any adjustments to the taxable joint taxation income may cause the parent company's liability to increase.

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

### Security

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

The debt to credit institutions stood at DKK 1,500 million at 31 March 2017 (31 March 2016: DKK 1,500 million).

## Note 12 - Financial risks and financial instruments

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

### Liquidity risk

The company's financial liabilities fall due as follows:

(DKK millions)	Carrying amount	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
<b>2016/17</b>						
<i>Non-derivative financial instruments</i>						
Payables to group entities	188.2	188.2	188.2	0.0	0.0	0.0
Trade payables	0.7	0.7	0.7	0.0	0.0	0.0
<b>31 March 2017</b>	<b>188.9</b>	<b>188.9</b>	<b>188.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2015/16</b>						
<i>Non-derivative financial instruments</i>						
Payables to group entities	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
<b>31 March 2016</b>	<b>63.2</b>	<b>63.2</b>	<b>63.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Note 12 - Financial risks and financial instruments, cont.

### Assumptions for maturity analysis

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

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

### Credit risk

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

The company has no material credit risk.

(DKK millions)	Carrying amount 2016/17	Fair value 2016/17	Carrying amount 2015/16	Fair value 2015/16
Receivables from group entities	142.0	142.0	140.4	140.4
<b>Loans and receivables</b>	<b>142.0</b>	<b>142.0</b>	<b>140.4</b>	<b>140.4</b>
Payables to group entities	188.2	188.2	56.1	56.1
Suppliers	0.7	0.7	7.1	7.1
<b>Financial liabilities at amortised cost</b>	<b>188.9</b>	<b>188.9</b>	<b>63.2</b>	<b>63.2</b>

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

## Note 13 – Related parties

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

Matas A/S is jointly taxed with its subsidiaries. The joint taxation contributions from subsidiaries amounted to DKK 4.7 million in 2016/17 (2015/16: DKK 1.1 million). Matas A/S has received DKK 300 million in dividend from subsidiaries.

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

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

## Note 14 – New financial reporting regulation

See note 34 to the consolidated financial statements.

# Definitions of key financials

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

# Interim financial highlights

(unaudited)

(DKK millions)	2016/17				2015/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Statement of comprehensive income</b>								
Revenue	848.1	771.6	1,064.3	779.4	826.5	783.2	1,051.5	764.9
Gross profit	401.1	361.9	487.5	361.3	386.0	366.9	487.5	364.1
EBITDA	152.6	113.4	231.8	122.3	152.4	138.4	243.6	117.7
EBIT	117.9	78.5	195.6	83.1	118.7	104.0	209.2	81.7
Net financials	(9.5)	(8.4)	(7.8)	(12.9)	(5.6)	(10.4)	(9.9)	(10.6)
Profit before tax	108.4	70.1	187.8	70.2	113.1	93.6	199.3	71.1
Profit for the period	84.6	54.6	147.0	52.6	86.4	71.3	152.9	53.9
<b>Statement of financial position</b>								
Assets	5,443.7	5,316.1	5,454.4	5,270.6	5,474.4	5,369.1	5,481.8	5,315.3
Equity	2,468.2	2,493.8	2,552.6	2,572.5	2,472.9	2,545.4	2,663.1	2,658.3
Net working capital	(105.5)	3.7	(160.5)	(158.0)	(122.6)	(27.4)	(152.9)	(172.0)
Net interest-bearing debt	1,428.1	1,732.1	1,522.3	1,515.0	1,645.1	1,627.2	1,426.0	1,423.6
<b>Statement of cash flows</b>								
Cash flow from operating activities	77.4	1.6	330.7	73.0	189.3	33.5	252.1	92.0
Cash flow from investing activities	(51.7)	(23.4)	(31.3)	(28.1)	(11.8)	(14.9)	(14.2)	(29.4)
Free cash flow	25.7	(21.8)	299.4	44.9	177.5	18.6	237.9	62.6
Net cash flow from operating, investing and financing activities	36.2	(71.4)	131.7	(133.0)	149.7	(91.4)	116.9	(146.8)
<b>Key performance indicators</b>								
Number of transactions (in millions)	5.6	5.3	6.3	5.0	5.6	5.5	6.4	5.2
Average basket size (in DKK)	145.4	140.6	163.6	149.3	141.4	136.0	156.4	140.1
Total retail floor space (in thousands of square metres)	51.5	51.5	51.9	52.3	50.8	50.8	50.8	50.6
Avg. revenue per square metre (in DKK thousands) - LTM	65.1	64.8	65.0	65.0	64.3	64.3	64.6	64.7
Like-for-like growth	2.9%	(1.5%)	1.3%	2.5%	0.4%	0.2%	1.5%	(1.3%)
<b>Adjusted figures</b>								
EBITDA	152.6	113.4	231.8	122.3	152.4	138.4	243.6	117.7
Net exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA before exceptional items	152.6	113.4	231.8	122.3	152.4	138.4	243.6	117.7
Depreciation	(15.7)	(15.9)	(17.2)	(20.2)	(14.7)	(15.4)	(15.4)	(17.0)
EBITA	136.9	97.5	214.6	102.1	137.7	123.0	228.2	100.7
Adjusted profit after tax	99.4	69.4	161.8	67.4	100.9	85.8	167.4	68.5
Gross margin	47.3%	46.9%	45.8%	46.4%	46.7%	46.8%	46.4%	47.6%
EBITDA margin	18.0%	14.7%	21.8%	15.7%	18.4%	17.7%	23.2%	15.4%
EBITDA margin before exceptional items	18.0%	14.7%	21.8%	15.7%	18.4%	17.7%	23.2%	15.4%
EBIT margin	13.9%	10.2%	18.4%	10.7%	14.4%	13.3%	19.9%	10.7%
EBITA margin	16.1%	12.6%	20.2%	13.1%	16.7%	15.7%	21.7%	13.2%

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